

# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Annual Report and Financial Statements

For the year ended 31 December 2013

FRIDAY



\*L3H82YP7\*

LD2

26/09/2014

#78

COMPANIES HOUSE

# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Table of contents

Directors and officers.....	2
Strategic report.....	3
Directors' report .....	5
Independent auditors' report .....	7
Profit and loss account .....	9
Statement of total recognised gains and losses .....	10
Balance sheet.....	11
Notes to the financial statements .....	13

# **White Mountains Re Sirius Capital Limited**

Registered No. 07630350

## **Directors and officers**

The directors of the Company during the year and to the date of this report were:

### **Name**

AL Waters

G Thorstensson

L Ek

MJ Dashfield

## **Registered office**

Beaufort House,  
15 St Botolph Street,  
London,  
EC3A 7NJ

## **Company secretary**

BLG (Professional Services) Limited  
Beaufort House,  
15 St Botolph Street,  
London,  
EC3A 7NJ

## **Independent auditors**

PricewaterhouseCoopers LLP  
7 More London Place, London SE1 2RT

# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Strategic report

The Company underwrites insurance business at Lloyd's by means of its participation in Syndicate 1945. The syndicate began underwriting in July 2011 with a view to underwriting certain business previously underwritten by Sirius International Insurance Corp (publ) through a London branch office. Since inception of the syndicate, the business has grown to a 2013 capacity of nearly £100m, and further growth is planned, both by transferring additional business from the Sirius International group into the Syndicate and by making additional use of the Lloyd's rating and network of licences which bring additional underwriting opportunities.

## Review of business and future developments

White Mountains Re Sirius Capital Limited ("the Company") provides 100% of the capital to Syndicate 1945, which commenced underwriting for the 2011 year of account on 1 July 2011, and is managed by Asta Managing Agency Limited (Asta) (formerly Whittington Capital Management Limited until 9 May 2012). On 1<sup>st</sup> July 2014 Sirius International Managing Agency Limited obtained regulatory approval to conduct business as a Managing Agency and from this date it has taken over as Managing Agent of syndicate 1945 (see Note 14).

In addition to the Accident & Health and Miscellaneous Pecuniary Loss classes of business written for the 2011 and 2012 years of account, in 2013 Syndicate 1945 wrote Marine and Property classes. In 2014 the Syndicate has commenced writing Terrorism and Bloodstock classes.

The Company's allocated capacity on Syndicate 1945 for the 2013 and 2014 underwriting years is shown below: -

	2013	2014
	£m	£m
Syndicate 1945 capacity	92.6	98.7
(100% White Mountains Re Sirius Capital Limited capacity)		

During the fourth quarter of 2013, the parent company, Sirius International Insurance Corporation (publ), arranged for an increase to US\$ 163m in the value of the Letters of Credit in favour of The Society and Council of Lloyd's on behalf of White Mountains Re Sirius Capital Limited., and the Company has utilised these Letters of Credit as Funds at Lloyd's in support of its underwriting membership of Syndicate 1945. Since the balance sheet date, there has been a further increase in the value of the Letters of Credit to US\$ 171.5m. In addition, the Company has a £10m loan facility from its parent company to provide working capital for Syndicate 1945.

The Company has purchased quota share reinsurance protections for the 2012 and 2013 underwriting years. The Syndicate on which it participates did not purchase any outwards reinsurance for either the 2011 or the 2012 underwriting year, but for the 2013 year the syndicate has initiated a reinsurance protection programme covering certain classes of business written.

# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Strategic report - Continued

### Principal risks and uncertainties

During the year covered by this report, the Company provided underwriting capacity to Syndicate 1945. Therefore, the principal risks were the same as those facing this Syndicate (insurance, credit, liquidity, market, exchange, equity price, interest rate and operational risk). The management of these risks was performed by the Managing Agent of Syndicate 1945, Asta Managing Agency Limited. Whilst the Company is not related to Asta, it does, however, have a Managing Agents Agreement with Asta for the management of Syndicate 1945.

#### Financial risk management

The companies operations expose it to a variety of financial risks and the board has adopted policies for the management of these risks. These policies are implemented by the Investment Committee to ensure that investments are managed in a manner consistent with the board's responsibilities and to ensure emerging risks have been correctly identified and that appropriate risk mitigation has been put in place. The company has its own risks, principally credit, liquidity operational and insurance, which it manages as set out below.

#### Credit risk

Credit risk is the risk of default by one or more of the direct debtors of the Company being unable to pay their debts when due. The Company's principal debtor in the case of a profit is Syndicate 1945. The debt due from the Syndicate, in respect of distributable profits made on closure of a year of account, is settled within 3 months of the relevant period, as per Lloyd's distribution arrangements, and as such is a short term debt and a low credit risk. In addition, the Company has a specific credit risk exposure due to a limited liability quota share reinsurance contract with a group company.

#### Liquidity risk

Liquidity risk is the risk the Company has insufficient liquid assets to settle its debts as they fall due. The principal debts of the Company relate to where insurance losses of Syndicate 1945 are of such a magnitude that they may exceed the funds available within the Syndicate to settle such claims. In the event of this occurring the syndicate would be able to draw down on the parent company facility described in Note 10 to settle such claims.

#### Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems. The Company's principal operational risks emanate from the solvency and regulatory rules constraining the Company. During the year under review, the Company ensured it operated within those rules by using the experienced management team from Asta to provide regulatory oversight.

#### Insurance risk

Insurance risk is the risk of loss that may arise from inaccurate pricing; fluctuations in the timing, frequency and severity of claims compared to expectations; inadequate reinsurance protection; and inadequate

# White Mountains Re Sirius Capital Limited

Registered No. 07630350

reserving. The Company's underwriting strategy is approved by the Board and communicated clearly throughout the business through policy statements and guidelines.

## Directors' report

The directors are pleased to submit their report and the audited financial statements of White Mountains Re Sirius Capital Limited ("the Company") for the year ended 31 December 2013.

## Results and dividends

The loss for the financial year after taxation amounted to £2,242k (2012: loss of £1,244k). No dividend has been paid or proposed. The balance of retained earnings was transferred to reserves.

	2013 £'000	2012 £'000
Analysis of underwriting result by Syndicate year of account		
Balance per technical account	(2,650)	(1,376)
Non-technical account movements:		
Investment income	-	-
Other operating expenses	(262)	(183)
Taxation	670	315
(Loss) for the financial year after taxation and adjustments	(2,242)	(1,244)

The key performance indicators of the Company are the profit generated by the Syndicate and the Company's share of the Syndicate's capacity going forward.

## Directors' interests

The directors have no disclosable interests in the Company.

The ultimate holding company, White Mountains Insurance Group Ltd maintains liability cover on behalf of the directors and officers of the Company.

## Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Directors' report - 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Disclosure of information to auditors

Each person who is a director at the date of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as director in order to make himself aware of, and to establish that the Company's auditors are aware of, any relevant audit information.

This confirmation is given, and should be interpreted, in accordance with the provisions of s418 of the Companies Act 2006.

## Independent Auditors

Pursuant to section 487 of the Companies Act 2006 the auditors will be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

On behalf of the Board



Michael Dashfield  
Director

Date: 25 September 2014

# **White Mountains Re Sirius Capital Limited**

Registered No. 07630350

## **Independent auditors' report to the members of White Mountains Re Sirius Capital Limited Report on the financial statements**

### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 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.

This opinion is to be read in the context of what we say in the remainder of this report.

### **What we have audited**

The financial statements, which are prepared by White Mountains Re Sirius Capital Limited, comprise:

- the Balance Sheet as at 31 December 2013;
- the Profit and loss account and Statement of total recognised gains and losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Opinion on other matter prescribed by the Companies Act 2006

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

## Other matters on which we are required to report by exception

### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

## Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

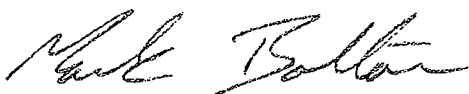
## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Mark Bolton (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
25 September 2014

# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Profit and loss account for the year ending 31 December 2013

### Technical Account (General Business)

	Notes	2013 £'000	2012 £'000
Gross premiums written	2a	58,736	43,827
Outward reinsurance premiums		(19,762)	(28,705)
Net premiums written		38,974	15,122
Change in the gross provision for unearned premiums	2a	(4,347)	(12,859)
Change in the provision for unearned premiums; Reinsurers' share		(4,141)	10,872
Change in the net provision for unearned premiums		(8,488)	(1,987)
Earned premiums, net of reinsurance		30,486	13,135
Allocated investment return transferred from the non-technical account	3	65	27
Gross claims paid		(22,006)	(9,027)
Reinsurers share of paid claims		11,957	5,263
Net claims paid		(10,049)	(3,764)
Change in the gross provision for claims		(13,592)	(12,128)
Reinsurers share of provision for claims		3,403	7,252
Net change in the provision for claims		(10,189)	(4,876)
Claims incurred, net of reinsurance		(20,238)	(8,640)
Net operating expenses	2b	(12,963)	(5,898)
Balance on the general business technical account		(2,650)	(1,376)

# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Profit and loss account for the year ending 31 December 2013 -continued

### Non-technical Account

	Notes	2013 £'000	2012 £'000
Balance on the general business technical account		(2,650)	(1,376)
Investment income		70	27
Net losses on investments		(3)	-
Investment income and charges		(2)	-
Allocated investment return transferred to the general business technical account	3	(65)	(27)
Investment return retained in the non-technical account		-	-
Other operating expenses	5	(262)	(183)
Loss on ordinary activities before taxation		(2,912)	(1,559)
Tax on loss on ordinary activities	6	670	315
Loss for the financial year		(2,242)	(1,244)

All results derive from continuing operations.

## Statement of total recognised gains and losses

For the year ended 31 December 2013

	2013 £'000	2012 £'000
Loss for the financial year	(2,242)	(1,244)
Foreign currency exchange differences relating to the technical account	(243)	(104)
Tax charge	-	-
Total gains and losses recognised for the financial year	(2,485)	(1,348)

The notes on pages 13 to 23 form an integral part of these financial statements.

There is no difference between the results disclosed in the profit and loss account and the historical cost profits and losses.

# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Balance sheet as at 31 December 2013

ASSETS	Notes	2013 £'000	2012 £'000
<b>Investments</b>			
Other financial investments	7	20,716	9,934
		20,716	9,934
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums		4,483	7,172
Claims outstanding		10,311	7,110
		14,794	14,282
<b>Debtor amounts falling due within one year</b>			
Debtors arising out of direct insurance operations		2,411	2,223
Debtors arising out of reinsurance operations		6,222	8,717
Other debtors		1,073	435
		9,706	11,375
<b>Other assets</b>			
Cash at bank and in hand		1,179	2,354
Overseas deposits		1,922	486
		3,101	2,840
<b>Prepayments and accrued income</b>			
Deferred acquisition costs		6,465	5,273
Other		25	4
		6,490	5,277
<b>Debtor amounts falling due after more than one year</b>			
Deferred tax	6	1,511	885
		1,511	885
<b>Total assets</b>		<b>56,318</b>	<b>44,594</b>

# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Balance Sheet as at 31 December 2013 - continued

LIABILITIES	Notes	2013 £'000	2012 £'000
<b>Capital and reserves</b>			
Called up share capital	8	-	-
Profit and loss account		6,073	3,588
<b>Total shareholders' deficit attributable to equity interests</b>	13	6,073	3,588
<b>Technical provisions</b>	9		
Claims outstanding		(25,444)	(12,822)
Provision for unearned premiums		(19,738)	(16,171)
		(45,182)	(28,993)
<b>Creditor amounts falling due within one year</b>			
Creditors arising out of direct insurance operations		(103)	(721)
Creditors arising out of reinsurance operations		(1,235)	(199)
Other creditors		(912)	(10)
Amounts owed to parent company	10	(3,238)	(7,289)
		(5,488)	(8,219)
<b>Creditor amounts falling due after more than one year</b>			
Creditors arising out of reinsurance operations		(8,353)	(10,494)
		(8,353)	(10,494)
<b>Accruals and deferred income</b>		(3,368)	(476)
<b>Total liabilities</b>		(56,318)	(44,594)

The notes on pages 13 to 23 form an integral part of these annual accounts.

The financial statements on pages 9 to 23 were approved by the Board of Directors on 25 September 2014 and were signed on its behalf by:



Michael Dashfield  
Director

# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Notes to the financial statements for the year ended 31 December 2013

### 1. Accounting policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

#### (a) Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention, and in accordance with the provisions of the Companies Act 2006, and applicable accounting standards in the UK. These financial statements have been prepared under the provisions of The Large and Medium sized Companies and Groups (Accounts and Reports) Regulation 2008 relating to insurance companies. The recommendations of 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, have been adopted.

#### (b) Cash flow statement disclosure

Under Financial Reporting Standard 1 (revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the whole of the economic interest in the Company is ultimately owned by White Mountains Insurance Limited, and a group cash flow has been prepared in its financial statements.

#### (c) Basis of accounting for underwriting business

##### (i) Premiums written

Premiums written comprise premiums on contracts inception during the financial year. Premiums are shown gross of certain acquisition costs payable to intermediaries and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate but not yet received or notified. Differences between such estimates and actual amounts will be recorded in the period in which the actual amounts are determined.

##### (ii) Unearned gross premiums

Written premiums are recognised evenly over the term of the contract for those contracts where the incidence of risk does not vary over the term. Contracts where the incidence of risk differs over the term are earned based on the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the period that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

##### (iii) Deferred acquisition costs

Acquisition costs, comprising commission and other direct or indirect costs related to the acquisition of insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

##### (iv) Reinsurance premium ceded

Accounting for outward reinsurance premium is consistent with the treatment of the related inwards business.

# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Notes to the financial statements for the year ended 31 December 2013- continued

### 1. Accounting policies (continued)

#### (c) Basis of accounting for underwriting business (continued)

##### (v) Claims provisions and related recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the period, whether reported or not, including related direct and indirect claims handling costs.

The provision for claims outstanding is assessed on an individual case and class basis, as appropriate, and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having written the business previously under the London branch of Sirius International Insurance Corporation.

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 the amounts of outstanding claims and projections for IBNR, having regard to the reinsurance contract in place.

The two most critical assumptions 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 for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors consider that the provisions for gross claims are fairly stated on the basis of the information currently available to them. However, the 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 methods used, and the estimates made, are reviewed regularly.

##### (vi) Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date may exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant future investment return. The provision for unexpired risks is included in technical provisions in the balance sheet.

# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Notes to the financial statements for the year ended 31 December 2013 – continued

### 1. Accounting policies (continued)

#### (d) Bad debt

Bad debts are provided for only where specific information becomes available to suggest a debtor may be unable to settle its debts. Specific information may be directly attributed to the debtor company or may be indirect information from a rating agency or other source. The provision is calculated on a case by case basis.

#### (e) Foreign currency translation

Transactions in US dollars, Canadian dollars, Euros, Australian dollars and Japanese yen are translated at the average rates of exchange for the period. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

In accordance with SSAP20, Foreign Currency Translation, assets and liabilities denominated in US dollars, Canadian dollars, Euros, Australian dollars and Japanese yen are translated at the rate of exchange at the balance sheet date or if appropriate at the forward contract rate.

Exchange differences arising on retranslation of opening balances and between transactions and period-end rates are included in the statement of total recognised gains and losses.

#### (f) Investments

Investments are stated at current value at the balance sheet date. For this purpose, listed investments are stated at market values (bid value) and deposits with credit institutions and overseas deposits are stated at cost.

#### (g) Investment return

Investment return comprises all investment income, net of investment expenses, charges and interest.

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 of investment return attributable to underwriting.

#### (h) Taxation

UK taxation in the profit and loss account is based on the underwriting result and other income and charges of the period as determined in accordance with the relevant tax legislation.

#### (i) Deferred tax

Deferred taxation is accounted for using the incremental liability approach to timing differences. Timing differences arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in financial statements. Timing differences originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets are only accounted for as recoverable to the extent that it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.



# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Notes to the financial statements for the year ended 31 December 2013 – continued

### 2. a) Segmental analysis

The business noted below has all been underwritten in the Lloyd's insurance market, which has all been treated as one geographical segment (UK) for the purposes of the *Statement of Standard Accounting Practice No 25: Segmental Reporting*. The segmental information in the format required by the Act is as follows:

Year to 31 December 2013	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Technical Balance £'000
Direct Insurance						
Accident & Health	17,910	17,537	(13,535)	(6,877)	1,269	(1,606)
Marine	1,044	364	(244)	(276)	24	(132)
Fire & Other Damage to Property	4,847	2,324	(1,345)	(1,395)	(63)	(479)
Miscellaneous Pecuniary Loss	5,539	4,933	(2,226)	(1,823)	(427)	457
Reinsurance Acceptances	29,396	29,231	(18,248)	(10,925)	(1,013)	(955)
Total	58,736	54,389	(35,598)	(21,296)	(210)	(2,715)

All premiums were concluded in the UK.

Year to 31 December 2012	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance Balance £'000	Technical Balance £'000
Direct Insurance						
Accident & Health	13,185	11,768	(6,939)	(5,015)	383	197
Fire & Other Damage to Property	39	41	(11)	(15)	(8)	7
Miscellaneous Pecuniary Loss	4,653	3,255	(4,329)	(1,262)	1,455	(881)
Reinsurance Acceptances	25,950	15,904	(9,876)	(8,793)	2,039	(726)
Total	43,827	30,968	(21,155)	(15,085)	3,869	(1,403)

All premiums were concluded in the UK. The reinsurance balance represents the charge to the technical account in relation to items arising on the reinsurance outwards

# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Notes to the financial statements for the year ended 31 December 2013 – continued

### 2. b) Operating Expenses

	2013 £'000	2012 £'000
Acquisition costs	(14,614)	(9,112)
Administrative expenses	(4,673)	(3,925)
Lloyd's direct personal expenses	(2,009)	(2,048)
Gross operating expenses	(21,296)	(15,085)
Reinsurers share	8,333	9,187
Net operating expenses	(12,963)	(5,898)

### 3. Investment return

	2013 £'000	2012 £'000
Investment income	78	27
Losses on the realisation of investments	(11)	-
Investment management charges	(2)	-
Total investment return	65	27

Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

### 4. Directors and employees

The Company has no employees. However, the Company used the services of employees of Sirius and Asta Managing Agency Limited (Asta). The directors received no emoluments for their services to the Company.

# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Notes to the financial statements for the year ended 31 December 2013 – continued

### 5. Auditors' remuneration

The total remuneration payable by the Company to its auditor, PricewaterhouseCoopers LLP and its associates (2012: PricewaterhouseCoopers LLP), in respect of the audit of these financial statements and other services is shown below.

	2013 £'000	2012 £'000
<b>Audit Services</b>		
Fees payable to the Company's auditors for the audit of the Company's financial statements:	141	125
<b>Non-audit services</b>		
Fees payable to the Company's auditors and its Associated for their services:		
Tax services	6	51
Other non-audit services	53	40

The auditors' remuneration of £141k includes £131k (2012: £115k) in respect of the audit of Syndicate 1945. The fees for other services includes £53k (2012: £40k) in respect of other services provided to Syndicate 1945.

# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Notes to the financial statements for the year ended 31 December 2013 – continued

### 6. Tax on loss on ordinary activities

#### a) Tax on loss on ordinary activities

	2013 £'000	2012 £'000
UK corporation tax on results:		
UK corporation tax on profit of the period	-	-
Deferred tax:		
Origination and reversal of timing differences	677	382
Effect of changes in tax rate – current year provision	(7)	(24)
Effect of changes in tax rates on brought forward provision	-	(43)
Tax on profit on ordinary activities	670	315

#### b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities is equal to the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are reconciled below:

	2013 £'000	2012 £'000
Loss on ordinary activities before tax	(2,912)	(1,559)
Loss on ordinary activities multiplied by standard rate of Corporation tax in the UK of 23.25% (2012 - 24.5%)	677	382
Effects of:		
Effect of changes in tax rates – current year provision	(7)	(24)
Effect of changes in tax rates on brought forward provision	-	(43)
Deferred tax credit for the year	670	315

# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Notes to the financial statements for the year ended 31 December 2013 – continued

### 6. Tax on loss on ordinary activities continued

#### c) Deferred tax

	2013 £'000	2012 £'000
Provision at the beginning of the year	885	677
Total deferred tax asset	1,511	885
	2013 £'000	2012 £'000
Provision at the beginning of the year	885	677
Amounts utilised in respect of prior years	(44)	(107)
Amount credited in the profit & loss account	670	315
Provision at the end of the period	1,511	885

#### Factors that may affect future tax charges

The Company has a deferred tax asset of £1,511k (2012: £885k) in respect of trading losses and underwriting losses on years not yet brought into tax. Legislation was introduced in Finance Act 2013 to reduce the main rate of corporation tax from 23% to 21% with effect from 1 April 2014. Deferred tax is provided at the currently enacted rate of 23%, and the effect of the reduction to 21% will be a reduction of £58k in the deferred tax credit for the year. As part of the Finance Bill 2014, the UK Government has announced its intention to legislate to reduce the rate to 20% with effect from 1 April 2015. The directors estimate that the effect of the rate change to 20% will not be material.

# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Notes to the financial statements for the year 31 December 2013 – continued

### 7. Investments

	Market Value		Cost	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Debt securities and other fixed income securities	6,656	2,463	6,658	2,463
Shares and other variable yield securities and units in unit trusts	14,060	7,471	14,060	7,471
	20,716	9,934	20,718	9,934

All "Shares and other variable yield securities and units in unit trusts" are unlisted. The investments held by the Syndicate are regulated by Lloyd's Premium Trust Deed arrangements where applicable. The Syndicate is required to lodge deposits in various overseas insurance markets as a condition of conducting business in those markets. Note 11 sets out the Company's Funds at Lloyd's (FAL).

### 8. Called up share capital

	2013 £	2012 £
Allotted, issued and fully paid: 1 Ordinary Share of £1	1	1

### 9. Gross technical provisions

	2013 £'000	2012 £'000
Claims outstanding	25,444	12,822
Provision for unearned premiums	19,738	16,171
Total technical provisions	45,182	28,993

### 10. Amounts owed to parent company

The balance due to the parent company, Sirius International Insurance Corporation (publ), comprises £3m (2012: £5m) drawn down under a £10m facility provided to ensure that Syndicate 1945 has access to adequate working capital. Drawn down amounts under this facility attract interest at 2.5% over the LIBOR rate applicable to the term of the drawdown, and the facility has no fixed repayment terms. In addition to these drawn down amounts, the Company is indebted to its parent for operating expenses paid on its behalf.

# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Notes to the financial statements for the year 31 December 2013 – continued

### 11. Funds at Lloyd's

The Company has met its 2013 Funds at Lloyd's requirement to support its underwriting capacity by way of Letters of Credit. As at 31 December 2013, the Funds at Lloyd's stood at US\$163m, comprising two Letters of Credit issued by Citibank (US\$ 71.2m) and Nordea Bank (US\$91.8m). Neither the Letters of Credit nor the collateral held by the Company's bankers in support of these instruments is shown on the Company's balance sheet as they are utilised by Lloyd's of London to provide security for the Company's underwriting.

### 12. Related parties

Asta Capital Managing Agency Limited (Asta) is a related party by virtue of being the Managing Agent to Syndicate 1945. The Company has entered into a Managing Agency Agreement with Asta under normal commercial terms. Asta fees and charges to Syndicate 1945 amounted to £2,482k for the year (2012: £2,106k).

Mr MJ Dashfield, a director of the Company and Active Underwriter of Syndicate 1945 during 2013, is also Chairman of Passage2Health Limited, for which the syndicate provides underwriting capacity. Sirius International, the Company's parent and the sole provider of capital to Syndicate 1945, owns 100% of Passage2Health Limited (2012 – 75%). Premium included in the 2013 financial statements is £52.6k (2012 - £3.5k). At the end of the year premiums due but not collected were £38.2k (2012 - £3.5k) and commissions payable were £12.2k (2012 - £1.5k).

### 13. Reconciliation of movements in shareholders' deficit

	2013 £'000	2012 £'000
Shareholders' deficit at the beginning of the year	(3,588)	(2,240)
Loss for the financial year	(2,242)	(1,244)
Foreign currency exchange (non-technical movement)	(243)	(104)
Accumulated loss at the end of the financial year	(2,485)	(1,348)
Shareholders' deficit at the end of the year	(6,073)	(3,588)

No dividend was paid during the year.

# White Mountains Re Sirius Capital Limited

Registered No. 07630350

## Notes to the financial statements for the year 31 December 2013 – continued

### 14. Post balance sheet events

There have been no post balance sheet events that would materially affect the results of the Company as disclosed in these financial statements. On 1<sup>st</sup> July 2014, Sirius International Managing Agency Limited, a wholly-owned subsidiary of Sirius International Insurance Corporation (publ) and therefore under the same ownership and control as the Company, obtained regulatory approval to conduct business as a Managing Agent for syndicates underwriting business at Lloyd's. From that date it has taken over as Managing Agent of syndicate 1945, and the agency contract with Asta Managing Agency Limited has been terminated.

### 15. Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company White Mountains Insurance Group Ltd. The directors have received confirmation that Sirius International Insurance Corporation (publ) intends to support the company for at least one year after these financial statements are signed.

### 16. Parent company

White Mountains Re Sirius Capital Limited is a wholly owned subsidiary of Sirius International Insurance Corporation (publ), a company incorporated in Sweden. The ultimate holding company is White Mountains Insurance Group Ltd, a company incorporated in Bermuda. Copies of the financial statements of White Mountains Insurance Group Ltd can be obtained via the Company website at <http://www.whitemountains.com>. Advantage has been taken of the provisions of FRS8 not to disclose financial transactions with the wholly owned companies of the White Mountains Insurance Group Ltd.