



ARGENTA UNDERWRITING NO 1 LIMITED

FINANCIAL STATEMENTS

31 December 2011

Company registration number 5308160



Argenta Underwriting No 7 Limited

Directors' Report For the year ended 31 December 2011

The directors present their annual report and audited accounts of Argenta Underwriting No 7 Limited ("the company") for the year ended 31 December 2011. The company's registration number is 7066530.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis is adopted in preparing the annual report and accounts.

1 Principal activities

The company's primary purpose is to carry on business of underwriting as a Corporate Member at Lloyd's.

2 Business review

The Corporate Member has participated on the 2010 and 2011 years of account. All of the company's underwriting capacity for 2010 and 2011 was dedicated to Syndicate 2121.

Underwriting Capacity	2011 £	2010 £
Syndicate 2121	5,001,870	12,107,449

3 Result and dividend

The result of the company for the period is shown on page 6. The directors do not propose a dividend.

4 Board of directors

The directors of the company stated below have held office from 1 January 2011 to the date of this report.

Mr A J Annandale
Mr J A Mackay

5 Directors' interests

No directors had any other interest in contracts or arrangements with the company during the period.

There are no existing or proposed service agreements between the company and any directors.

6 Directors' and officers' insurance

The company had directors' and officers' insurance in place during the period.

7 Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and 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.

Argenta Underwriting No 1 Limited

**Directors' Report
For the year ended 31 December 2011**

7 Directors' responsibilities statement (continued)

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.

8 Financial risk management policies and objectives

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.

9 Disclosure of information to auditors

Under the Companies Act 2006, we can confirm that

- a) so far as we are aware, there is no relevant audit information of which the company's auditors are unaware, and
- b) we have taken all the steps that we ought to have taken as directors in order to make us aware of any relevant information and to establish that the company's auditors are aware of that information.

10 Auditors

Ernst & Young LLP have been appointed as the company's auditors.

BY ORDER OF THE BOARD



Mr J A Mackay
Director

Fountain House
130 Fenchurch Street
London
EC3M 5DJ

7 June 2012

Argenta Underwriting No 1 Limited

Independent Auditor's Report to the Member of Argenta Underwriting No. 1 Limited

We have audited the financial statements of Argenta Underwriting No 1 Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 12. 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 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 of the financial statements

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 company'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 Directors' Report and financial statements 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 company's affairs as at 31 December 2011 and of its 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.

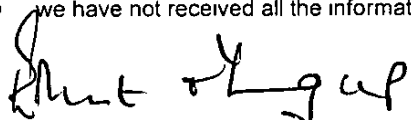
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report 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, 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.



T J Leggett (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

7 June 2012

Argenta Underwriting No 1 Limited

**Profit and Loss Account
For the year ended 31 December 2011**

	Notes	2011 £	2010 £
TECHNICAL ACCOUNT – GENERAL BUSINESS			
Earned premiums, net of reinsurance			
Gross premiums written		-	-
Outward reinsurance premiums		-	-
Net premiums written		-	-
Change in provision for unearned premiums			
Gross amount		-	-
Reinsurers' Share		-	-
Earned premiums net of reinsurance		-	-
Allocated investment return transferred from the non-technical account		-	-
Total technical income		-	-
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		-	-
Reinsurers' share		-	-
Change in the provision for claims			
Gross amount		-	-
Reinsurers' share		-	-
Net claims incurred		-	-
Net operating expenses		-	-
Amounts payable under participation deed		-	-
Balance on the technical account for general business		-	-

Argenta Underwriting No 1 Limited

Profit and Loss Account For the year ended 31 December 2011

	Notes	2011 £	2010 £
NON-TECHNICAL ACCOUNT			
Balance on the general business technical account		-	-
Investment income	3	1,655	1,579
Unrealised gains on investments		-	-
Investment expenses and charges		-	-
Unrealised losses on investments		-	-
Allocated investment return transferred to the general business technical account		-	-
Other income		-	-
Other charges, including value adjustments		(3,132)	519
(Loss)/Profit on ordinary activities before tax	4	(1,477)	2,098
Tax (charge)/credit on result on ordinary activities	6	(6,837)	27,346
(Loss)/Profit on ordinary activities after tax		(8,314)	29,444

The company has no recognised gains or losses other than the results shown above. Accordingly a separate statement of total recognised gains and losses has not been presented.

All items derive from discontinuing activities.

In accordance with the amendment to 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 for historical cost profits and losses is not given.

Argenta Underwriting No 1 Limited

**Balance Sheet
As at 31 December 2011**

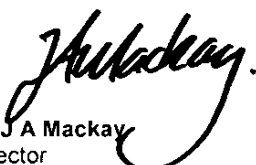
	Notes	Syndicate £	2011 Other £	Total £	Syndicate £	2010 Other £	Total £
ASSETS							
Investments							
Other financial investments		-	-	-	-	-	-
Deposits with ceding undertakings		-	-	-	-	-	-
		-	-	-	-	-	-
Reinsurers' share of technical provisions							
Unearned premium reserve		-	-	-	-	-	-
Claims outstanding		-	-	-	-	-	-
		-	-	-	-	-	-
Debtors due within one year							
Debtors arising out of direct insurance operations		-	-	-	-	-	-
Debtors arising out of reinsurance operations		-	-	-	-	-	-
Other debtors including corporation tax		-	20,509	20,509	-	-	-
		-	20,509	20,509	-	-	-
Debtors due after one year							
Other debtors		-	-	-	-	-	-
Other assets							
Cash at bank and in hand		-	12,798	12,798	-	-	-
Other	7	-	160,012	160,012	-	371,886	371,886
		-	172,810	172,810	-	371,886	371,886
Prepayment and accrued income							
Accrued interest		-	723	723	-	-	-
Prepayments		-	-	-	-	-	-
		-	723	723	-	-	-
TOTAL ASSETS							
		-	194,042	194,042	-	371,886	371,886

Argenta Underwriting No 1 Limited

Balance Sheet As at 31 December 2011

	Notes	Syndicate £	2011 Other £	Total £	Syndicate £	2010 Other £	Total £
LIABILITIES							
Capital and reserves							
Called up share capital	8	-	100	100	-	100	100
Profit and loss account	9	-	21,130	21,130	-	29,444	29,444
Equity shareholder's funds	10		21,230	21,230		29,544	29,544
Technical provisions							
Provision for unearned premium		-	-	-	-	-	-
Claims outstanding		-	-	-	-	-	-
		-	-	-	-	-	-
Creditors due within one year							
Creditors arising out of direct insurance operations		-	-	-	-	-	-
Creditors arising out of reinsurance operations		-	-	-	-	-	-
Other creditors including taxation and social security	11	-	172,812	172,812	-	342,342	342,342
		-	172,812	172,812	-	342,342	342,342
Accruals and deferred income							
		-	-	-	-	-	-
TOTAL LIABILITIES		-	194,042	194,042	-	371,886	371,886

The financial statements on pages 5 to 14 were approved and authorised for issue by the Board of directors on 7 June 2012 and signed on its behalf by


Mr J A Mackay
Director

Argenta Underwriting No 1 Limited

Notes to the Financial Statements For the year ended 31 December 2011

1 Basis of preparation

(a) Current basis

The financial statements have been prepared in accordance with section 6 of, and Schedule 3 to, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 pursuant to section 396 of the Companies Act 2006

The financial statements have also been prepared in accordance with applicable United Kingdom accounting standards and comply 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

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

The company is a wholly owned subsidiary undertaking of another registered company in England and Wales. The company's ultimate parent company prepares consolidated financial statements which include a consolidated cash flow statement. Consequently, the company is not required to present a cash flow statement.

(b) Recognition of insurance transactions

The company is required to recognise its proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates ("the syndicates").

For each such syndicate, the company's proportion of the underwriting transactions, investment return and operating expenses will be reflected within the company's profit and loss account. Similarly, its proportion of the syndicate's assets and liabilities will be reflected in its balance sheet (under the column heading syndicate). The syndicate 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. These provisions have been determined by the directors of the company (see 2(d) below).

(c) Sources of data

The information used to compile the technical account and the syndicate balance sheet will be based on returns prepared for this purpose by the Managing Agents of the syndicates ("the Returns"). These Returns will be 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 will also be responsible for collating the data at a syndicate level and analysing it into corporate member level results.

2 Accounting policies

(a) Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial investments.

Argenta Underwriting No 1 Limited

Notes to the Financial Statements For the year ended 31 December 2011

2 Accounting policies (continued)

(b) Premiums

Premiums written comprise the total premiums receivable for the whole year 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" receivable (see (e) below).

Premiums written by a syndicate may also include the reinsurance of other syndicates on which the company participates.

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 establishing earnings patterns or time apportionment as appropriate.

Outward reinsurance premiums may include "reinsurance to close" payable (see (e) below).

(c) 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 differs from the provision at the beginning of the year.

(d) Provision for claims

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. When appropriate, statistical methods have been applied to past experience of claims frequency and severity.

The provision has been increased as appropriate by the company to the extent that deficits are foreseen on underwriting years before the 36 months point is reached.

(e) 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

(a) a premium, and

(b) either

2 Accounting policies (continued)

(e) Reinsurance to close (continued)

- (i) 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
- (ii) 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 discharge 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

(f) Investments

Listed and other traded investments are stated at mid-market values. Other investments are stated at cost less provision for any permanent diminution in value

(g) Investment income

Investment income comprises interest receivable and dividends received plus realised 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

Where investments represent the company's share of syndicate investments, they are treated as sold and repurchased at each year end in recognition of the annual venture nature of participation on a syndicate. The cost of these investments is therefore their market value at each 31 December. The realised gains reported by Syndicates are net of any realised losses

All investment income, net of realised losses is initially recorded in the non-technical account. All investment income arising on syndicate participations is allocated to the technical account. Other investment income is attributable to the non-technical account

Argenta Underwriting No 1 Limited

Notes to the Financial Statements For the year ended 31 December 2011

2 Accounting policies (continued)

(h) Net operating expenses

Operating expenses are recognised when incurred. They will 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.

(i) Other charges

Expenses not attributable to underwriting or investment management are recognised when incurred.

(j) Foreign currencies

Transactions in foreign currencies other than Sterling, United States dollars and Canadian dollars are translated at the rates of exchange ruling at the date the transaction is processed. Unless otherwise stated, transactions in United States dollars and Canadian dollars and assets and liabilities in currencies other than sterling are translated at the rates of exchange ruling at the end of the financial year. Exchange differences arising on translation are dealt with in the profit and loss account.

(k) 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.

HM Revenue and Customs determines the taxable results of syndicates on the basis of computations submitted by the Managing Agent. Any adjustments that may be necessary to the tax provisions established by the company as a result of HM Revenue and Customs agreement of individual syndicate taxable results will be reflected in the financial statements of subsequent years.

Other profits are assessable to corporation tax in the same year as they are recognised for accounting purposes, after adjustment in accordance with tax legislation.

(l) 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. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in year different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit those earnings. 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 are not discounted.

3 Investment income

	2011 £	2010 £
Non Syndicate Investment income	<u>1,655</u>	<u>1,579</u>

4 Profit/(loss) on ordinary activities before tax

Fees paid to the company's auditors Ernst & Young LLP, for statutory audit services and non-audit services are not charged to the company and are paid by the company's parent company. These fees are disclosed in the parent company's accounts.

Argenta Underwriting No 1 Limited

Notes to the Financial Statements For the year ended 31 December 2011

5 Directors' remuneration

Messrs Annandale and Mackay did not receive any remuneration for their services to the company

6 Taxation on profit/(loss) on ordinary activities

(a) Analysis of charge/(credit) in year

	2011 £000	2010 £000
Current tax		
United Kingdom corporation tax at 26.5% (2010 28%)	-	-
Adjustment in respect of prior years	6,837	(27,346)
Total current tax	<u>6,837</u>	<u>(27,346)</u>
Deferred tax	-	-
Tax charge/(credit) on result on ordinary activities	<u>6,837</u>	<u>(27,346)</u>

(b) Factors affecting tax charge for the year

	2011 £	2010 £
(Loss)/profit on ordinary activities before tax	(1,477)	2,098
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 28%)	(391)	587
Effects of		
Expenses not deductible for tax	-	-
Double tax relief	-	(587)
Adjustments in respect of previous periods	6,837	(27,346)
Group relief surrendered for nil payment	<u>391</u>	<u>-</u>
Current tax charge/(credit) for the year (see (a) above)	<u>6,837</u>	<u>(27,346)</u>

Argenta Underwriting No 1 Limited

Notes to the Financial Statements For the year ended 31 December 2011

7 Funds at Lloyd's

The company's underwriting was supported by assets made available to it by third party capital providers. The current Funds at Lloyd's consists of cash of £160,020 and entirely belongs to the company

8 Share capital

	2011		2010	
	Number	£	Number	£
Allotted and called up				
Ordinary shares of £1 each	100	100	100	100

9 Profit and loss account

	2011 £	2010 £
At the start of the year	29,444	-
(Loss)/profit for the year	(8,314)	29,444
At the end of the year	21,130	29,444

10 Reconciliation of movements in shareholder's funds

	2011 £	2010 £
Opening shareholder's funds	29,544	100
(Loss)/profit for the year	(8,314)	29,444
Closing shareholder's funds	21,230	29,544

11 Other creditors including taxation and social security

	2011 £	2010 £
Amounts due to parent company	172,812	222,328
Other creditors	-	120,014
	172,812	342,342

12 Parent undertaking

The company's immediate and ultimate parent undertaking is Argenta Holdings plc, a company registered in England and Wales. Financial statements of this company can be obtained from Fountain House, 130 Fenchurch Street, London, EC3M 5DJ