Argenta

ARGENTA UNDERWRITING NO. 11 LIMITED

(FORMERLY ARGENTA NO.11 LIMITED)

FINANCIAL STATEMENTS

31 December 2013

Company registration no. 7792037

Strategic Report
For the year ended 31 December 2013

The directors present their Strategic Report for Argenta Underwriting No. 11 Limited ("the company") for the year ended 31 December 2013.

Review of the business

The company's primary purpose was to carry on business of underwriting as a corporate member at Lloyd's.

The company was dormant from incorporation on 29 September 2011 until 31 December 2012, The company commenced underwriting on 1 January 2013 with its capacity dedicated to Syndicate 2121.

Underwriting Capacity	2013
	£
Syndicate 2121	9,765,625

Financial performance during the year

The results of the company for the year are shown on page 7. The loss on ordinary activities after taxation for the year amounted to £8,093 (2012: £Nil)

Principal risks and uncertainties

The company is principally exposed to financial risk through its participation on Lloyd's syndicates. It 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.

Future developments

The company continues to participate on Syndicate 2121 for the 2014 year of account with an underwriting capacity of £7,620,000.

BY ORDER OF THE BOARD

Mr J A Mackay
Director

Fountain House
130 Fenchurch Street
London
EC3M 5DJ

4 June 2014

The directors submit their report and audited financial statements of the company for the year ended 31 December 2013. The company's registration number is 7792037.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources due to the support of its parent, Argenta Holdings plc, to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Board of directors

The directors of the company stated below have held office from 1 January 2013 to the date of this report:

Mr A J Annandale
Mr J A Mackay

Dividends

The directors do not propose a dividend (2012: £Nil).

Directors' interests

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

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

Directors' and officers' insurance

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

Directors' responsibilities statements

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Account 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 United Kingdom 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 regularities.

Disclosure of information to auditors

Under the Companies Act 2006, we can confirm that:

- so far as we are aware, there is no relevant audit information of which the company's auditors are unaware; and
- 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.

Auditors

It is proposed that Ernst & Young LLP remain as the company's auditors for the year ended 31 December 2014.

BY ORDER OF THE BOARD

JAMackay

Mr J A Mackay
Director

Fountain House
130 Fenchurch Street
London
EC3M 5DJ

4 June 2014

Independent Auditor's Report to the Member of Argenta Underwriting No. 11 Limited

We have audited the financial statements of Argenta Underwriting No. 11 Limited for the year ended 31 December 2013 which comprise the profit and loss account, the balance sheet and the related notes 1 to 20. 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 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 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 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 3, 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 the 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 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.

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 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 strategic report and 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 of the information and explanations we require for our audit.

Ernst & Young LLP

Michael Purrington (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 10 JUNE 2014

Argenta Underwriting No. 11 Limited

Profit and Loss Account
For the year ended 31 December 2013

	Notes	2013 £	15 months ended 31 December 2012 £
TECHNICAL ACCOUNT – GENERAL BUSINESS			
Earned premiums, net of reinsurance			
Gross premiums written	3	10,246,139	-
Outward reinsurance premiums		(1,409,573)	-
Net premiums written		8,836,566	-
Change in provision for unearned premiums			
Gross amount		(4,719,574)	-
Reinsurer's share		201,513	-
		(4,518,061)	-
Earned premiums net of reinsurance		4,318,505	-
Allocated investment return transferred from the non-technical account		12,661	-
Total technical income		4,331,166	-
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(448,656)	-
Reinsurer's share		52,349	-
		(396,307)	-
Change in the provision for claims:			
Gross amount		(2,066,963)	-
Reinsurer's share		143,905	-
		(1,923,058)	-
Net claims incurred		(2,319,365)	-
Net operating expenses	6	(1,962,325)	-
Amount payable under participation deeds		(9,560)	-
Balance on the technical account for general business		39,916	-

Argenta Underwriting No. 11 Limited

Profit and Loss Account
For the year ended 31 December 2013

	Notes	2013 £	15 months ended 31 December 2012 £
NON-TECHNICAL ACCOUNT			
Balance on the general technical account		39,916	-
Investment income	4	14,163	-
Unrealised gains on investments		3,256	-
Investment expenses and charges	5	(3,335)	-
Unrealised losses on investments		(1,423)	-
Allocated investment return transferred to the general business technical account		(12,661)	-
Other charges		(40,626)	-
Profit / (loss) on ordinary activities before tax	7	(710)	-
Tax (charge) / credit on result on ordinary activities	9	(7,383)	-
Profit / (loss) on ordinary activities after tax		(8,093)	-

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.

Unless stated otherwise, all items derive from continuing 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.

The notes of pages 10 to 18 to form part of these financial statements.

Argenta Underwriting No. 11 Limited

Balance Sheet
As at 31 December 2013

		2013			2012		
ASSETS	Notes	Syndicate £	Other £	Total £	Syndicate £	Other £	Total £
Investments	12						
Financial investments		2,076,874	-	2,076,874	-	-	-
Deposits with ceding undertakings		-	-	-	-	-	-
		2,076,874	-	2,076,874	-	-	-
Reinsurers' share of technical provisions							
Claims outstanding		137,015	-	137,015	-	-	-
Unearned premium		201,513	-	201,513	-	-	-
		338,528	-	338,528	-	-	-
Debtors: due within one year							
Debtors arising out of direct insurance operations		2,379,285	-	2,379,285	-	-	-
Debtors arising out of reinsurance operations		-	-	-	-	-	-
Other debtors	17	731,888	-	731,888	-	100	100
		3,111,173	-	3,111,173	-	100	100
Debtors: due after one year							
Other debtors		56,649	-	56,649	-	-	-
		56,649	-	56,649	-	-	-
Other assets							
Cash at bank and in hand		23,954	-	23,954	-	-	-
Other		144,042	-	144,042	-	-	-
		167,996	-	167,996	-	-	-
Prepayments and accrued income							
Accrued interest		144	-	144	-	-	-
Other prepayments and accrued income		34,378	-	34,378	-	-	-
Deferred acquisition costs		1,254,461	-	1,254,461	-	-	-
		1,288,983	-	1,288,983	-	-	-
TOTAL ASSETS		**7,040,203**	**-**	**7,040,203**	**-**	**100**	**100**

Argenta Underwriting No. 11 Limited

Balance Sheet
As at 31 December 2013

LIABILITIES	Notes	2013 Syndicate £	2013 Other £	2013 Total £	2012 Syndicate £	2012 Other £	2012 Total £
Capital and reserves							
Called up share capital	13	-	100	100	-	100	100
Profit and loss account	14	39,916	(48,009)	(8,093)	-	-	-
Equity shareholder's funds	15	39,916	(47,909)	(7,993)	-	100	100
Technical provisions							
Provision for unearned premium		4,719,574	-	4,719,574	-	-	-
Claims outstanding		1,962,987	-	1,962,987	-	-	-
		6,682,561	-	6,682,561	-	-	-
Creditors: due within one year							
Creditors arising out of direct insurance operations		26,679	-	26,679	-	-	-
Creditors arising out of reinsurance operations		211,545	-	211,545	-	-	-
Other creditors including taxation and social security	16	44,637	16,112	60,749	-	-	-
		282,861	16,112	298,973	-	-	-
Provision for liabilities	10	-	7,383	7,383	-	-	-
Accruals and deferred income		34,865	24,414	59,279	-	-	-
TOTAL LIABILITIES		**7,040,203**	**-**	**7,040,203**	**-**	**100**	**100**

The financial statements on pages 6 to 18 were approved and authorised for issue by the Board of Directors on 4 June 2014 and signed on its behalf by:

J A Mackay

Mr J A Mackay
Director

1. Basis of preparation

The financial statements have been prepared in accordance with 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 issued by the Association of British Insurers in December 2005 as revised in December 2006, ("the ABI SORP"), except as follows: exchange gains and losses on syndicate transactions have been included in the technical account as they are considered to arise only in respect of technical account transactions. The ABI SORP recommends that they should be included in the non-technical account.

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 Argenta Holdings plc, a company registered in England and Wales. The company has not prepared a cash flow statement, in accordance with the exemption allowed under Financial Reporting Standard 1 (Revised 1996) 'Cash Flow Statements' on the basis that it is a subsidiary undertaking where 90% or more of the voting rights are controlled within the group and consolidated financial statements, in which the company is included, are publicly available.

a) 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 'syndicate' column). 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.

b) Sources of data

The information used to compile the technical account and the syndicate balance sheet is based on returns prepared for this purpose by the managing agents of the syndicates ("the returns"). These returns are subject 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 is established by Lloyd's and Lloyd's is also responsible for collating the data at a syndicate level and analysing it into corporate member level results.

2. Accounting policies

a) Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial investments, and have been prepared on an annual basis of accounting, whereby the incurred cost of claims, commissions and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

i) Premiums written

Premiums written compromise premiums on contracts incepted during the financial year, together with adjustments made in the year to premiums written in prior accounting periods. They also include estimates for pipeline premiums, representing amounts due but not yet notified. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

2. Accounting policies (continued)

ii) Unearned premium

Written premiums are earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Premiums written by a syndicate may also include the reinsurance of other insurance carriers on which the company participates. Gross premiums written may include "reinsurance to close" receivable (see d) below).

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured. Outward reinsurance premiums may include "reinsurance to close" payable (see d) below).

iii) Reinsurance premiums ceded

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

iv) Claims incurred

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the balance sheet date but not reported until after the year end. Claims outstanding are reduced by anticipated salvage and other recoveries.

v) Claims provisions and related recoveries

The provision is based on the returns and reports from the managing agents and the company's licensed adviser supplemented by additional statistical methods when appropriate.

The provision for claims information supplied by managing agents comprises amounts set aside for claims notified and claims incurred but not reported (IBNR).

Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the staff, and reviewed by external consulting actuaries of each syndicate. These techniques 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 regard to variations in the business accepted and the underlying terms and conditions.

The provision for claims includes amounts in respect of internal and external claims handling costs. 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 the 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.

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 methods used and the estimates made are reviewed regularly.

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. 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.

Where appropriate, the provision may be increased by the directors, above the level indicated by the reports, to the extent that they expect deficits to be beyond those reported by the managing agents.

2. Accounting policies (continued)

b) Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses, likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any deferred acquisition costs. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together. No account is taken of any future investment return.

c) Acquisition costs

Acquisition costs, comprising commission and other syndicate 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.

d) 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 for consideration of:

a) a premium; and
b) either
   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.

e) Foreign currencies

Income and expenditure in US dollars, Canadian dollars and euros 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.

2. Accounting policies (continued)

e) Foreign currencies (continued)

Monetary assets and liabilities are translated into sterling at the rates of exchange at the balance sheet date unless contracts to buy or sell currency for sterling have been entered into prior to the year end, in which case the contracted rates have been used. Non-monetary assets and liabilities at the balance sheet date, primarily deferred acquisition costs and unearned premiums, are translated at the rate of exchange ruling when the insurance contract was entered into (or an approximate average rate).

Differences arising on the translation of foreign currency amounts are included in the technical account under "net operating expenses".

f) Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments and overseas deposits are stated at bid-price value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they were traded on the balance sheet date. Other investments are stated at cost less provision for any permanent diminution in value.

Shares and other variable yield securities and units in unit trusts, and debt securities and other fixed income securities, are all listed on recognised stock exchanges. The shares and other variable yield securities and units in unit trusts predominantly relate to holdings in highly diversified collective investment schemes. Other investments relate to rights under derivative contracts where the syndicate purchases US Treasury interest rate futures to efficiently manage the duration of the investment portfolio.

g) Investment return

The syndicate investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

The syndicate 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 underwriting business. All of the syndicate's investment return is considered to arise on such funds.

Non-syndicate investment return is attributable to the non-technical account.

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) Participation deeds

In accordance with Lloyd's requirements the company is required to deposit funds, known as Funds at Lloyd's ("FAL"), with the Corporation of Lloyd's to support its underwriting activities. The amount of FAL required is determined by Lloyd's through the Economic Capital Assessment ("ECA") based on the perceived level of risk the company underwrites through its syndicate participations.

The company has entered into arrangements with third party capital providers to provide some or all of the required FAL on a year of account specific basis – these arrangements are referred to as "participation deeds". Where a fee is payable by the company for the depositing of FAL by external parties this is recorded through "other charges" in the non-technical account in year one.

2. Accounting policies (continued)

j) Participation deeds (continued)

In the event that the company makes a loss through its syndicate participations on any particular year of account, the FAL provider may be required to meet its share of the loss in line with terms of the participation deed. In the event that the company makes a profit through its syndicate participations on any particular year of account, the FAL provider may be entitled to receive a share of the profit in line with the terms of the participation deed.

At the end of each calendar year an assessment is made of any amounts payable to or receivable from the FAL providers based on the performance of the company's syndicate participations and the terms of the participation deed. Movements in these balances are recorded through the technical account as "amounts recoverable / payable under participation deeds".

Amounts receivable or payable in relation to the current year result are recorded in the 'syndicate' column of the balance sheet whilst amounts receivable or payable in relation to previous years are recorded in the 'other' column of the balance sheet. These balances are recorded as "amounts due under participation deeds" within "other debtors" or "amounts payable under participation deeds" under "other creditors" as appropriate.

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 the 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. Segmental information

Year ended 31 December 2013	Gross premiums written	Gross premiums earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	£	£	£	£	£	£
Direct business:						
Motor – third party liability	551	275	(374)	(141)	(17)	(257)
Motor – other classes	23,810	10,203	(7,358)	(7,625)	(1,967)	(6,747)
Marine, aviation and transport	2,834,090	1,623,543	(856,774)	(602,486)	(232,581)	(68,298)
Fire and other damage to property	4,447,761	2,014,568	(981,714)	(948,711)	(509,528)	(425,385)
Third party liability	18,661	5,329	(2,291)	(7,918)	(2,688)	(7,568)
Credit and suretyship	516	382	(65)	74	43	434
Total direct	7,325,389	3,654,300	(1,848,576)	(1,566,807)	(746,738)	(507,821)
Reinsurance business:						
Reinsurance acceptances	2,920,750	1,872,265	(667,043)	(395,518)	(265,068)	544,636
Total	10,246,139	5,526,565	(2,515,619)	(1,962,325)	(1,011,806)	36,815

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

Reinsurance balances includes reinsurance commission receivable.

3. Segmental information (continued)

Net assets are not managed by reference to the classes shown above and so no allocation of net assets or net technical provisions is shown.

4. Investment income

	2013 £	15 months ended 31 December 2012 £
Syndicate:		
Investment income	13,178	-
Realised gains on investments	985	-
	14,163	-
Non Syndicate:		
Investment income	-	-
	14,163	-

5. Investment expenses and charges

	2013 £	15 months ended 31 December 2012 £
Syndicate:		
Investment management charges	2,216	-
Realised losses on investments	1,119	-
	3,335	-

6. Net operating expenses

	2013 £	15 months ended 31 December 2012 £
Personal expenses	139,364	-
Acquisition costs	2,659,528	-
Change in deferred acquisition costs	(1,254,461)	-
Administrative expenses	201,047	-
Exchange adjustments	216,847	-
	1,962,325	-

7. 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. For 2013 the audit fee was £4,100 (2012: £Nil).*

8. Director's remuneration

Messrs Annandale and Mackay did not receive any remuneration for their services to the company in 2013 (2012: £Nil). The company had no employees during 2013 (2012: Nil).

9. Taxation on profit / (loss) on ordinary activities

a) Analysis of charge in year

	2013 £	15 months ended 31 December 2012 £
Current tax:		
United Kingdom corporation tax at 23.25% (2012: 24.5%)	-	-
Total current tax	-	-
Deferred tax (note 10):		
Originating and reversal of timing differences	7,383	-
Effect of changes in tax rate	-	-
Total deferred tax	7,383	-
Tax on profit / (loss) on ordinary activities	7,383	-

b) Factors affecting tax charge for the year

	2013 £	15 months ended 31 December 2012 £
Profit / (loss) on ordinary activities before tax	(710)	-
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	(165)	-
Effects of:		
Expenses not deductible for tax	2,906	-
Capital allowances in excess of depreciation	-	-
Group relief surrendered for nil payment	6,540	-
Unrelieved tax losses carried forward		-
Other timing differences	(9,281)	-
Current tax charge for the year (see a) above)	-	-

Factors that may affect future tax changes

The company has a deferred tax liability of £7,383 arising in respect of timing differences on underwriting results.

A reduction in the UK corporation tax rate from 23% to 21% was substantively enacted in July 2013 and is effective from 1 April 2014. A further reduction from 21% to 20% was substantively enacted in July 2013 and will be effective from 1 April 2015. The effect of this reduction is reflected in the deferred tax liability.

10. Deferred taxation

	2013 £	2012 £
Opening balance	-	-
Credit during the year	7,383	-
Closing liability	7,383	-

11. Components of deferred tax liability

	2013 £	2012 £
The deferred tax balance is composed of:		
Timing differences	7,383	-
Closing liability	7,383	-

12. Other financial investments

	Cost 2013 £	Current value 2013 £	Cost 2012 £	Current value 2012 £
Syndicate:				
Shares and other variable yield securities and units in unit trusts	550,301	551,989	-	-
Debt securities and other fixed income securities	1,394,748	1,388,353	-	-
Loans secured by mortgage	136,257	136,094	-	-
Other investments	76	438	-	-
	2,081,382	2,076,874	-	-

Shares and other variable yield securities and units in unit trusts, and debt securities and other fixed income securities, are all listed on recognised stock exchanges. The shares and other variable yield securities and units in unit trusts predominantly relate to holdings in highly diversified collective investment schemes.

13. Share capital

	2013 Number	2013 £	2012 Number	2012 £
Allotted and called up ordinary shares of £1	100	100	100	100

14. Profit and loss account

	2013 £	2012 £
At the start of the year	-	-
Profit / (loss) for the year	(8,093)	-
At the end of the year	(8,093)	-

15. Reconciliation of movements in shareholder's funds

	2013 £	2012 £
Opening shareholder's funds	100	100
Profit / (loss) for the year	(8,093)	-
Closing shareholder's funds	(7,993)	100

16. Other creditors including taxation and social security

	2013 £	2012 £
Amounts falling due within one year:		
Amounts payable to parent company	13,110	-
Amounts payable under participation deeds	9,560	-
Called / uncalled underwriting losses	-	-
Syndicate creditors	35,077	-
Other creditors	3,002	-
	60,749	-

17. Other debtors

	2013 £	2012 £
Syndicate debtors	731,888	-
	731,888	-

18. Funds at Lloyd's

The company's underwriting is supported by assets made available to it by a third party capital provider. The current Funds at Lloyd's consist of a letter of credit totalling £5,000,000 provided by the third party. These amounts are not included within the balance sheet of the company.

19. Related party disclosure

The directors have taken advantage of paragraph 3(c) of Financial Reporting Standard No. 8: Related Party Disclosures which provides exemption from disclosure of any transactions entered into between two or more wholly owned members of the group.

There are no other related party transactions to be disclosed.

20. Parent undertaking

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