

Company registration number: 3599698

Silver Lining 55 Limited

Report and financial statements 31 December 2013

Contents:

Company information	1
Strategic report	2
Report of the directors	3
Independent auditor's report	5
Profit and loss account - technical account	7
Profit and loss account - non-technical account	8
Balance sheet	9
Cash flow statement	11
Notes to the financial statements	12

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Silver Lining 55 Limited

Company information

Directors

Mr M G H Heald
Mrs L J F Heald
Miss E M A Heald

Company Secretary

Argenta Secretariat Limited

Registered Office

Fountain House
130 Fenchurch Street
London EC3M 5DJ

Auditors

Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Accountants

Argenta Tax & Corporate Services Limited
Fountain House
130 Fenchurch Street
London EC3M 5DJ

Silver Lining 55 Limited

Strategic Report

The Directors submit their Strategic Report for the Company for the year ended 31 December 2013.

Business Review

The Company continues to write insurance business in the Lloyd's insurance market as a Lloyd's corporate capital member.

The financial statements incorporate the annual accounting results of the Syndicates on which the Company participates for the 2011, 2012 and 2013 years of account, as well as any 2010 and prior run-off years. The 2011 year closed at 31 December 2013 with a result of £45,083 (2010 - £(124,516)). The 2012 and 2013 open underwriting accounts will normally close at 31 December 2014 and 2015 respectively.

Results

The results for the year are set out on pages 7 to 8 of the financial statements.

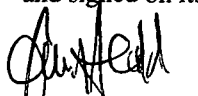
Key Performance Indicators

The Directors monitor the performance of the Company by reference to the following key performance indicators:

	2013	2012
Capacity (youngest underwriting year)	£ 808,307	£ 985,467
Gross premium written as a % of capacity	99.5%	104.0%
Underwriting profit of latest closed year:		
as a % of capacity	4.5%	-13.1%
Run-off years of account movement	£ -	£ -
Combined ratio	80.7%	102.5%

The combined ratio is the ratio of net claims incurred, commissions and expenses to net premiums earned.

Approved by the Board on 15 June 2014
and signed on its behalf by


M G H HEALD

Director

Silver Lining 55 Limited

Report of the Directors

The Directors submit their Report together with the audited financial statements of the Company for the year ended 31 December 2013.

Principal Activities

The principal activity of the Company is that of trading as a Lloyd's corporate capital member. The Company continues to underwrite for the 2014 year of account.

Dividends

Dividends totalling £Nil were paid in the year (2012 - £Nil).

Financial Risk Management Objectives and Policies

The Company is principally exposed to financial risk through its participation on Lloyd's Syndicates. It has delegated sole management and control of its underwriting through each Syndicate to the managing agent of that Syndicate and it looks to the managing agents to implement appropriate policies, procedures and internal controls to manage each Syndicate's exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The Company is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the Company.

Hedge accounting is not used by the Company.

Directors

The Directors who served at any time during the year were as follows:

Mr M G H Heald
Mrs L J F Heald
Miss E M A Heald

Silver Lining 55 Limited

Report of the Directors (continued)

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Mazars LLP have signified their willingness to act and continue to be appointed as the Company's auditors.

In the case of each of the persons who are Directors at the time this report is approved, the following applies:

- (a) So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on
and signed on its behalf by

15th June

2014



M G H HEALD

Director

Silver Lining 55 Limited

Independent Auditor's report

Independent auditor's report to the members of Silver Lining 55 Limited

We have audited the financial statements of Silver Lining 55 Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the Company's members, as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit/(loss) for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Silver Lining 55 Limited

Independent Auditor's report (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Markham Grice (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St. Katharine's Way
London E1W 1DD

25 June 2014

Silver Lining 55 Limited

Profit and loss account Technical account – general business For the year ended 31 December 2013

	Note	2013 £	2012 £
Premiums written			
Gross premiums written	1	804,549	1,025,172
Outward reinsurance premiums	1	(156,075)	(194,933)
Net premiums written		<u>648,474</u>	<u>830,239</u>
Change in the provision for unearned premiums			
Gross provision	1	72,217	(8,099)
Reinsurers' share	1	(4,088)	402
Earned premiums, net of reinsurance		<u>716,603</u>	<u>822,542</u>
Allocated investment return transferred from the non-technical account		9,930	15,646
Other technical income, net of reinsurance		-	-
Claims paid			
Gross amount	1	(569,701)	(543,134)
Reinsurers' share	1	133,433	117,876
Net claims paid		<u>(436,268)</u>	<u>(425,258)</u>
Change in provision for claims			
Gross amount	1	222,016	(128,567)
Reinsurers' share	1	(94,934)	14,336
Change in net provision for claims		<u>127,082</u>	<u>(114,231)</u>
Claims incurred, net of reinsurance		<u>(309,186)</u>	<u>(539,489)</u>
Changes in other technical provisions, net of reinsurance		-	-
Net operating expenses	1, 2	(269,226)	(303,751)
Other technical charges, net of reinsurance		-	-
Balance on the technical account for general business		<u>148,121</u>	<u>(5,052)</u>

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

Silver Lining 55 Limited

Profit and loss account Non - technical account For the year ended 31 December 2013

	Note	2013 £	2012 £
Balance on technical account for general business		148,121	(5,052)
Investment income	3	18,375	18,486
Unrealised gains on investments		5,449	4,538
Investment expenses and charges	4	(6,318)	(4,163)
Unrealised losses on investments		(7,520)	(3,201)
Allocated investment return transferred to the general business technical account		(9,930)	(15,646)
Other income		-	15,457
Other charges		(41,707)	(42,470)
Profit/(loss) on ordinary activities before taxation	5	106,470	(32,051)
Tax on profit/(loss) on ordinary activities	6	13,202	(5,636)
Profit/(loss) for the financial year	13	119,672	(37,687)

The Company has no recognised gains or losses other than the profit or loss for the year.

All amounts relate to continuing operations.

In accordance with the amendment to the Financial Reporting Standard 3 "Reporting Financial Performance", the inclusion of unrealised gains and losses in the profit and loss account to reflect the marking to market of investments in the balance sheet is deemed not to be a material departure from the historical cost basis of accounting. Accordingly, a separate note of historical cost profits and losses is not given.

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

Silver Lining 55 Limited

Balance sheet As at 31 December 2013

		31 December 2013			31 December 2012		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Assets							
Intangible assets	8	-	2,890	2,890	-	6,672	6,672
Investments							
Financial investments	9	793,759	-	793,759	695,705	-	695,705
Deposits with ceding undertakings		140	-	140	240	-	240
		793,899	-	793,899	695,945	-	695,945
Reinsurers' share of technical provisions							
Provision for unearned premiums		38,648	-	38,648	42,971	-	42,971
Claims outstanding		246,433	-	246,433	310,659	-	310,659
Other technical provisions		-	-	-	-	-	-
		285,081	-	285,081	353,630	-	353,630
Debtors							
Arising out of direct insurance operations		173,361	-	173,361	243,635	-	243,635
Arising out of reinsurance operations		169,631	-	169,631	187,548	-	187,548
Other debtors	10	62,826	65,457	128,283	110,867	111,274	222,141
		405,818	65,457	471,275	542,050	111,274	653,324
Other assets							
Cash at bank and in hand		33,429	36	33,465	35,840	17,344	53,184
Other		84,898	-	84,898	108,218	-	108,218
		118,327	36	118,363	144,058	17,344	161,402
Prepayments and accrued income							
Accrued interest		125	-	125	275	-	275
Deferred acquisitions costs		83,416	-	83,416	98,724	-	98,724
Other prepayments and accrued income		3,491	-	3,491	2,571	-	2,571
		87,032	-	87,032	101,570	-	101,570
Total assets		1,690,157	68,383	1,758,540	1,837,253	135,290	1,972,543

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

Silver Lining 55 Limited

Balance sheet As at 31 December 2013

		31 December 2013			31 December 2012		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Liabilities and shareholders' funds							
Capital and reserves							
Called up share capital	12	-	1,250	1,250	-	1,250	1,250
Share premium account		-	-	-	-	-	-
Profit and loss account	13	88,242	(41,046)	47,196	(167,291)	94,815	(72,476)
Shareholders' funds – attributable to equity interests	14	88,242	(39,796)	48,446	(167,291)	96,065	(71,226)
Technical provisions							
Provision for unearned premiums		334,445	-	334,445	406,812	-	406,812
Claims outstanding – gross amount		1,105,294	-	1,105,294	1,275,695	-	1,275,695
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges							
Deferred taxation	15	-	-	-	-	-	-
Other		-	-	-	-	-	-
Deposit received from reinsurers		295	-	295	227	-	227
Creditors							
Arising out of direct insurance operations		17,769	-	17,769	28,693	-	28,693
Arising out of reinsurance operations		90,365	-	90,365	134,936	-	134,936
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors including taxation and social security	16	51,069	91,439	142,508	154,693	27,485	182,178
		1,599,237	91,439	1,690,676	2,001,056	27,485	2,028,541
Accruals and deferred income		2,678	16,740	19,418	3,488	11,740	15,228
Total liabilities		1,690,157	68,383	1,758,540	1,837,253	135,290	1,972,543

Approved and authorised for issue by the Board of Directors on
and signed on its behalf by:

Isma 2014


MGH HEALD

Director

Company registration number: 3599698

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

Silver Lining 55 Limited

Cash flow statement For the year ended 31 December 2013

	Note	2013 £	2012 £
Operating activities			
Net cash inflow/(outflow) from operating activities	17(a)	(11,693)	1,769
Returns on investments and servicing of finance		-	-
Capital expenditure			
Purchase of Syndicate capacity		-	-
Proceeds from sale of Syndicate capacity		-	17,374
Taxation			
Corporation and overseas taxes (paid)/refunded		(5,615)	(1,813)
Equity dividends paid		-	-
Financing			
Issue of shares		-	-
Share issue expenses		-	-
Net cash inflow/(outflow) for the year	17(b)	<u>(17,308)</u>	<u>17,330</u>
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings		(17,308)	17,330
Purchase of financial investments		-	-
Sale of financial investments		-	-
Net investment of cash flows	17(b)	<u>(17,308)</u>	<u>17,330</u>

The Company has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the cash flow statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from the Syndicates at Lloyd's.

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

Silver Lining 55 Limited

Notes to the Financial Statements For the year ended 31 December 2013

Basis of preparation of financial statements

Basis of preparation

The financial statements have been prepared in accordance with the provisions of Schedule 3 to SI 2008/410 and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") in December 2005 (as amended in December 2006).

Recognition of insurance transactions

Preparing financial statements in accordance with SI 2008/410 requires the Company to recognise its proportion of all the transactions undertaken by the Lloyd's Syndicates in which it participates ("the Syndicates").

The financial statements are prepared using the annual basis of accounting. Under the annual basis of accounting, a result is determined at the end of each accounting period reflecting the profit and loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

For each such Syndicate, the Company's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Company's profit and loss account. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading "Syndicate"). The Syndicate's assets are held subject to trust deeds for the benefit of the Company's insurance creditors.

The proportion referred to above is calculated by reference to the Company's participation as a percentage of the Syndicate's total capacity.

The Company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate ("the Managing Agent") and it has further undertaken not to interfere with the exercise of such management and control. The Managing Agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised by the Company. The only exception to this rule is the level of provision for outstanding claims.

Sources of data

The information used to compile the technical account and the "Syndicate" balance sheet is based on returns prepared for this purpose by the Managing Agents of the Syndicates ("the Returns"). These Returns have been subjected to audit by the Syndicate auditors and are based on the audited Syndicate returns to Lloyd's and the audited annual reports to Syndicate members.

The format of the Returns has been established by Lloyd's and Lloyd's has also been responsible for collating the data at a Syndicate level and analysing it into corporate member level results.

Silver Lining 55 Limited

Notes to the Financial Statements For the year ended 31 December 2013

Accounting policies

i Accounting convention

The financial statements are prepared in accordance with appropriate accounting standards and under the historical cost convention as modified by the revaluation of financial investments.

ii Going concern

As at 31 December 2013 the Company had net assets of £48,446 (2012: net liabilities of £71,226). The directors consider the Company to be a going concern and have prepared the financial statements on that basis. The Company is continuing to underwrite at Lloyd's for the 2014 year of account.

iii Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years. Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax. Gross premiums written may include "reinsurance to close" premiums receivable (see vii below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see vii below). Premiums written by a Syndicate may also include the reinsurance of other Syndicates on which the Company participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this inter - Syndicate reinsurance. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

iv Claims incurred

Claims incurred include the costs of claims handling expenses. Recoverable amounts arising out of subrogation or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from prior years differ from the provision at the beginning of the year.

v Provision for claims outstanding

Claims outstanding comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR). Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision is based on the Returns and reports from the Managing Agents and the Company's licensed adviser or Members' Agent. When appropriate, statistical methods have been applied to past experience of claims frequency and severity.

The two most critical assumptions as regard claims provisions are that the past is a reasonable predictor of the likely level of claims development, and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The Directors consider the provision for gross claims and related reinsurance recoveries, as based on the Returns to be fairly stated. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made.

vi Unexpired risk provision

A provision for unexpired risk is made by the underlying Syndicates where claims, related expenses and deferred acquisition costs, likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

Silver Lining 55 Limited

Notes to the Financial Statements For the year ended 31 December 2013

Accounting policies (continued)

vii Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's Syndicates. Under it, underwriting members (the reinsured members) who are members of a Syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another Syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that Syndicate and allocated to the closed year in consideration of:

- (1) a premium; and
- (2) either

- (a) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business); or
- (b) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharges of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account of the same Syndicate, the Managing Agent has a duty to ensure both sets of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members. To the extent that the Company participates on successive years of account of the same Syndicate and there is a reinsurance to close between those years, the Company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the Company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the Company has assumed a greater proportion of the business of the Syndicate. If the Company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the Company's exposure to risks previously written by the Syndicate. The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims. However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a Syndicate year of account and it is treated for accounts purposes as settling all the Company's outstanding gross liabilities in respect of the business so reinsured.

viii Investments

Syndicate: Where investments represent the Company's share of Syndicate investments, they are stated at current value at the balance sheet date. For this purpose, listed investments are stated at market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Corporate: Listed investments held directly by the Company, by the trustees of the Premiums Trust Fund, or as Lloyd's Deposit, are stated at market value. Unlisted investments held directly by the Company are stated at cost less provision for any permanent diminution in value.

Silver Lining 55 Limited

Notes to the Financial Statements For the year ended 31 December 2013

Accounting policies (continued)

ix Investment return

Investment income comprises interest receivable and dividends received plus realised and unrealised gains on the disposal of investments. Realised gains and losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluation. Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date or purchase price, if acquired during the year. Investment income is initially recorded in the non-technical account. All investment income arising on Syndicate participations is allocated to the technical account.

x Net operating expenses

Operating expenses are recognised when incurred. They include the Company's share of Syndicate operating expenses, the remuneration payable to Managing Agents (and the Company's Members' Agent/licensed adviser) and the direct costs of membership of Lloyd's.

xi Foreign currencies

Transactions in United States dollars, Canadian dollars and Euros are translated at the rates of exchange ruling at the date the transaction is processed or at an appropriate average rate. Unless otherwise stated, transactions in currencies other than United States dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed. Monetary assets and liabilities are retranslated into Sterling at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities at the balance sheet date are maintained at the rate of exchange ruling when the contract was entered into (or an appropriate average rate). Exchange differences arising on translation are dealt with in the profit and loss account.

xii Syndicate participation rights

Where the Company has purchased the right to participate on Syndicates, the cost is capitalised and amortised in equal annual instalments over five years. No amortisation is charged in the year of purchase.

xiii Taxation

The Company is taxed on its share of the underwriting results declared by Syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. The Syndicate results included in these financial statements (excluding any losses on open years of account) are only declared for tax purposes in the calendar year following closure of the year of account. HM Revenue & Customs agrees the taxable results of Syndicates at a Syndicate level on the basis of computations submitted by the Managing Agent. At the date of approval of these financial statements, the Syndicate taxable results of this year have not been agreed. Any adjustments that may be necessary to the tax provision as a result of HM Revenue & Customs agreement of Syndicate taxable results will be reflected in the financial statements of subsequent periods.

xiv Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Silver Lining 55 Limited

Notes to the Financial Statements For the year ended 31 December 2013

1. Class of Business

2013	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	27,214	32,575	(17,224)	(12,257)	194	3,288
Motor – third party liability	9,091	7,158	(4,403)	(2,442)	25	338
Motor – other classes	72,264	74,014	(50,901)	(24,846)	(66)	(1,799)
Marine, aviation and transport	123,720	138,916	(47,300)	(43,176)	(17,995)	30,445
Fire and other damage to property	252,494	284,577	(106,811)	(95,517)	(38,968)	43,281
Third party liability	73,172	77,699	(49,847)	(26,814)	(1,315)	(277)
Credit and suretyship	15,816	18,973	(10,418)	(4,478)	(3,222)	855
Legal expenses	2,779	3,259	(1,641)	(1,799)	(338)	(519)
Assistance	-	-	-	-	-	-
Miscellaneous	1,843	2,009	(1,094)	(917)	(30)	(32)
	578,393	639,180	(289,639)	(212,246)	(61,715)	75,580
Reinsurance	226,156	237,586	(58,046)	(56,980)	(59,949)	62,611
Total	804,549	876,766	(347,685)	(269,226)	(121,664)	138,191

2012	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	44,852	59,519	(40,024)	(22,935)	(747)	(4,187)
Motor – third party liability	3,822	4,530	(2,103)	(1,496)	(185)	746
Motor – other classes	71,343	38,960	(28,596)	(15,783)	(744)	(6,163)
Marine, aviation and transport	153,434	146,575	(78,911)	(43,514)	(4,394)	19,756
Fire and other damage to property	341,432	346,476	(233,783)	(114,060)	(3,619)	(4,986)
Third party liability	84,425	93,568	(92,300)	(34,549)	(8,264)	(41,545)
Credit and suretyship	20,440	18,678	(7,462)	(4,733)	(4,297)	2,186
Legal expenses	4,269	4,960	(1,657)	(2,627)	(26)	650
Assistance	-	-	-	-	-	-
Miscellaneous	3,324	1,764	(691)	(1,044)	(7)	22
	727,341	715,030	(485,527)	(240,741)	(22,283)	(33,521)
Reinsurance	297,831	302,043	(186,174)	(63,010)	(40,036)	12,823
Total	1,025,172	1,017,073	(671,701)	(303,751)	(62,319)	(20,698)

All insurance business is underwritten in the UK in the Lloyd's insurance market, which has been treated as one geographical segment for the purpose of SSAP25: Segmental Reporting.

Silver Lining 55 Limited

Notes to the Financial Statements For the year ended 31 December 2013

2. Net Operating Expenses	2013	2012
	£	£
Acquisition costs	208,366	250,235
Change in deferred acquisition costs	16,113	8,981
Administrative expenses	35,437	40,562
Reinsurance commissions and profit participations	(14,326)	(14,637)
Personal expenses	23,636	18,610
	<u>269,226</u>	<u>303,751</u>
3. Investment Income	2013	2012
	£	£
Income from investments	15,700	17,054
Gains on the realisation of investments	2,619	1,418
Bank deposit interest	56	14
	<u>18,375</u>	<u>18,486</u>
4. Investment Expenses and Charges	2013	2012
	£	£
Investment management expenses, including interest	1,120	964
Losses on the realisation of investments	5,198	3,199
	<u>6,318</u>	<u>4,163</u>
5. Profit/(Loss) on Ordinary Activities before Taxation	2013	2012
	£	£
Operating profit/(loss) is stated after charging:		
Directors' remuneration	-	-
Amortisation of Syndicate capacity	3,782	4,594
(Profit)/loss on disposal of intangible fixed assets	-	(15,457)
(Profit)/loss on exchange	16,237	17,758

The Company has no employees and no staff costs are met by the Company.

The fees payable to the Company's auditor for audit services are included in the fees payable to the Members' Agent.

Silver Lining 55 Limited

Notes to the Financial Statements For the year ended 31 December 2013

6. Taxation	2013 £	2012 £
Analysis of charge in year		
Current tax:		
UK corporation tax on profit/(loss) of the year	-	9,683
Adjustment in respect of previous period	(4,902)	(5,149)
	(4,902)	4,534
Foreign tax	1,546	1,102
Total current tax	(3,356)	5,636
Deferred tax		
Origination and reversal of timing differences	(9,846)	-
	(13,202)	5,636

Factors affecting tax charge for period

The tax assessed for the period is different to the standard rate of corporation tax in the UK of 20.00% (2012 - 20.00%). The differences are explained below:

Profit/(loss) on ordinary activities before tax	106,470	(32,051)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2012 – 20.00%)	21,294	(6,410)
Effects of:		
Underwriting results subject to timing differences for taxation	(49,301)	16,314
Creation/(utilisation) of tax losses	28,315	-
Foreign tax	1,237	882
Expenses not deductible for tax purposes	-	-
Other corporation computation adjustments	-	-
Marginal rates of taxation and prior period adjustment	(4,901)	(5,150)
Current tax charge for the period	(3,356)	5,636

The results of the Company's participation on the 2011, 2012 and 2013 years of account and any calendar year movement on 2010 and prior run-offs, will not be assessed to tax until the year ended 31 December 2014, 2015 and 2016 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account.

7. Dividends	2013 £	2012 £
Amounts recognised as distributions to equity holders in the period:		
Interim dividends paid	-	-

Silver Lining 55 Limited

Notes to the Financial Statements For the year ended 31 December 2013

8. Intangible Assets

	2013 £	2012 £
Purchased Syndicate capacity		
Cost		
At 1 January 2013	27,183	32,867
Additions	-	-
Disposals	-	(5,684)
At 31 December 2013	27,183	27,183
Amortisation		
At 1 January 2013	20,511	19,684
Provided during the year	3,782	4,594
Disposals	-	(3,767)
At 31 December 2013	24,293	20,511
Net Book Value		
At 31 December 2013	2,890	6,672
At 31 December 2012	6,672	13,183

9. Financial Investments

Other financial investments – Syndicate

	2013 Market Value £	2013 Cost £	2012 Market Value £	2012 Cost £
Shares and other variable yield securities and units in unit trusts	152,732	151,132	106,106	105,930
Debt securities and other fixed income securities	578,659	580,433	528,869	519,162
Participation in investment pools	33,106	33,119	31,230	38,081
Loans secured by mortgages	9,384	9,395	6,459	6,362
Other loans	-	-	-	-
Deposits with credit institutions	8,346	8,347	9,562	9,544
Other	11,532	11,802	13,479	12,947
	793,759	794,228	695,705	692,026

Listed investments included in the market value above

Shares and other variable yield securities and units in unit trusts	152,732	106,106
Debt securities and other fixed income securities	578,659	528,869
	731,391	634,975

Silver Lining 55 Limited

Notes to the Financial Statements For the year ended 31 December 2013

10. Other Debtors

	2013			2012		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts due from group undertakings	-	-	-	-	-	-
Other	62,826	65,457	128,283	110,867	111,274	222,141
	<u>62,826</u>	<u>65,457</u>	<u>128,283</u>	<u>110,867</u>	<u>111,274</u>	<u>222,141</u>

11. Funds at Lloyd's

The amount of Funds at Lloyd's is represented in the balance sheet as:

	2013			2012		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	36	36	-	17,344	17,344
Investments	-	-	-	-	-	-
	<u>-</u>	<u>36</u>	<u>36</u>	<u>-</u>	<u>17,344</u>	<u>17,344</u>

Funds at Lloyd's represents assets deposited with the Corporation of Lloyd's (Lloyd's) to support the Company's underwriting activities as described in the Accounting Policies. The Company has entered into a Lloyd's Deposit Trust Deed which gives Lloyd's the right to apply these monies in settlement of any claims arising from the participation on the Syndicates. These monies can only be released from the provision of this Deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset, or after the expiration of the Company's liabilities in respect of its underwriting.

12. Called-up Share Capital

	2013 Authorised	2013 Allotted, called-up and fully paid	2012 Authorised	2012 Allotted, called-up and fully paid
Ordinary 25p shares	<u>400,000</u>	<u>5,000</u>	<u>400,000</u>	<u>5,000</u>

Silver Lining 55 Limited

Notes to the Financial Statements For the year ended 31 December 2013

13. Profit and Loss Account

	2013			2012		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Retained profit/(loss) brought forward	(167,291)	94,815	(72,476)	(54,241)	19,452	(34,789)
Reallocate distribution	124,515	(124,515)	-	(99,825)	99,825	-
Profit/(loss) for the financial year	131,018	(11,346)	119,672	(13,225)	(24,462)	(37,687)
Equity dividends	-	-	-	-	-	-
Retained profit/(loss) carried forward	88,242	(41,046)	47,196	(167,291)	94,815	(72,476)

14. Reconciliation of Movements in Shareholders' Funds

	2013 £	2012 £
Opening shareholders' funds	(71,226)	(33,539)
Profit/(loss) for the financial year	119,672	(37,687)
Equity dividends	-	-
Proceeds from issue of shares	-	-
Closing shareholders' funds	48,446	(71,226)

15. Provision for Other Risks and Charges

Deferred Taxation	2013 £	2012 £
Opening balance	-	-
Profit and loss account charge	(9,846)	-
Closing balance	(9,846)	-

Silver Lining 55 Limited

Notes to the Financial Statements For the year ended 31 December 2013

16. Other Creditors including Taxation and Social Security

	2013			2012		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Corporation tax	-	-	-	-	8,971	8,971
Directors' loan accounts	-	85,345	85,345	-	17,319	17,319
Third party funds	-	-	-	-	-	-
Other creditors	51,069	6,094	57,163	154,693	1,195	155,888
Amount due to group undertakings	-	-	-	-	-	-
	51,069	91,439	142,508	154,693	27,485	182,178

17. (a) Reconciliation of Operating Profit/(Loss) to Net Cash Inflow/(Outflow) from Operating Activities

	2013 £	2012 £
Profit/(loss) on ordinary activities before tax	106,470	(32,051)
(Profit)/loss attributable to Syndicate transactions	(255,533)	113,050
Profit/(loss) – excluding Syndicate transactions	(149,063)	80,999
(Increase)/decrease in debtors	55,663	(55,662)
Increase/(decrease) in creditors	77,925	(12,705)
(Profit)/loss on disposal of intangible assets	-	(15,457)
Amortisation of Syndicate capacity	3,782	4,594
Realised/unrealised (gains)/losses on investments	-	-
Net cash inflow/(outflow) from operating activities	(11,693)	1,769

(b) Movement in Cash, Portfolio Investments and Financing

	At 1 January 2013 £	Cashflow £	Changes to Market Value £	At 31 December 2013 £
Cash	17,344	(17,308)	-	36
Other financial investments	-	-	-	-
	17,344	(17,308)	-	36

Silver Lining 55 Limited

Notes to the Financial Statements For the year ended 31 December 2013

18. Related Party Disclosure

During the year the Directors made loans to and from the Company. At the Balance Sheet date the amount due (to)/from the Company was £85,345 (2012: £17,319).

19. Ultimate Controlling Party

The Company is controlled by Mrs L J F Heald who holds 55% of the issued £1,250 ordinary share capital.