

MEACOCK CAPITAL PLC

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2012**

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Directors

K W Jarvis
M J Meacock
W T R Meacock
Sir David Thomson Bt

Company secretary

D J Jones

Registered office

4th Floor
Hasilwood House
60 Bishopsgate
London
EC2N 4AW

Auditors

Littlejohn LLP
Statutory Auditor
1 Westferry Circus
Canary Wharf
London E14 4HD

The directors present their report together with the audited financial statements for the year ended 31 December 2012

Results

The results for the year are set out on pages 8 and 9 of the financial statements. No dividends were paid in the year (2011 £nil)

Business review

Activity

The principal activity of the company is purely as a holding company. The principal activity of the subsidiary company in the year was underwriting at Lloyd's. During the year of this report the company's wholly owned subsidiary company, Meacock Underwriting Limited, underwrote principally on syndicate 727, which is managed by S A Meacock & Company Limited and also participated in syndicate 2791 managed by Managing Agency Partners Limited, syndicate 557 managed by R J Kilm & Company Limited and syndicate 218 managed by Equity Syndicate Management Limited.

Results

The financial statements incorporate the annual accounting results of syndicate 727 in respect of the 2010, 2011 and 2012 years of account, of syndicate 6103 in respect of the 2010 year of account, of syndicates 2791 and 557 in respect of the 2010, 2011 and 2012 years of account and syndicate 218 in respect of the 2011 and 2012 years of account.

The annual accounting technical result for the year is a profit of £1,419,000 (2011: loss of £1,924,050).

The 2010 year of account closed at 31 December 2012 with a profit of £981,734 (2009: £1,337,509). The 2011 and 2012 open underwriting accounts will normally close at 31 December 2013 and 31 December 2014.

Future developments

The company continues to write insurance business in the Lloyd's insurance market through Meacock Underwriting Limited, which is a corporate underwriting member of Lloyd's. The capacity being underwritten on the 2013 year of account is £14,191,620.

Key performance indicators

The directors consider the following to be the key performance indicators of the company:

	2012	2011	Change
Capacity	13,991,620	11,031,620	26.8%
Gross premium written as a % of capacity	108.9%	97.9%	11.2%
Funds at Lloyd's (FAL) as a % of capacity	45.4%	44.8%	1.3%
Underwriting profit of latest closed year			
as a % of capacity	10.3%	16.7%	(38.3%)

Other performance indicators

The majority of the group's activities as a Lloyd's corporate member are carried out by the syndicates on which it participates. The group is not involved directly in the management of the syndicates' activities, including employment of syndicate staff, as these are the responsibility of the syndicates' managing agent. The managing agent also has responsibility for the environmental activities of the syndicates, although by their nature insurers do not produce significant environmental emissions. As a result, the directors of the company do not consider it appropriate to monitor and report any performance indicators in relation to staff or environmental matters.

Risk management

As parent of a corporate member of Lloyd's the majority of the risks to which the group is subject arise from its participation in Lloyd's syndicates. The management of these syndicate risks is the responsibility of the managing agent of the syndicate and the group's role is limited to selection of syndicate participations and monitoring of syndicate performance.

Syndicate risks

The trading activities of a syndicate expose it to a variety of financial and non-financial risks. The managing agent is responsible for managing the syndicate's exposure to these risks and for applying controls and procedures to reduce those exposures to acceptable levels. Each year the managing agent prepares an Individual Capital Assessment (ICA) for the syndicate, the purpose of this being to agree capital requirements with Lloyd's based on an assessment of the risks to the syndicate's business and the measures in place to manage and mitigate those risks. The risks described below are usually reflected in the ICA.

The majority of the capital needed to meet the syndicate ICA is usually in respect of insurance risks. These include:

- the occurrence of catastrophic events
- unforeseen increases in the frequency or severity of claims
- downward pressure on pricing of risks and broadening of terms and conditions
- reductions in business volumes
- inadequate reserving

Credit risks include the risk of a reinsurer failing to meet its share of a claim. The management of the syndicate's funds is exposed to risks of investment, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks that may affect its ability to continue to trade.

Before committing to support a syndicate the group reviews the syndicate business plan prepared by its managing agent. It also reviews the syndicate's annual accounts together with any other information made available by the managing agent. If the group considers that the risks being run by the syndicate are excessive, it will withdraw support from the next underwriting year.

Regulatory risks

The subsidiary company's continuing approval by Lloyd's as a member of a Lloyd's syndicate is dependent on its compliance with Lloyd's requirements. The capital to support syndicate capacity for future years is subject to the requirements of Lloyd's and can fluctuate from year to year, which may constrain the volume of underwriting the group is able to support.

Operational risks

Few transactions are undertaken independently by the group. The group has limited systems and employs no staff. Operational risks controllable by the group are therefore not considered to be significant.

Creditor payment policy

It is the policy of the group to pay creditors in accordance with agreed terms. The average credit period the group operates is approximately 30 days.

Disclosure Information to Auditors

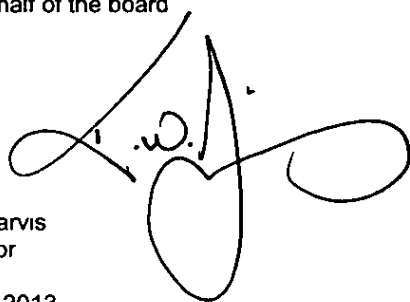
In the case of each of the persons who are directors at the time this report is approved, the following applies

- (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

Auditors

A resolution to re-appoint Littlejohn LLP as auditors will be proposed at the next Annual General Meeting

On behalf of the board

A handwritten signature in black ink, appearing to be 'K W Jarvis', written over a large, stylized oval shape.

K W Jarvis
Director

9 May 2013

The directors are responsible for preparing the report of the directors and financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. 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 financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and 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 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.

Independent auditor's report to the shareholders of Meacock Capital plc

We have audited the financial statements of Meacock Capital plc for the year ended 31 December 2012 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Accounting Policies 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).

This report is made solely to the Company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities, 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 Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances, and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group and the Parent Company's affairs as at 31 December 2012 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- The Parent Company's 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.



Neil Coulson (Senior Statutory Auditor)
For and on behalf of Littlejohn LLP
Statutory Auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

9 May 2013

TECHNICAL ACCOUNT - GENERAL BUSINESS

	Note	2012 £'000	2011 £'000
Gross premiums written	1		
Continuing operations		15,188	10,799
		<hr/>	<hr/>
		15,188	10,799
Outward reinsurance premiums		(305)	(283)
		<hr/>	<hr/>
Net premiums written		14,883	10,516
Change in the provision for unearned premiums			
Gross provision		(1,815)	(973)
Reinsurers' share		(12)	9
		<hr/>	<hr/>
Earned premiums, net of reinsurance		13,056	9,552
Allocated investment return transferred from the non-technical account		778	187
Other technical income, net of reinsurance		-	-
Claims paid			
Gross amount		(6,308)	(5,349)
Reinsurers' share		234	189
		<hr/>	<hr/>
Net claims paid		(6,074)	(5,160)
		<hr/>	<hr/>
Change in provision for claims			
Gross amount		(1,912)	(3,344)
Reinsurers' share		(27)	(61)
		<hr/>	<hr/>
Change in net provision for claims		(1,939)	(3,405)
		<hr/>	<hr/>
Claims incurred, net of reinsurance		(8,013)	(8,565)
Net operating expenses	3	(4,402)	(3,098)
		<hr/>	<hr/>
Balance on the technical account for general business		1,419	(1,924)
		<hr/>	<hr/>
Balance on the technical account for general business			
Attributable to			
Continuing operations		1,419	(1,924)
		<hr/>	<hr/>
		1,419	(1,924)
		<hr/>	<hr/>

The accounting policies and notes on pages 14 to 28 form part of these financial statements

NON-TECHNICAL ACCOUNT

	Notes	2012 £'000	2011 £'000
Balance on the general business technical account		1,419	(1,924)
Investment income	4	1,154	1,098
Unrealised gains on investments		533	20
Investment expenses and charges	5	(636)	(483)
Unrealised losses on investments		(77)	(446)
Allocated investment return transferred to the general business technical account		(778)	(187)
Other income		-	22
Other charges		(947)	(41)
Profit/(loss) on ordinary activities before taxation	6	668	(1,941)
Tax on profit/(loss) on ordinary activities	7	(179)	475
Profit/(loss) on ordinary activities after taxation	15	489	(1,466)

The company had no recognised gains and losses in the year other than the profit / (loss) above

Registered Number 03600178

		2012			2011		
	Note	Syndicate participation £'000	Corporate £'000	Total £'000	Syndicate participation £'000	Corporate £'000	Total £'000
Assets							
Intangible assets	9	-	999	999	-	1,695	1,695
Investments							
Financial investments	10	26,571	1,002	27,573	24,776	855	25,631
		<u>26,571</u>	<u>2,001</u>	<u>28,572</u>	<u>24,776</u>	<u>2,550</u>	<u>27,326</u>
Reinsurers' share of technical provisions							
Provision for unearned premiums		115	-	115	132	-	132
Claims outstanding		371	-	371	376	-	376
		<u>486</u>	<u>-</u>	<u>486</u>	<u>508</u>	<u>-</u>	<u>508</u>
Debtors							
Arising out of direct insurance operations	11	3,224	-	3,224	1,574	-	1,574
Arising out of reinsurance operations	11	1,419	-	1,419	1,370	-	1,370
Other debtors	12	517	91	608	587	91	678
		<u>5,160</u>	<u>91</u>	<u>5,251</u>	<u>3,531</u>	<u>91</u>	<u>3,622</u>
Other assets							
Cash at bank and in hand	13	460	6,733	7,193	11	5,631	5,642
Deferred taxation	17	-	19	19	-	132	132
Other		1,511	-	1,511	1,525	-	1,525
		<u>1,971</u>	<u>6,752</u>	<u>8,723</u>	<u>1,536</u>	<u>5,763</u>	<u>7,299</u>
Prepayments and accrued income							
Accrued interest		260	7	267	259	25	284
Deferred acquisition costs		1,755	-	1,755	1,352	-	1,352
Other prepayments and accrued income		-	1	1	-	1	1
		<u>2,015</u>	<u>8</u>	<u>2,023</u>	<u>1,611</u>	<u>26</u>	<u>1,637</u>
Total assets		<u>36,203</u>	<u>8,852</u>	<u>45,055</u>	<u>31,962</u>	<u>8,430</u>	<u>40,392</u>

The accounting policies and notes on pages 14 to 28 form part of these financial statements

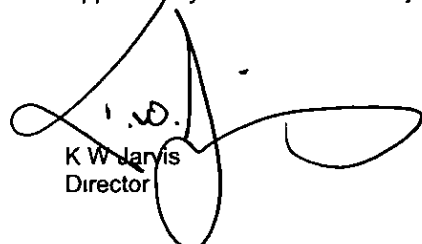
MEACOCK CAPITAL plc

GROUP BALANCE SHEET
As at 31 December 2012

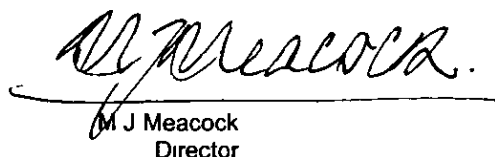
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		2012			2011		
	Note	Syndicate participation £'000	Corporate £'000	Total £'000	Syndicate participation £'000	Corporate £'000	Total £'000
Liabilities and shareholders' funds							
Capital and reserves							
Called-up share capital	14	-	1,324	1,324	-	1,324	1,324
Share premium account	14	-	4,371	4,371	-	4,371	4,371
Profit and loss account	15	(1,037)	3,094	2,057	(1,118)	2,686	1,568
Total shareholders funds	16	(1,037)	8,789	7,752	(1,118)	8,381	7,263
Technical provisions							
Provision for unearned premiums		6,417	-	6,417	4,808	-	4,808
Claims outstanding		29,905	-	29,905	27,359	-	27,359
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges							
Deferred taxation	17	-	-	-	-	-	-
Deposit received from reinsurers		-	-	-	-	-	-
Creditors							
Ansing out of direct insurance operations	18	61	-	61	80	-	80
Ansing out of reinsurance operations	18	571	-	571	493	-	493
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors including taxation and social security	19	284	50	334	340	36	376
		37,238	50	37,288	33,080	36	33,116
Accruals and deferred income		2	13	15	-	13	13
Total liabilities and shareholders funds		36,203	8,852	45,055	31,962	8,430	40,392

Approved by the Board on 9 May 2013



K W Jarvis
Director



M J Meacock
Director

The accounting policies and notes on pages 14 to 28 form part of these financial statements

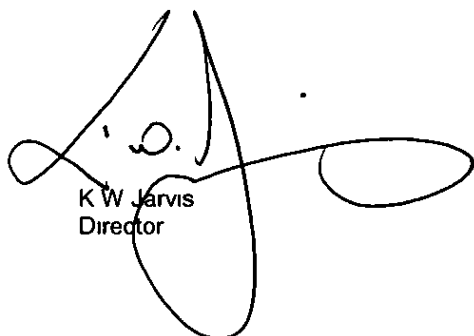
MEACOCK CAPITAL plc

Registered Number 03600178

COMPANY BALANCE SHEET
As at 31 December 2012

	Note	2012 £'000	2011 £'000
Assets			
Investment		-	229
Debtors	12	5,793	5,450
Cash at bank		7	91
Prepayments and accrued income		-	11
		<hr/>	<hr/>
		5,800	5,781
		<hr/>	<hr/>
Liabilities and reserves			
Called-up share capital	14	1,324	1,324
Share premium account	14	4,371	4,371
Profit and loss account	15	87	68
		<hr/>	<hr/>
Shareholders' funds attributable to equity interests		5,782	5,763
Accruals and other creditors		18	18
		<hr/>	<hr/>
		5,800	5,781
		<hr/>	<hr/>

Approved by the board on 9 May 2013



K W Jarvis
Director



M J Meacock
Director

The accounting policies and notes on pages 14 to 28 form part of these financial statements

	Note	2012 £'000	2011 £'000
Net cash inflow from operating activities	20	1,304	990
Interest received		68	72
Net cash inflow from returns on investments and servicing of finance		68	72
Taxation paid		(53)	(191)
Purchase of investments	10	-	(291)
Purchase of intangible fixed assets	9	-	(1,200)
Net cash outflow from capital expenditure and financial investment		-	(1,491)
Increase in cash	21	1,319	(620)
Cashflows were invested as follows			
Increase in cash holdings	21, 22	1,319	(620)
Net investment of cashflow		1,319	(620)

The company has no control over the disposition of asset 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 14 to 28 form part of these financial statements

Basis of preparation

The consolidated financial statements are prepared under the historical cost basis of accounting modified to include the revaluation of investments and comply with applicable accounting standards

The group participates in insurance business as an underwriting member of various syndicates at Lloyd's

The financial statements have been prepared in accordance with Section 396(3) of the Companies Act 2006, Schedule 3 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 and the recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005, as amended in December 2006 except that exchange differences arising on syndicate assets and liabilities are dealt with in the Technical Account as all of these differences arise from technical account transactions

Accounting information in respect of the syndicate participations has been provided by the syndicates' managing agents and has been reported upon by the syndicate auditors

Going concern

The Group participates as an underwriting member at Lloyd's on the 2010, 2011 and 2012 years of account at the balance sheet date, and has continued this participation since the year end on the 2013 year of account. The Group has net assets at the balance sheet date of £7,752,000. The directors have a reasonable expectation that the Group has adequate resources to meet its underwriting and other operational obligations for the foreseeable future. Accordingly they continue to adopt the going concern basis of accounting in preparing the financial statements

Basis of accounting

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 or loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods

Amounts reported in the general business technical account relate to movements in the period in respect of all relevant years of account of the syndicates on which the company participates

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the syndicates' managing agents. Accordingly, these assets and liabilities have been shown separately in the balance sheet as "syndicate participation". Other assets and liabilities are shown as "corporate". The syndicate assets are held subject to trust deeds for the benefit of the syndicates' insurance creditors

The information included in these financial statements in respect of the syndicates has been supplied by Managing Agents based upon the various accounting policies they have adopted. The following describes the policies they have generally adopted

Consolidation

The consolidated financial statements incorporate the financial statements of Meacock Capital plc (the company) and entities controlled by the company for the year ended 31 December 2012. The company's subsidiary undertaking underwrites as a corporate member of Lloyd's. The group's share of the transactions, assets and liabilities relating to syndicate participation is included in the consolidated financial statements

Inter company transactions, balances and unrealised gains or losses on transactions between group companies are eliminated

The financial statements of subsidiaries are prepared for the same reporting year as the parent company. Details of material subsidiaries included within the consolidated financial statements can be found in note 10

No profit and loss account is presented for Meacock Capital plc as permitted by section 408 of the Companies Act 2006. The profit for the year of the parent company was £19,790 (2011: £21,355)

Accounting policies – underwriting**I Premiums**

Premiums written comprise the total premiums receivable in respect of business inception during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the syndicates on which the group participates, less an allowance for cancellations. All premiums are shown gross of commission payable to intermediaries and exclude taxes and duties levied on them.

II Unearned premiums

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis having regard where appropriate, to the incidence of risk. The specific basis adopted by each syndicate is determined by the relevant managing agent.

III Deferred acquisition costs

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

IV Reinsurance premiums

Reinsurance premium costs are allocated by the managing agent of each syndicate to reflect the protection arranged in respect of the business written and earned.

V Claims incurred and reinsurers' share

Claims incurred comprise claims and settlement expenses (both internal and external) occurring in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and settlement expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount included in respect of IBNR is based on statistical techniques of estimation applied by each syndicate's in-house reserving team and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to each syndicate's reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. Each syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly the two most critical assumptions made by each syndicate's managing agent as regards 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 including pricing models for recent business are reasonable indicators of the likely level of ultimate claims to be incurred.

The level of uncertainty with regard to the estimations within these provisions generally decreases with time since the underlying contracts were exposed to new risks. In addition the nature of short tail claims such as property where claims are typically notified and settled within a short period of time will normally have less uncertainty after a few years than long tail risks such as some liability business where it may be several years before claims are fully advised and settled. In addition to these factors if there are disputes regarding coverage under policies or changes in the relevant law regarding a claim this may increase the uncertainty in the estimation of the outcomes.

Claims incurred and reinsurers' share - continued

The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses. The provisions for gross claims and related reinsurance recoveries have been assessed on the basis of the information currently available to the directors of each syndicate's managing agent. 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 the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used, and the estimates made, are reviewed regularly.

VI Unexpired risks provision

Provisions for unexpired risks are made where the costs of outstanding claims, related expenses and deferred acquisition costs are expected to exceed the unearned premium provision carried forward at the balance sheet date. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return. The provision is made on a syndicate by syndicate basis by the relevant managing agent.

VII Closed years of account

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling costs. Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The group has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

VIII Run-off years of account

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

IX Net operating expenses (including acquisition costs)

Net operating costs include acquisition costs, profit and loss on exchange and other amounts incurred by the syndicates on which the group participates.

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the Balance Sheet date.

X Distribution of profits and collection of losses

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between syndicates and their members. Lloyd's continues to require membership of syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

XI Investments

Investments are stated at current value, including accrued interest at the balance sheet date

XII Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges

Realised and unrealised gains and losses are measured by reference to the original cost of the investment if purchased in the year, or if held at the beginning of the year by reference to the current value at that date

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting the underwriting business

XIII Basis of currency translation

Syndicates maintain separate funds in sterling, United States dollars, Canadian dollars and Euros

Income and expenditure in US dollars, Canadian dollars and Euros is translated at the average rate of exchange for the year. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed

Assets and liabilities are translated into sterling at the rates of exchange at the balance sheet date

Differences arising on translation of foreign currency amounts in syndicates are included in the technical account

XIV Debtors/creditors arising from insurance/reinsurance operations

The amounts shown in the balance sheet include the totals of all the syndicates' outstanding debit and credit transactions as processed by the Lloyd's central facility, no account has been taken of any offsets which may be applicable in calculating the net amounts due between the syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate

Investments in subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies. In the company's financial statements, investment in subsidiaries are stated at cost and reviewed for impairment when events or changes in circumstances indicate the carrying value to be impaired

Taxation

The group is taxed on its results including its share of underwriting results declared by the 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 are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for corporation tax in relation to open years of account. However, full provision is made for deferred tax on underwriting results not subject to current corporation tax

HM Revenue & Customs (HMRC) agrees the taxable results of the syndicates at a syndicate level on the basis of computations submitted by the managing agent. At the date of the approval of these financial statements the syndicate taxable results of years of account closed at this and at previous year ends may not have been fully agreed with the HMRC. Any adjustments that may be necessary to the tax provisions established by the group, as a result of HMRC agreement of syndicate results, will be reflected in the financial statements of subsequent periods

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered

Deferred tax assets and liabilities have not been discounted

Intangible assets

Costs incurred by the group in the Corporation of Lloyd's auctions in order to acquire rights to participate on syndicates' underwriting years are included within intangible fixed assets and amortised over a 3 year period beginning in the year the underwriting commences in respect of the purchased syndicate participation

Cash flow statement

The group 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 syndicates at Lloyd's

1 Class of business	Gross written premiums	Gross premiums earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
2012	£'000	£'000	£'000	£'000	£'000	£'000
Direct insurance						
Accident and health	557	605	(675)	(182)	(1)	(253)
Motor (third party liability)	5	15	159	(2)	-	172
Motor (other classes)	833	750	(341)	(254)	19	174
Motor, aviation and transport	169	199	(25)	(62)	(1)	111
Fire and other damage to property	3,850	3,418	(2,617)	(1,543)	22	(720)
Third party liability	2,115	1,983	(145)	(818)	24	1,044
Credit and suretyship	329	372	(6)	(218)	(19)	129
Legal expenses	-	-	-	-	-	-
Miscellaneous	17	17	(7)	(10)	-	-
Total direct	7,875	7,359	(3,657)	(3,089)	44	657
Reinsurance	7,313	6,014	(4,563)	(1,313)	(154)	(16)
Total	15,188	13,373	(8,220)	(4,402)	(110)	641

Class of business	Gross written premiums	Gross premiums earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
2011	£'000	£'000	£'000	£'000	£'000	£'000
Direct insurance						
Accident and health	440	355	(567)	(124)	(2)	(338)
Motor (third party liability)	6	6	(73)	(5)	-	(72)
Motor (other classes)	662	436	(325)	(155)	(32)	(76)
Motor, aviation and transport	153	121	(21)	(34)	(2)	64
Fire and other damage to property	2,569	2,347	(1,028)	(976)	(23)	320
Third party liability	1,460	1,362	(2,024)	(560)	(1)	(1,223)
Credit and suretyship	-	-	-	-	-	-
Legal expenses	-	-	-	-	-	-
Miscellaneous	497	394	17	(206)	-	205
Total direct	5,787	5,021	(4,021)	(2,060)	(60)	(1,120)
Reinsurance	5,012	4,805	(4,672)	(1,038)	(86)	(991)
Total	10,799	9,826	(8,693)	(3,098)	(146)	(2,111)

Total commissions for direct insurance business accounted for in the year amounted to £1,416,000 for gross premiums written and £1,323,000 for gross premiums earned (2011 £1,400,000 and £1,377,000 respectively)

2 Geographical analysis

	2012 £'000	2011 £'000
Direct gross premium written in		
United Kingdom	15,188	10,799
Other EU member states	-	-
Rest of the world	-	-
	<u>15,188</u>	<u>10,799</u>

3 Net operating expenses

Acquisition costs	(3,838)	(2,735)
Change in deferred acquisition costs	452	236
Administrative expenses	(922)	(652)
Profit/(loss) on exchange	(94)	53
	<u>(4,402)</u>	<u>(3,098)</u>

4 Investment income

Income from investments	997	908
Realised gains on investments	142	169
Bank deposit interest	15	21
	<u>1,154</u>	<u>1,098</u>

5 Investment expenses and charges

Losses on the realisation of investments	(633)	(483)
Investment management charges	(3)	-
	<u>(636)</u>	<u>(483)</u>

6 Profit/(loss) on ordinary activities before taxation

This is stated after charging

Group and Company

Directors' remuneration	5	5
Fees payable to the company's auditor		
- audit of the financial statements	9	9
- services relating to taxation	3	4

The group has no employees

Group only

Amortisation of purchased syndicate capacity	696	-
--	-----	---

	2012 £'000	2011 £'000
7 Taxation		
Analysis of charge in year		
Current tax		
UK corporation tax on profit of the year	(46)	(172)
Adjustment in respect of previous year	(20)	-
	<u>(66)</u>	<u>(172)</u>
Foreign tax	-	(66)
Double tax relief	-	-
	<u>-</u>	<u>-</u>
Total current tax	(66)	(238)
Deferred tax		
Origination and reversal of timing differences	(113)	713
	<u>(113)</u>	<u>713</u>
Tax (charge)/credit for the year	<u>(179)</u>	<u>475</u>
Factors affecting tax charge for year		
The tax assessed for the year is different to the standard rate of corporation tax in the UK (24.5%) (2011-26.5%)		
The differences are explained below		
Profit/(loss) on ordinary activities before tax	670	(1,941)
	<u>670</u>	<u>(1,941)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK (24.5%) (2011-26.5%)	(164)	514
Effects of		
Timing difference on underwriting profits	118	(704)
Adjustment in respect of previous years	(20)	-
Foreign tax credits	-	18
Adjustments in respect of prior periods	-	-
Income not deductible for tax purposes	-	-
Change in tax rates	-	-
	<u>118</u>	<u>(704)</u>
Current tax charge for year	<u>(66)</u>	<u>(172)</u>

Factors that may affect future tax charges

The results of the group's participation on the 2010, 2011 and 2012 years of account will not be assessed to tax until the year ended 31 December 2013, 2014 and 2015 respectively. In addition, tax only Claims Equalisation Reserves (CER) may further affect the timing of the taxation of underwriting profits. As the detailed underlying information has not yet been received and analysed by the group, no estimate has yet been made of any potential deferral of current taxes.

	2012 £'000	2011 £'000
8 Dividends		
Equity dividends declared and paid	-	-
	<u> </u>	<u> </u>
9 Intangible assets		
Group		
Purchased syndicate capacity	2012 £'000	
Cost		
At 1 January 2012	2,534	
Additions	-	
	<u> </u>	
At 31 December 2012	2,534	
Amortisation		
At 1 January 2012	(839)	
Charge for the year	(696)	
	<u> </u>	
At 31 December 2012	(1,535)	
Net book value		
At 31 December 2012	999	
	<u> </u>	
At 31 December 2011	1,695	
	<u> </u>	

10 Investments

Group

Other financial investments - Syndicate

	2012		2011	
	Market value £'000	Cost £'000	Market value £'000	Cost £'000
Shares and other variable yield securities and units in unit trusts	7,411	7,334	6,278	6,274
Debt securities and other fixed income securities	19,062	19,215	18,471	19,028
Participation in investment pools	75	85	19	19
Other loans	20	20	6	6
Deposits with credit institutions	3	3	2	2
	<u>26,571</u>	<u>26,657</u>	<u>24,776</u>	<u>25,329</u>
Listed investments included within the above	<u>26,548</u>	<u>26,634</u>	<u>24,768</u>	<u>25,321</u>

Other financial investments - Corporate

The group held the following investments at the year end

	2012		2011	
	Market value £'000	Cost £'000	Market value £'000	Cost £'000
Debt securities and other fixed income securities (Unlisted)	<u>1,002</u>	<u>940</u>	<u>855</u>	<u>940</u>

Company

The company held the following investments at the year end

	2012		2011	
	Market value £'000	Cost £'000	Market value £'000	Cost £'000
Debt Securities and other fixed income securities (Unlisted)	-	-	229	249
Investment in subsidiary company	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The company has a £0.50 investment in the following principal subsidiaries at 31 December 2012 which are registered in England and Wales

	<u>Principal activity</u>	<u>Class of share</u>	<u>% held</u>
Meacock Underwriting Limited	Underwriting member of Lloyd's	Ordinary	100

11 Debtors arising out of direct Insurance and reinsurance operations

Group	2012			2011		
	Syndicate participation £'000	Corporate £'000	Total £'000	Syndicate participation £'000	Corporate £'000	Total £'000
Direct insurance operations						
Falling due within one year						
Policyholders	9	-	9	10	-	10
Intermediaries	3,215	-	3,215	1,564	-	1,564
	<u>3,224</u>	<u>-</u>	<u>3,224</u>	<u>1,574</u>	<u>-</u>	<u>1,574</u>
Reinsurance operations						
Falling due within one year	1,396	-	1,396	1,239	-	1,239
Falling due after one year	23	-	23	131	-	131
	<u>1,419</u>	<u>-</u>	<u>1,419</u>	<u>1,370</u>	<u>-</u>	<u>1,370</u>

12 Other debtors

Group	2012			2011		
	Syndicate participation £'000	Corporate £'000	Total £'000	Syndicate participation £'000	Corporate £'000	Total £'000
Corporation tax	-	-	-	-	-	-
Overseas taxes recoverable	-	91	91	-	91	91
Other	517	-	517	587	-	587
	<u>517</u>	<u>91</u>	<u>608</u>	<u>587</u>	<u>91</u>	<u>678</u>
Company						
Amount due from subsidiary company	-	5,793	5,793	-	5,450	5,450

13 Cash at bank and in hand

Group	2012			2011		
	Syndicate participation £'000	Corporate £'000	Total £'000	Syndicate participation £'000	Corporate £'000	Total £'000
Lloyd's deposit	-	6,355	6,355	-	4,944	4,944
Cash at bank	460	378	838	11	687	698
	<u>460</u>	<u>6,733</u>	<u>7,193</u>	<u>11</u>	<u>5,631</u>	<u>5,642</u>

The Lloyd's deposit represents monies deposited with the Corporation of Lloyd's (Lloyd's) to support the Group's underwriting activities as described in the Accounting Policies. The Group has entered into a Lloyd's Deposit Trust Deed which gives the Corporation 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 Group's liabilities in respect of its underwriting.

14 Called-up share capital

	2012	2011
	Allotted, called-up and fully paid £'000	Allotted, called-up and fully paid £'000
5,296,000 Ordinary shares of 25p each	1,324	1,324

Share premium

2012
£'000

Balance brought forward and carried forward

4,371

15 Profit and loss account

Group

	Syndicate participation £'000	2012 Corporate £'000	Total £'000
Retained (loss)/profit brought forward	(1,118)	2,686	1,568
Profit/(loss) for the financial year	1,419	(930)	489
Transfer	(1,338)	1,338	-
Retained (loss)/profit carried forward	(1,037)	3,094	2,057

Company

2012
£'000Retained profit brought forward
Profit for the year68
19

Retained profit carried forward

87

16 Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Opening shareholders funds as previously stated	7,263	8,729
Profit/(loss) for the financial year	489	(1,466)
Closing shareholders' funds	7,752	7,263

17 Deferred taxation

Group	2012 £'000	2011 £'000
Opening balance	(132)	581
Profit and loss account charge/(credit) (note 7)	113	(713)
	<hr/>	<hr/>
Closing balance	(19)	(132)
	<hr/>	<hr/>
Analysis of provision for deferred taxation	2012 £'000	2011 £'000
Timing differences arising from the taxation of underwriting results	(19)	(132)
	<hr/>	<hr/>
Closing balance	(19)	(132)
	<hr/>	<hr/>

18 Creditors arising out of direct insurance and reinsurance operations

Group	2012			2011		
	Syndicate participation £'000	Corporate £'000	Total £'000	Syndicate participation £'000	Corporate £'000	Total £'000
Direct insurance operations						
Falling due within one year	61	-	61	80	-	80
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	61	-	61	80	-	80
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Reinsurance operations						
Falling due within one year	505	-	505	429	-	429
Falling due after one year	66	-	66	64	-	64
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	571	-	571	493	-	493
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

19 Creditors

Group	2012			2011		
	Syndicate participation £'000	Corporate £'000	Total £'000	Syndicate participation £'000	Corporate £'000	Total £'000
Corporation tax	-	50	50	-	36	36
Other creditors	284	-	284	340	-	340
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	284	50	334	340	36	376
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

20 Reconciliation of operating profit to net cash inflow from operating activities	2012	2011
Operating profit/(loss)	668	(1,941)
Interest received – non technical account	(33)	(65)
(Decrease)/Increase in creditors	(16)	(8)
Underwriting profit	(81)	2,958
Amortisation of intangible fixed assets	696	-
Loss on exchange	217	(22)
Investment gain	(147)	62
Decrease in prepayments	-	6
Net cash inflow from operating activities	1,304	990

21 Movement in opening and closing cash, portfolio investments net of financing	2012 £'000	2011 £'000
Net cash inflow from the year	1,319	(620)
Movement arising from cash flows	1,319	(620)
Loss on exchange and revaluations	(70)	25
Total movement in cash, portfolio investments net of financing	1,249	(595)
Balance brought forward at 1 January	6,486	7,081
Balance carried forward at 31 December	7,735	6,486

22 Movement in cash, portfolio investments and financing

	At 1 January 2012	Cash flow	Changes To market value and currencies	At 31 December 2012
Portfolio investments	855	-	147	1,002
Cash at bank and in hand	5,631	1,319	(217)	6,733
Total cash, portfolio investments and financing	6,486	1,319	(70)	7,735

23 Related parties

The group has claimed the exemption available under Financial Reporting Standard 8 'Related Party Disclosures' from disclosing transactions with other Group entities, where all subsidiaries that are party to the transaction are wholly owned by a member of the Group

Mr M J Meacock, a director of the company, owns, together with members of his close family, a majority of the issued share capital of Meacock Capital plc. Mr Meacock is the active underwriter of syndicate 727, on which the group participates, and he is a director of, and owns a majority of the non-voting shares in, S A Meacock & Company Limited, the managing agent of syndicate 727.

Mr M J Meacock, Sir David Thomson Bt and Mr K W Jarvis are directors of S A Meacock & Company Limited, the managing agent of syndicate 727. All receive remuneration from the syndicate or managing agent for their respective roles.

Mr M J Meacock, members of his close family, Sir David Thomson Bt and K W Jarvis also participate in syndicate 727 as individual underwriting members of Lloyd's or through a Limited Liability Partnership (LLP). Further details are available in the financial statements of syndicate 727.

During the year Mr M J Meacock, a director of Meacock Underwriting Limited, made a loan of £1,065,000 to that company. This was fully repaid in the year. Interest of £3,589 at an annual rate of 1% was paid on the loan.

24 Syndicate participation

Syndicate no	Managing agent	2013	2012	2011	2010
		Allocated capacity per underwriting year			
		£'000	£'000	£'000	£'000
727	S A Meacock & Company Limited	12,633	12,633	9,633	8,603
6103	Managing Agency Partners Limited	-	-	-	200
2791	Managing Agency Partners Limited	748	748	748	247
557	R J Kiln & Co Limited	251	251	251	500
218	Equity Syndicate Management Limited	360	360	400	-
6104	Hiscox	200	-	-	-
		<u>14,192</u>	<u>13,992</u>	<u>11,032</u>	<u>9,550</u>

25 Ultimate controlling party

Mr M J Meacock, together with his family interest, owns more than 60% of the share capital and is therefore deemed to be the ultimate controlling party.