



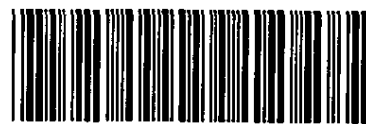
Report & Financial Statements

Ark Corporate Member (No. 3) Limited

Registered number 6756414

2013

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Directors and administration

Directors

N Bonnar
N Deshpande
N Smith

Company secretary

J Masson

Registered office

30 Fenchurch Avenue
London
EC3M 5AD

Company registration number

6756414

Bankers

Lloyds Banking Group plc
PO Box 72
Bailey Drive
Gillingham Business Park
Kent
ME8 0LS

Registered auditors

KPMG LLP
15 Canada Square
London
E14 5GL

Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2013

Group structure

Group Ark Insurance Holdings Limited ("GAIHL") is the group parent company, and is a Bermuda registered company. The major active trading companies that make up the Ark group as at 31 December 2013 are

- Ark Syndicate Management Limited ("ASML"), incorporated in the UK, the managing agent of Syndicate 4020 ("the Syndicate") and Special Purpose Syndicate 6105 ("Syndicate 6105"),
- Ark Corporate Member Limited ("ACML"), incorporated in the UK, a corporate member which participates on the 2011, 2012 and 2013 years of account ("YOA") of the Syndicate,
- Ark Corporate Member (No. 2) Limited ("ACML2") and Ark Corporate Member (No. 3) Limited ("ACML3"), incorporated in the UK, corporate members which have no current participation on the Syndicate,
- Ark Underwriting Inc ("AUI"), incorporated in Connecticut, USA, a brokered reinsurance service company for ASML, and
- Group Ark Insurance Limited ("GAIL"), incorporated in Bermuda, a class III reinsurer. GAIL has written a 90% quota share of ACML in respect of its participation on the 2013, 2012 and 2011 YOA of the Syndicate. GAIL provides Funds at Lloyd's ("FAL") on behalf of ACML to support the underwriting of the Syndicate.

Directors and Directors interests

N Bonnar
N Deshpande
N Smith

The directors served from 1 January 2013 to the date of this report, unless stated otherwise. Certain directors own shares in GAIHL, the ultimate parent company. Details of directors' shareholdings in GAIHL are disclosed in the accounts of ASML, a copy of which can be requested from the registered office of ACML3.


Disclosure of information to auditors

The directors of ACML3 who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

KPMG LLP have expressed their willingness to continue in office as auditors to the company. ACML3 has an elective resolution in place under Section 487(2) of the Companies Act 2006 to dispense with the obligation to appoint auditors annually.

By order of the Board



J Masson
Company Secretary
16 April 2014

Strategic report

The principal activity of ACML3 is that of a Lloyd's corporate member. ACML3 participated on the 2009 YOA of the Syndicate. During the year Funds at Lloyd's were made inter-available for the benefit of ACML.

The principal risks and uncertainties of ACML3 are aligned with the Syndicate. ASML has developed and maintains a risk register within its risk management framework. Identified risks are grouped into major risk categories according to their nature, and by whom they are managed. The risk management framework allows new risks to be identified and new controls to be put in place as necessary, either to prevent the occurrence of the event or to mitigate its impact. These are explained in more detail in the accounts of the Syndicate, a copy of which can be requested from the registered office of ACML3.

The profit after taxation for the year was £0.4m (2012: £0.6m). No dividend is proposed (2012: Nil).

ACML3 is not participating on the 2014 YOA of the Syndicate.

In November 2013, Ark management and staff entered into an agreement with the existing private equity investors to effect a management buy out. As a result, Group Ark Insurance Holdings Limited began a share repurchase programme, the first tranche of which was completed in December 2013. The remaining shares of GAIHL are expected to be purchased in full by Ark Insurance Holdings Limited, a newly formed holding company in 2014.

By order of the Board



J. Masson
Company Secretary
16 April 2014

Statement of directors' responsibilities

The following statement applies to the directors' report and financial statements

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 year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

- 1 select suitable accounting policies and then apply them consistently,
- 2 make judgments and estimates that are reasonable and prudent,
- 3 state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 4 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 its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a directors' report that complies with that law.

Independent auditors' report to the member of Ark Corporate Member (No 3) Limited

We have audited the financial statements of Ark Corporate Member (No 3) Limited (Company Number 6756414) for the year ended 31 December 2013 set out on pages 7 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Principles).

This report is made solely to the company's member, 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 member those matters we are required to state to them in an auditor's report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member, 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 Directors' Responsibilities Statement set out on page 5, the company's 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 Practice Board's ("APB's") Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's web-site at www.frc.org.uk/auditscopeukprivate.

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 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been properly 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 Director's 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.



Robert Lewis (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
2 May 2014

Profit and loss account

For the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
There were no transactions through the technical account			
Non-technical account			
Other expenses		-	(25)
Loss on ordinary activities before taxation		-	(25)
Taxation credit/(charge) on loss on ordinary activities	5	414	(540)
Profit / (loss) on ordinary activities after taxation	3,7	414	(565)

Statement of total recognised gains and losses

	Notes	2013 £'000	2012 £'000
Profit / (loss) for the financial year	7	414	(565)
Currency translation difference on foreign currency ledgers	7	-	(1)
Total recognised profits / (losses) in the financial year		414	(566)

All operations are continuing. The notes on pages 9 to 10 form part of these financial statements.

Balance sheet

As at 31 December 2013

	Notes	2013 £'000	2012 £'000
Assets			
Other debtors		180	180
Total assets			
		180	180
Liabilities			
Capital and reserves			
Called up share capital	6	-	-
Profit and loss account	7	(1,301)	(1,715)
Other reserves	7	8	8
		(1,293)	(1,707)
Creditors			
Other creditors including taxation and social security	8	1,473	1,887
Total liabilities			
		180	180

The notes on pages 9 to 10 form part of these financial statements. The financial statements were approved by the Board on 16 April 2014 and signed on its behalf by



N Smith, Director

16 April 2014

Notes to the financial statements

1 Basis of preparation

These financial statements have been prepared in accordance with section 255 of, and Schedule 3 to, the Companies Act 2006 and applicable Accounting Standards in the United Kingdom. They comply with the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 by the Association of British Insurers (as amended in December 2006).

Under Financial Reporting Standard 1, ACML3 is exempt from the requirement to prepare a cash flow statement on the grounds that the company is a subsidiary with more than 90% of the voting rights controlled by GAIHL which has produced a consolidated cash flow statement.

2 Accounting policies

The financial statements are prepared under the historical cost convention.

a Taxation

ACML3 is taxed on its share of the underwriting results declared by the Syndicate which are deemed to accrue evenly over the calendar year in which they are declared. The results of the Syndicate included in the financial statements relate to the open years of account and will only be declared for tax purposes in the year following the closure of the year of account. Other profits are assessable to tax in the same year as they are recognised for accounting purposes, after adjustment in accordance with tax legislation.

The charge for taxation based on the result for the year takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. The provisions of FRS 19 "Deferred Tax" have been adopted in these financial statements. Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes. As a consequence, full provision has been made for the deferred tax on tax assets and liabilities arising on timing differences.

3 Operating expenses

The profit on ordinary activities after taxation is stated after charging

	2013 £'000	2012 £'000
Incurring by ASML on behalf of ACML3 - audit fees	3	9

4 Directors and employees

All staff are remunerated by ASML. The directors do not receive any remuneration in respect of their services to ACML3.

5 Taxation

	2013 £'000	2012 £'000
UK corporation tax (credit) / charge for the year	(414)	414
Movement in deferred taxation	-	126
Taxation on loss on ordinary activities	(414)	540

There are no known factors that would significantly impact the future tax charge of ACML3.

Notes to the financial statements

5 Taxation (continued)

The current tax (credit) / charge for the year is lower / higher than the standard rate of corporation tax in the UK of 23.25% applied to the loss for the year. The difference is explained below:

	2013 £'000	2012 £'000
Loss on ordinary activities	-	(25)
UK corporation tax credit at 23.25% (2012: 24.5%) based on the UK loss for the year	-	(6)
Taxation effect of:		
Adjustments in respect of prior years	(414)	-
Profits not taxable in the current year	-	420
Current taxation on loss on ordinary activities	(414)	414

6 Share capital

	Authorised Number	Authorised £'000	Allotted, issued and fully paid Number	Allotted, issued and fully paid £'000
Ordinary shares of £1 each	1,000	1	1	-

7 Reconciliation of movement in shareholders' funds

	Share capital £'000	Profit and loss account £'000	Other reserves £'000	Total £'000
At 1 January 2012	-	(1,150)	9	(1,141)
Loss for the period	-	(565)	-	(565)
Currency translation difference on foreign currency ledgers	-	-	(1)	(1)
At 31 December 2012	-	(1,715)	8	(1,707)
Profit for the period	-	414	-	414
Currency translation difference on foreign currency ledgers	-	-	-	-
Closing shareholders' funds	-	(1,301)	8	(1,293)

8 Other creditors including taxation and social security

	2013 £'000	2012 £'000
Amounts due to fellow group companies	1,473	1,473
Other	-	414
	1,473	1,887

9 Related parties

Ultimate parent company

The results of ACML3 are consolidated in the financial statements of GAIHL, a company registered in Bermuda. The registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. No other group financial statements include the results of ACML3. The consolidated financial statements of GAIHL are not available to the public.

ACML3 has taken advantage of the exemption for wholly owned subsidiaries available in FRS8 and has not disclosed related party transactions between itself and other group companies.