

**XL LONDON MARKET LTD**  
**Registered Number: 1515647**

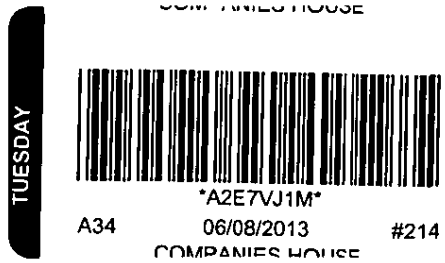
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**Annual Report and Financial Statements**

**XL London Market Ltd**

**Year Ended**  
**31 December 2012**



**CONTENTS**

	<b>Pages</b>
Directors and Officers	1
Directors' Report	2-3
Independent Auditors' Report to the Members of XL London Market Ltd	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7-11

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**DIRECTORS AND OFFICERS**

**Directors**

P Bradbrook  
R Glauber  
R O Hudson  
J F Ibbott  
N D Robertson  
M D Turner  
P Wilson

**Company secretary**

G L Brady

**Registered office**

XL House  
70 Gracechurch Street  
London  
EC3V 0XL

**Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London  
SE1 2RT

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**DIRECTORS' REPORT**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2012

**Principal Activities**

The principal activity of the Company continues to be that of a Managing Agent at Lloyd's. The Company acts as Managing Agent for Syndicate 1209. Total managed capacity in 2012 was £300m (2011: £300m)

During the year, the Company also provided certain Claims, Reinsurance, Finance and Actuarial services to a third party under a long term service level agreement

**Future developments**

The Company will continue to act as both a Managing Agent in the Lloyd's market and as a service provider to a third party under the existing long term service level agreement

**Business review and key performance indicators**

In 2012 Syndicate 1209 paid a managing agency fee of £300,000 (2011: £300,000) to the Company

The directors have considered the factors relating to the ongoing performance of the Company. Given the straightforward nature of the Company's transactions, the directors are of the opinion that an analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the Company

**Principal risks and uncertainties - Financial risk management**

The directors have considered all financial risks of the Company. The trading activity of the Company is minimal and adequate funds are available to meet all future liabilities. The directors do not believe that there are any significant interest rate, currency, liquidity, credit or price risks

**Results and dividends**

The results for the year and the state of the Company's position as at 31 December 2012 are shown in the financial statements. No interim dividend was paid and the directors do not propose to pay a final dividend (2011: £Nil)

**Directors**

The individuals who served as directors during the period from 1 January 2012 to the date of signing the financial statements are listed below

P Bradbrook	(Executive) (appointed 7 March 2013)
R E Garner	(Executive) (resigned 31 March 2013)
R Glauber	(Non-executive) (appointed 7 March 2013)
H Haag	(Non-executive) (resigned 31 December 2012)
R O Hudson	(Non-executive)
J F Ibbott	(Executive)
M Moss	(Executive) (resigned 30 September 2012)
A Ramage	(Executive) (resigned 30 September 2012)
N D Robertson	(Executive)
C D Sprott	(Executive) (resigned 30 September 2012)
R J W Tittley	(Non-executive) (resigned 28 June 2012)
M D Turner	(Executive)
P Wilson	(Non-executive) (appointed 14 August 2012)

None of the directors have any interests in the shares of the Company

**DIRECTORS' REPORT (CONTINUED)**

**Statement of disclosure of information to auditors**

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

- So far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2012 of which the auditors are unaware, and
- the director has taken all the steps he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

**Independent auditors**

The shareholders have dispensed with the requirements to hold Annual General Meetings and appoint auditors annually, through an elective resolution PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and as a result they will be deemed to be reappointed for the next financial year

**Statement of directors' responsibilities**

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 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, 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 to 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

ON BEHALF OF THE BOARD



M D Turner  
Director  
30 May 2013

XL House  
70 Gracechurch Street  
London  
EC3V 0XL

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XL LONDON MARKET LTD**

We have audited the financial statements of XL London Market Ltd for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**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 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.

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.

**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 annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements

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

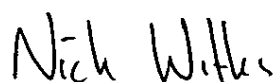
**Opinion on other matter prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



**Nick Wilks (Senior Statutory Auditor)**  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
30 May 2013

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**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 2012**

	<b>Note</b>	<b>2012</b> <b>£</b>	<b>2011</b> <b>£</b>
<b>TURNOVER</b>	2	300,000	300,000
Other operating income	2	486,592	554,609
Administrative expenses		(486,592)	(554,609)
		<hr/>	<hr/>
<b>OPERATING PROFIT</b>	3	300,000	300,000
Interest payable		(126)	(45)
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		299,874	299,955
Tax on profit on ordinary activities	5	(73,441)	(79,488)
		<hr/>	<hr/>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	9	<u>226,433</u>	<u>220,467</u>

There have been no recognised gains or losses other than those recorded in the profit and loss account and accordingly a statement of recognised gains and losses is not presented

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalent

The Company's turnover and expenses all related to continuing operations

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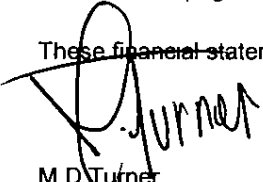
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**BALANCE SHEET**  
**As at 31 December 2012**

	Note	2012 £	2011 £
<b>CURRENT ASSETS</b>			
Debtors	6	4,587,839	4,531,482
Cash at bank and in hand		2,126,894	1,974,678
		<u>6,714,733</u>	<u>6,506,160</u>
<b>CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
	7	<u>(2,310,216)</u>	<u>(2,328,076)</u>
<b>NET CURRENT ASSETS</b>		<u>4,404,517</u>	<u>4,178,084</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	575,000	575,000
Profit and loss account	9	<u>3,829,517</u>	<u>3,603,084</u>
<b>TOTAL SHAREHOLDER'S FUNDS</b>		<u>4,404,517</u>	<u>4,178,084</u>

The notes on pages 7 to 11 form an integral part of the financial statements

These financial statements were approved by the Board of Directors and signed on its behalf by

  
M D Turner  
Director  
30 May 2013



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2012

**1 Accounting Policies**

**A Basis of presentation**

These financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable UK accounting standards. The principal accounting policies are set out below.

**B Exemption from preparing cash flow statement**

The Company has availed itself of the exemption under Financial Reporting Standard 1 ("FRS 1"), (revised 1996) Cash Flow Statements on the grounds that it is a wholly owned subsidiary whose ultimate parent company is XL Group plc (registered in the Republic of Ireland) which prepares group consolidated financial statements which are publicly available and include a group consolidated cash flow statement. Accordingly, no cash flow statement is presented.

**C Exemption from disclosing related party transactions**

As the Company is a wholly-owned subsidiary whose ultimate parent company is XL Group plc, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 ("FRS 8") "Related Party Disclosures" from disclosing related party transactions with entities which form part of the XL Group plc group.

**D Turnover**

Turnover comprises underwriting agency fees which are a percentage of Syndicate 1209 allocated capacity. The principal trading receipts are agency fees derived from underwriting Names at Lloyd's. These are charged annually to Names and allocated to the first twelve months of each underwriting year of account.

**E Other income and expenses**

Other income relates to consideration (receivable under a long term service level agreement) from a third party for the provision of certain Claims, Re-insurance, Finance and Actuarial services. Other income and expenses are dealt with on an accruals basis.

**F Taxation including deferred tax**

Current tax is charged on all taxable profits arising during the financial year. Provision is made for deferred tax assets or liabilities, using the liability method, on all material timing differences. Deferred tax assets and liabilities are calculated at the rates at which it is expected that the tax will arise. Deferred tax assets are recognised on this basis only where they are regarded as recoverable by reference to anticipated levels of future taxable profits. Deferred tax is recognised in the profit and loss account for the year except to the extent that it is attributable to a gain or loss that is recognised in the statement of total recognised gains and losses. Deferred tax assets and liabilities recognised are not discounted.

**G Foreign currencies**

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account for the year. All exchange differences are accounted for within administrative expenses.

**XL LONDON MARKET LTD**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2012

**2 Turnover and Other income**

	2012 £	2011 £
Agency fees	300,000	300,000

The whole of the turnover arises in the United Kingdom

Other operating income represents fees received under a service level agreement

**3 Operating profit**

All audit fees are borne by Syndicate 1209 The audit fee in 2012 was £11,000 (2011 £11,000)

The Company has no direct employees (2011 Nil) Staffs are employed by a fellow subsidiary XL Services UK Limited and the associated staff costs are borne by Syndicate 1209

**4 Directors' emoluments**

	2012 £	2011 £
Emoluments	221,536	214,719
Company contributions paid to money purchase pension schemes	4,500	4,500
	<u>226,036</u>	<u>219,219</u>

The emoluments of directors disclosed above include the following amounts paid to the highest paid director

Emoluments	96,536	109,719
Company contributions paid to money purchase pension schemes	4,500	4,500
	<u>101,036</u>	<u>114,219</u>

All Directors emoluments are borne by Syndicate 1209

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 December 2012**

**5 Tax on profit on ordinary activities**

**(a) Analysis of the charge in the year**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
On profits for the year at 24.5% (2011: 26.5%)	73,461	79,488
Adjustment in respect of previous periods	(20)	-
	<hr/>	<hr/>
Total current tax	73,441	79,488
	<hr/>	<hr/>
<b>Deferred tax</b>		
Utilisation of losses brought forward from prior year	-	-
	<hr/>	<hr/>
Total deferred tax	-	-
	<hr/>	<hr/>
Tax charge on profit on ordinary activities	73,441	79,488
	<hr/>	<hr/>

**(b) Factors affecting tax charge for the year**

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are explained below:

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<b>Tax Reconciliation</b>		
Profit on ordinary activities before tax	299,874	299,955
	<hr/>	<hr/>
Tax at 24.5% (2011: 26.5%)	73,461	79,488
Adjustment in respect of previous periods	(20)	-
	<hr/>	<hr/>
Total current tax for the year	73,441	79,488
	<hr/>	<hr/>

**(c) Factors that may affect future tax charges**

The main rate of UK corporation tax is 24.5% in 2012 (2011: 26.5%). The reduction in the main corporation tax rate to 24% from 1 April 2012 and to 23% from 1 April 2013 were enacted in Finance Act 2012. The Autumn Statement 2012 announced that the originally proposed 22% rate from 1 April 2014 will be reduced by a further 1% to 21% and the March 2013 Budget announced a further reduction in the main corporation rate to 20% from 1 April 2015.

**XL LONDON MARKET LTD**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 December 2012**

**6 Debtors**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Amounts falling due within one year		
Amounts owed by group undertakings	4,587,839	4,531,482
	<u>                    </u>	<u>                    </u>

**7 Creditors Amounts falling due within one year**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Amounts owed to group undertakings	2,236,755	2,248,588
Corporation taxation	73,461	79,488
	<u>                    </u>	<u>                    </u>
	<b>2,310,216</b>	<b>2,328,076</b>
	<u>                    </u>	<u>                    </u>

**8 Called up share capital**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Authorised		
675,000 Ordinary shares of £1 each (2011 - 675,000)	675,000	675,000
	<u>                    </u>	<u>                    </u>
Allotted and fully paid		
575,000 Ordinary shares of £1 each (2011 – 575,000)	575,000	575,000
	<u>                    </u>	<u>                    </u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 December 2012**

**9 Reconciliation of movements in shareholder's funds**

	Called Up Share Capital £	Profit and Loss Account £	Total Share- Holder's Funds £
Balance as at 1 January 2011	575,000	3,382,617	3,957,617
Profit for the financial year	-	220,467	220,467
	<hr/>	<hr/>	<hr/>
Balance as at 1 January 2012	575,000	3,603,084	4,178,084
Profit for the financial year	-	226,433	226,433
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2012	575,000	3,829,517	4,404,517
	<hr/>	<hr/>	<hr/>

**10 Ultimate parent and controlling party**

The Company's immediate parent is XL London Market Group Ltd, a company incorporated in England and Wales. The Company's ultimate parent company is XL Group plc, a company registered in the Republic of Ireland.

The results of XL London Market Ltd are consolidated within the financial statements of XL Group plc which is the largest and smallest group of undertakings for which group financial statements are drawn up. Copies of the audited financial statements of XL Group plc can be obtained from the Company Secretary, XL House, 70 Gracechurch Street, London EC3V 0XL.