In accordance with Regulation 32 of the Overseas Companies Regulations 2009

OS AA01

Statement of details of parent law and other information for an overseas company

Companies House

✓ What this form is for
You may use this form to accompany your accounts disclosed under parent law

✗ What this form is NOT for
You cannot use this form to register an alteration of manner of compliance with accounting requirements

For further information, please refer to our guidance at www companieshouse gov uk

Part 1 Corporate company name

→ Filling in this form
Please complete in typescript or in bold black capitals.
All fields are mandatory unless specified or indicated by *

Corporate name of overseas company ❶: Allied World Assurance Company (Europe) Limited

UK establishment number: B R 0 0 7 2 4 9

❶ This is the name of the company in its home state

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited

Legislation ❷: Irish Companies Acts 1963 - 2012 and the European Communities (Insurance undertaking accounts)

❷ This means the relevant rules or legislation which regulates the preparation and if applicable, the audit of accounts

A2 Accounting principles

Accounts: Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box

☐ No Go to Section A3

☑ Yes Please enter the name of the organisation or other body which issued those principles below, and then go to Section A3

Name of organisation or body ❸: Financial Reporting Council

❸ Please insert the name of the appropriate accounting organisation or body

A3 Accounts

Accounts: Have the accounts been audited? Please tick the appropriate box

☐ No Go to Section A5

☑ Yes Go to Section A4

OS AA01
Statement of details of parent law and other information for an overseas company

A4 **Audited accounts**

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box ☐ ~~No~~. Go to **Part 3 'Signature'** ☑ Yes Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**	❶ Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ❶	Irish Law and International Standards on auditing (UK and Ireland).	

A5 **Unaudited accounts**

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box ☐ **No.** ☐ **Yes**

Part 3 Signature

	I am signing this form on behalf of the overseas company
Signature	Signature **X** [signature] **X**
	This form may be signed by Director, Secretary, Permanent representative

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form The contact information you give will be visible to searchers of the public record

Contact name

Company name

Address

Post town

County/Region

Postcode

Country

DX

Telephone

Checklist

We may return forms completed incorrectly or with information missing

Please make sure you have remembered the following

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register
- ☐ You have completed all sections of the form, if appropriate
- ☐ You have signed the form

Important information

Please note that all this information will appear on the public record

Where to send

You may return this form to any Companies House address:

England and Wales
The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ
DX 33050 Cardiff.

Scotland
The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post)

Northern Ireland
The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG
DX 481 N R Belfast 1

Further information

For further information, please see the guidance notes on the website at www companieshouse gov uk or email enquiries@companieshouse gov uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

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Allied World Assurance Company (Europe) Limited

Reports and Financial Statements

For the Year Ended 31 December 2012

ALLIED WORLD ASSURANCE COMPANY (EUROPE) LIMITED
REPORTS & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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ALLIED WORLD ASSURANCE COMPANY (EUROPE) LIMITED
REPORTS & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS AND OTHER INFORMATION

Directors

Frank D'Orazio
Conor Heery
John Clifford (Independent Non-Executive)
Hugh Governey (Independent Non-Executive)
Scott Hunter (Independent Non-Executive) (appointed May 31, 2012)
Michael Baldwin (Non-Executive) (resigned May 31, 2012)

Secretary

Sean O'Riordan
22 The Elm,
Park View,
Stepaside,
Co Dublin,
Ireland

Assistant Secretary

Wilton Secretarial Limited
Fitzwilton House,
Wilton Place,
Dublin 2,
Ireland.

Custodian Bankers

Mellon Global Securities Services
P O Box 371791,
Pittsburgh,
PA 15251-7791,
U S A

Investment Managers

Goldman Sachs Asset Management Int'l Ltd
Christchurch Court,
10-15 Newgate Street,
London EC1A 7HD,
U K.

Solicitors

William Fry
Fitzwilton House,
Wilton Place,
Dublin 2,
Ireland

Independent Auditors

Deloitte & Touche
Chartered Accountants and Statutory Audit Firm,
Deloitte & Touche House,
Earlsfort Terrace,
Dublin 2,
Ireland

Registered Office

3rd Floor
Georges Quay Plaza,
Georges Quay,
Dublin 2,
Ireland.

Principal Bankers

Citi
Citigroup Centre,
Canada Square, Canary Wharf
London E14 5LB,
U K.

ALLIED WORLD ASSURANCE COMPANY (EUROPE) LIMITED
REPORTS & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the accounting year ended December 31, 2012

Principal activities

The principal activity of Allied World Assurance Company (Europe) Limited ("the Company"), and its branch in the U K., is to underwrite first and third party insurance risks, primarily within the European Union

Review of the business

The Board monitors the progress of the Company by reference to the following Key Performance Indicators (KPIs)

- Net premiums written
- Net claims incurred
- Net income

Net premiums written in the year amounted to $8 4 million compared to $8 2 million in 2011 Gross premium written for the year was $99 9 million, an increase of $7 1 million over the prior period's gross written premium of $92 8 million, primarily due to an increase of premium written through our property book The Company experienced significant rate pressure during the year yet continued to maintain its underwriting discipline Ceded premiums in 2012 were $91 6 million, of which $47 6 million related to retrocessions to our Bermuda affiliate, Allied World Assurance Company, Ltd ("AWAC Bermuda") and $44 0 million related to premium ceded to external re-insurers In 2011, ceded premiums were $84 6 million, of which $46 6 million related to retrocessions to AWAC Bermuda and $36 0 million related to premium ceded to external re-insurers

Net claims incurred in the year amounted to income of $1 4 million which compares against a $3 4 million loss for the prior year The decrease in claims incurred is primarily due to positive net reserve developments of $47 1 million for the 2002 to 2008 accident years on our general casualty book of business, a $2 3m positive net reserve development on the international property book for the 2004 to 2011 accident years and an adverse net reserve development of $1 2 million on the property book during 2012 This compares to the year ended December 31, 2011 which included $3 1 million of positive net casualty reserve development for the accident years 2002 to 2007 and $0 2 million adverse net property reserve development for the 2003 to 2010 accident years

Net loss after tax for 2012 was $2 3 million for the Company, after the retrocession to AWAC Bermuda, compared to a profit of $3 0 million for the same period in 2011 Administrative expenses were $16 5 million for the year which compares against $13 2 million in 2011 The increase is primarily due to increased employee salary costs

Net investment income for the year amounted to $2 0 million, compared to $4 6 million in 2011 The decrease was due to lower yields on our fixed maturity investments, 1 3% and 1 7% respectively, for the years ended December 31, 2012 and 2011

Profits and reserves

Losses for the year amounted to $2 3 million (2011 Profit $3 0 million)
The directors have not declared a dividend for the year (2011 $ nil)

Future developments

The objective is to manage our core business, to maximise profitability and increase book value through future market cycles In addition, the Company seeks to develop a select number of initiatives to expand our geographic distribution and product mix, always with a focus on profitable growth

Principal risks and uncertainties facing the Company

(i) Any downward revision or revocation of our financial strength ratings by A.M Best would affect our standing among brokers and customers and may cause our premiums and earnings to decrease:

Ratings have become an increasingly important factor in establishing the competitive position of insurance and reinsurance companies A.M Best has assigned a financial strength rating of "A (Excellent)" to Allied World Assurance Company (Europe) Limited ("AWAC Europe") This rating is subject to periodic review and may be revised downward or revoked at the sole discretion of A M Best If the rating of AWAC Europe is revised downward or revoked, our competitive position in the insurance and reinsurance industry may suffer, and it may be more difficult for us to market our products Specifically, any revision or revocation of this kind could result in a significant reduction in the number of insurance and reinsurance contracts we write and in a substantial loss of business as customers and brokers that place this business move to competitors with higher financial strength ratings

(ii) Actual claims may exceed our reserves for losses and loss expenses

Our success depends on our ability to accurately assess the risks associated with the businesses that we insure and reinsure We establish loss reserves to cover our estimated liability for the payment of all losses and loss expenses incurred with respect to the policies we write Loss reserves are estimates of what we expect the ultimate resolution and administration of claims will cost These estimates are based on actuarial and statistical projections and on our assessment of currently available data, as well as estimates of future trends in claims severity and frequency, judicial theories of liability and other factors Loss reserve estimates are refined as experience develops and claims are reported and resolved Establishing an appropriate level of loss reserves is an inherently uncertain process It is therefore possible that our reserves at any given time will prove to be inadequate

To the extent we determine that actual losses or loss expenses exceed our expectations and reserves reflected in our financial statements, we will be required to increase our reserves to reflect our changed expectations This could cause a material increase in our liabilities and a reduction in our profitability, including operating losses and a reduction of capital The number and size of reported claims that we have received to date has been relatively small In the future, the number of claims will likely increase, and their cumulative size could exceed our loss reserves Our results for the year ended December 31, 2012 were impacted by positive net reserve developments for the 2002 to 2011 accident years on the casualty and property books and a negative development for the current accident year on our property book

(iii) We could face losses from terrorism, political unrest and pandemic diseases

We have exposure to losses resulting from acts of terrorism and political instability Although we generally exclude acts of terrorism from our property insurance policies and property reinsurance treaties where practicable, we provide coverage in circumstances where we believe we are adequately compensated for assuming those risks A pandemic disease could also cause us to suffer increased insurance losses on a variety of coverages we offer Our reinsurance protections may only partially offset these losses Moreover, even in cases where we seek to exclude coverage, we may not be able to completely eliminate our exposure to these events

It is impossible to predict the timing or severity of these events with statistical certainty or to estimate the amount of loss that any given occurrence will generate We could also suffer losses from a disruption of our business operations and our investments may suffer a decrease in value due to the occurrence of any of these events To the extent we suffer losses from these risks, such losses could be significant

(iv) The failure of any of the loss limitation methods we employ could have a material adverse effect on our financial condition or results of operations

We seek to limit our loss exposure by adhering to maximum limitations on policies written in defined geographical zones, limiting program size for each client, adjusting retention levels and establishing per risk and per occurrence limitations for each event and prudent underwriting guidelines for each insurance program written Most of our direct liability insurance policies include maximum aggregate limitations Disputes relating to coverage and choice of legal forum may also arise As a result, various provisions of our policies that are designed to limit our risks, such as limitations or exclusions from coverage or choice of forum, may not be enforceable in the manner we intend and some or all of our other loss limitation methods may prove to be ineffective

(v) We may be impacted by claims relating to the on-going credit market downturn and subprime insurance exposures:

We write corporate directors and officers, errors and omissions and other insurance coverages for financial institutions and financial services companies This industry segment has been impacted by the on-going credit market downturn As a result, this industry segment has been the subject of heightened scrutiny and in some cases investigations by regulators with respect to the industry's actions as they relate to subprime mortgages, collateralised debt obligations, structured investment vehicles and swap and derivative transactions These events may give rise to increased claim litigation, including class action suits, which may involve our insureds To the extent we have claims relating to these events, it could cause substantial volatility in our financial results and could have a material adverse effect on our financial condition and results of operations

(vi) We depend on a small number of brokers for a large portion of our revenues. The loss of business provided by any one of them could adversely affect us.

We market our insurance products worldwide almost exclusively through insurance brokers In the year ended December 31, 2012, our top five brokers represented approximately 69% of our gross premiums written Loss of all or a substantial portion of the business provided by any one of our top five brokers could have an adverse effect on our financial condition and results of operations

(vii) Our reliance on brokers subjects us to their credit risk

In accordance with industry practice, we frequently pay amounts owed on claims under our insurance and reinsurance contracts to brokers, and these brokers, in turn, pay these amounts to the customers that have purchased insurance or reinsurance from us If a broker fails to make such a payment, it is likely that, in most cases, we will be liable to the client for the deficiency because of local laws or contractual obligations Likewise, when a customer pays premiums for policies written by us to a broker for further payment to us, these premiums are generally considered to have been paid and, in most cases, the client will no longer be liable to us for those amounts, whether or not we actually receive the premiums Consequently, we assume a degree of credit risk with the brokers we use with respect to our insurance and reinsurance business

(viii) We may be unable to purchase reinsurance for our own account on commercially acceptable terms or to collect under any reinsurance we have purchased

We acquire reinsurance for our own account to mitigate the effects of large or multiple losses on our financial condition From time to time, market conditions have limited, and in some cases prevented, insurers and reinsurers from obtaining the types and amounts of reinsurance they consider adequate for their business needs

Conditions may occur at any time in the future, were we may not be able to purchase reinsurance in the areas and for the amounts required or desired Even if reinsurance is generally available, we may not be able to negotiate terms that we deem appropriate or acceptable or to obtain coverage from entities with satisfactory financial resources

In addition, a reinsurer's insolvency, or inability or refusal to make payments under a reinsurance or retrocessional insurance agreement with us, could have a material adverse effect on our financial condition and results of operations, because we remain liable to the reinsured under the corresponding coverages written by us

(ix) Our investment performance may adversely affect our financial performance and ability to conduct business

We derive a material portion of our income from our invested assets As a result, our operating results depend in part on the performance of our investment portfolio Our investment performance is subject to a variety of risks, including risks related to general economic conditions, market volatility, interest rate fluctuations, liquidity risk and credit and default risk. The values of, and returns on, such investments, may also be more volatile

Because of the unpredictable nature of losses that may arise under insurance policies written by us, our liquidity needs could be substantial and may arise at any time. We strive to structure our investments in a manner that recognises our liquidity needs for our future liabilities In that regard, we attempt to correlate the maturity and duration of our investment portfolio to our general liability profile To the extent we are unsuccessful in correlating our investment portfolio with our expected liabilities, we may be forced to liquidate our investments at times and prices that are not optimal This could have a material adverse effect on the performance of our investment portfolio If our liquidity needs or general liability profile unexpectedly changes, we may not be successful in continuing to structure our investment portfolio in its current manner

(x) Any increase in interest rates could result in significant losses in the value of our investment portfolio

Our investment portfolio contains interest-rate-sensitive instruments Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control Although we attempt to manage the risks of investing in a changing interest rate environment, we may not be able to effectively mitigate interest rate sensitivity In particular, increases in interest rates could result in significant losses, realised or unrealised, in the value of our investment portfolio

(xi) We may be adversely affected by fluctuations in currency exchange rates

Our functional and reporting currency is the US dollar We do enter into insurance contracts, however, where premiums receivable and losses payable are denominated in currencies other than the US dollar In addition, we maintain a portion of our investments and liabilities in currencies other than the US dollar For liabilities incurred in currencies other than the US dollar, US dollars are converted to the currency of the loss at the time of claims payment Although we have adopted a strategy to manage our foreign exchange exposure, we may still have some exposure to foreign currency risk resulting from fluctuations in exchange rates Any losses related to this risk could have a material adverse effect on our financial condition and results of operations

(xii) We may require additional capital in the future that may not be available to us on commercially favourable terms

Our future capital requirements depend on many factors, including our ability to write new business and to establish premium rates and reserves at levels sufficient to cover losses To the extent that the funds generated by insurance premiums received and sale proceeds and income from our investment portfolio are insufficient to fund future operating requirements and cover losses and loss expenses, we may need to raise additional funds through financings or curtail our growth and reduce our assets Any future financing, if available at all, may be on terms that are not favourable to us In the case of equity financings, dilution to our shareholders could result, and the securities issued may have rights, preferences and privileges that are senior or otherwise superior to those of our common shares If we cannot obtain adequate capital, our business, financial condition and results of operations could be adversely affected

DIRECTORS' REPORT – Continued

(xiii) Our business could be adversely affected if we lose members of our management team or are unable to attract and retain our personnel:

Our success depends in substantial part on our ability to attract and retain our employees who generate and service our business We rely substantially on the services of our executive management team If we lose the services of members of our management team, our business could be adversely affected Similarly, if we are unable to attract and retain other talented personnel, the further implementation of our business strategy could be impeded This, in turn, could have a material adverse effect on our business

(xiv) Compliance by AWAC Europe with the legal and regulatory requirements to which it is subject is expensive, any failure to comply could have a material adverse effect on our business:

AWAC Europe and its branch in the UK are subject to various insurance regulations promulgated by the Central Bank in Ireland It is not possible to predict the future impact of changes in laws and regulations on our operations

Any failure to comply with applicable law or to obtain appropriate exemptions could result in restrictions on either the ability of the Company in question, as well as potentially its affiliates, to do business in one or more of the jurisdictions in which they operate or on brokers on which we rely to continue to produce business for us

AWAC Europe is obliged to maintain a minimum level of capital and a "Minimum Guarantee Fund" The Minimum Guarantee Fund includes share capital and capital contributions As of December 31, 2012, the Company met the requirements

(xv) Compliance with Corporate Governance Code for Credit Institutions and Insurance Undertakings:

From 1 January, 2011, AWAC Europe is subject to the Corporate Governance Code for Credit Institutions and Insurance Undertakings, but is not in scope of the additional requirements for major institutions

<u>Events since the Year End</u>

There have been no significant events affecting the Company since the year end.

<u>Directors' Interests</u>

The directors set out in the table below have held office for the whole period from January 1, 2012 to the date of this report unless otherwise stated The directors holding office at December 31, 2012 held no interests in the Company but held the following interests in its ultimate parent company Allied World Assurance Company Holdings, AG ("AWAC Holdings")

	Ordinary shares (number) 31 Dec 2012	Ordinary shares (number) 31 Dec 2011
Frank D'Orazio	58,617	34,525
Conor Heery	416	3,500
John Clifford	-	-
Hugh Governey	-	-
Scott Hunter (appointed May 31,2012)	10,685	N/A

DIRECTORS' REPORT – Continued

Directors' Responsibilities

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, and
- state whether applicable accounting standards have been followed

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements are prepared in accordance with the accounting standards generally accepted in Ireland and comply with the Irish Companies Acts, 1963 to 2012 and the European Communities (Insurance Undertakings Accounts) Regulations, 1996 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

Books of Account

The Directors ensured that they have complied with the requirements of Section 202 of the Companies Act 1990 with regard to maintaining proper books of account The specific measures taken are the employment of suitably qualified accounting personnel and the maintenance of appropriate accounting systems The books of account are located at their registered office as stated on page 2 and at the UK branch office located at 30 St. Mary Axe, 3rd Floor, London EC3A 8BF, U K.

Auditors

The auditors, Deloitte & Touche, Chartered Accountants and Statutory Audit Firm, have signified their willingness to continue in office in accordance with Section 160(2) of the Companies Act, 1963

Director

25/03/2013
Date

Director

Deloitte.

Deloitte & Touche
Chartered Accountants &
Registered Auditors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIED WORLD ASSURANCE COMPANY (EUROPE) LIMITED

We have audited the financial statements of Allied World Assurance Company (Europe) Limited for the year ended 31 December, 2012 which comprise of the Profit and Loss Account, the Balance Sheet, the statement of Accounting Policies and the related notes 1 to 20 The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland)

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements giving a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of. whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the Directors' Report 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, in accordance with Generally Accepted Accounting Practice in Ireland of the state of the affairs of the company as at 31 December 2012 and of the profit for the year then ended, and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2012, 1963 to 2009 and the European Communities (Insurance Undertaking Accounts) Regulations, 1996

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Members of
Deloitte Touche Tohmatsu

Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIED WORLD ASSURANCE COMPANY (EUROPE) LIMITED

Matters on which we are required to report by the Companies Acts, 1963 to 2012

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of account have been kept by the company
- The financial statements are in agreement with the books of account
- In our opinion the information given in the directors' report is consistent with the financial statements
- The net assets of the company, as stated in the balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2012 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts, 1963 to 2012 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Glenn Gillard
For and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Dublin

Date 25 March 2013

STATEMENT OF ACCOUNTING POLICIES

The significant accounting policies adopted by the Company are as follows

Basis of presentation

The financial statements have been prepared in accordance with the provisions of the Companies Acts, 1963 to 2012, as amended by the European Communities (Insurance Undertakings Accounts) Regulations 1996

The financial statements have also been prepared in accordance with applicable accounting standards and comply with financial reporting standards of the Financial Reporting Council, as promulgated by the Institute of Chartered Accountants in Ireland.

The financial statements have been prepared in accordance with the provisions of the Statement of Recommended Practice on Accounting for Insurance Business currently in effect.

Historical cost convention

The financial statements have been prepared in accordance with the historical cost convention, as modified to include investments at current market value

Recognition of underwriting income

Premiums are recognised as written on the inception date of a policy Other insurance and insurance policies can require that the premium be adjusted at the expiry of a policy to reflect the risk assumed by us Premiums resulting from those adjustments are estimated and accrued based on available information Reinstatement premiums related to property catastrophe reinsurance are estimated and accrued based upon contractual terms applied to the amount of losses expected to be paid

Premiums are earned over the period of policy coverage in proportion to the risks to which they relate Premiums relating to unexpired periods of coverage are carried on the balance sheet as a reserve for unearned premiums

Acquisition costs, primarily brokerage fees, commissions and insurance taxes, are incurred in the acquisition of new and renewal business and are expensed as the premiums, to which they relate, are earned Acquisition costs relating to the reserve for unearned premiums are deferred and carried on the balance sheet as an asset Anticipated losses and loss expenses, other costs and investment income related to these unearned premiums are considered in determining the recoverability or deficiency of deferred acquisition costs If it is determined that deferred acquisition costs are not recoverable, they are expensed in the period so determined Further analysis is performed to determine if a liability is required to provide for losses which may exceed the related unearned premiums

Outstanding claims

The reserve for losses and loss expenses is comprised of two main elements outstanding loss reserves (also known as "case reserves") and reserves for losses incurred but not reported (also known as "IBNR") Case reserves relate to known claims and represent management's best estimate of the likely loss settlement. Thus, there is a significant amount of estimation involved in determining the likely loss payment IBNR reserves require substantial judgement because they relate to unquantified events that, based on industry information, management's experience and actuarial evaluation, can reasonably be expected to have occurred and are reasonably likely to result in a loss to the Company

IBNR reserves are estimated for each business segment based on various factors, including underwriters' expectations about loss experience, actuarial analysis, comparisons with industry benchmarks and loss experience to date Our actuaries employ generally accepted actuarial methodologies to determine estimated ultimate expected losses and loss expenses The adequacy of our reserves is tested quarterly by our actuaries A loss reserve study is prepared by an independent actuary annually in order to provide additional insight into the reasonability of our reserves for losses and loss expenses

Estimating reserves for our property segment relies primarily on traditional loss reserving methodologies, utilising selected paid and reported loss development factors In property lines of business, claims are generally reported and paid within a relatively short period of time during and following the policy coverage period. This enables us to determine with greater certainty our estimate of ultimate losses and loss expenses

Loss reserves do not represent an exact calculation of liability Rather, loss reserves are estimates of what we expect the ultimate resolution and administration of claims will cost These estimates are based on actuarial and statistical projections and on our assessment of currently available data, as well as estimates of future trends in claims severity and frequency, judicial theories of liability and other factors Loss reserve estimates are refined as experience develops and as claims are reported and resolved

STATEMENT OF ACCOUNTING POLICIES – Continued

Outstanding claims (continued)

We determine what portion of the losses will be recoverable under our insurance policies by reference to the terms of the insurance protection purchased This determination is necessarily based on the underlying loss estimates and, accordingly, is subject to the same uncertainties as the estimate of case reserves and IBNR reserves

While management believes that our case reserves and IBNR reserves are sufficient to cover losses assumed by us, ultimate losses and loss expenses may deviate from our reserves, possibly by material amounts For instance, as of December 31, 2012, a 5% change in net IBNR reserves would cause net losses and loss expenses to change by $2 1 million, which translates into a 3 5% change in shareholder's equity To the extent actual reported losses exceed estimated losses, the carried estimate of the ultimate losses will be increased, and to the extent actual reported losses are less than our expectations, the carried estimate of ultimate losses will be reduced In addition, the methodology of estimating loss reserves is periodically reviewed to ensure that the assumptions made continue to be appropriate We record any changes in our loss reserve estimates and the related insurance recoverables in the periods in which they are determined

Investments

Investments are carried at their current market value. Investment income comprises income received and receivable on fixed income securities, interest earned and accrued on cash, realised gains on disposal of investments and unrealised gains on investments held A transfer of investment return is made from the non-technical account to the technical account in order to reflect the actual investment return on the assets supporting the technical provisions and associated shareholders' funds

Pension costs

Pension benefits are funded over the employee's period of service by way of contributions to a defined contribution scheme The Company's annual contribution costs are charged to the profit and loss account in the period to which they relate.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date, and revenue, costs and non-monetary assets at the exchange rates ruling at the date of the transactions Profits and losses arising from foreign currency translation and on settlement of amounts receivable and payable in foreign currencies are dealt with through the profit and loss account Monetary assets are defined as money or securities held and amounts to be received in money, all other assets are non-monetary assets

Taxation

The charge for the Company is based on the result for the year Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date Deferred tax is not recognised on permanent differences Deferred tax assets are recognised to the extent that they are regarded as recoverable They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be 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

Share-based payments

The Company recognises equity-settled share-based payments at fair value at the date of grant The fair value is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions Fair value of share options is measured using the Black-Scholes pricing model The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations Fair value of Restricted Stock Units ("RSU's') is based on the closing market value at the date of grant.

The equity settled share-based payments expense has been included in the "Net operating expenses" line of the income statement.

Derivative instruments

The Company uses currency forward contracts to manage currency exposure. The Company enters in to insurance contracts where the premium receivable and losses payable are denominated in currencies other than US$ In addition, the Company maintains a portion of its investments and liabilities in currencies other than the US$, primarily the Euro and Sterling For liabilities incurred in currencies other than US$, US$ are converted to the currency of the loss at the time of claim payment As a result, the Company has an exposure to foreign currency risk resulting from fluctuations in foreign exchange rates The Company has developed a hedging strategy using currency forward contracts to minimise the potential loss of value caused by currency fluctuations These currency forward contracts are carried at the contracted rate of exchange, revalued at the period end date and included in the balance sheet as part of "other creditors," with the corresponding realised and unrealised gains and losses included in the "Net operating expenses" line of the income statement.

STATEMENT OF ACCOUNTING POLICIES – Continued

Reporting currency

The financial statements are expressed in United States dollars (US$)

Fixed assets

Depreciation is provided on fixed assets over their estimated useful lives as follows
Information technology – 3 years
Furniture and fittings – 5 years
Leasehold improvements – 5 years

PROFIT AND LOSS ACCOUNT
TECHNICAL ACCOUNT

	Notes	31 Dec 2012 US$	31 Dec 2011 US$
Gross premiums written	2	99,988,120	92,843,046
Outward reinsurance premiums		(91,588,666)	(84,621,652)
Net premiums written		**8,399,454**	**8,221,394**
Change in the gross provision for unearned premiums	12	(11,994,674)	(6,321,414)
Change in the gross provision for unearned premiums, reinsurers share	12	11,471,939	6,423,434
Change in the net provision for unearned premiums		(522,735)	102,020
Earned premiums, net of reinsurance		**7,876,719**	**8,323,414**
Allocated investment return transferred from the non-technical account		**2,019,550**	**4,592,255**
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(19,777,214)	(41,287,793)
Reinsurers' share		16,982,577	36,502,065
Net claims paid		(2,794,637)	(4,785,728)
Change in the provision for claims			
Gross amount	12	19,926,763	(6,160,875)
Reinsurers' share	12	(15,772,903)	7,526,460
Change in the net provision for claims		4,153,860	1,365,585
Claims incurred, net of reinsurance		**1,359,223**	**(3,420,143)**
Net operating expenses	3	**(12,553,282)**	**(8,431,529)**
Balance on the technical account		**(1,297,790)**	**1,063,997**

PROFIT AND LOSS ACCOUNT
NON-TECHNICAL ACCOUNT

	Notes	31 Dec 2012 US$	31 Dec 2011 US$
Balance on the technical account for non-life insurance business		**(1,297,790)**	**1,063,997**
Investment income	4	2,019,550	4,592,255
Allocated investment return transferred to the insurance technical account		(2,019,550)	(4,592,255)
(Loss) / profit on ordinary activities before taxation		**(1,297,790)**	**1,063,997**
Tax (charge) / benefit on (loss) / profit on ordinary activities		(978,295)	1,984,771
(Loss) / profit on ordinary activities after taxation		**(2,276,085)**	**3,048,768**

There were no recognised gains or losses other than those included in the profit and loss account

(Loss) on ordinary activities arose solely out of continuing activities

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the Board of Directors on the 25th March, 2013 and signed on its behalf by

Director

Director

ALLIED WORLD ASSURANCE COMPANY (EUROPE) LIMITED
REPORTS & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

BALANCE SHEET

ASSETS	Notes	31 Dec 2012 US$	31 Dec 2011 US$
Investments			
Debt securities and other fixed income securities	7	94,600,205	109,656,727
Deposits with credit institutions		32,424,850	13,562,289
		127,025,055	123,219,016
Reinsurer' share of technical provisions			
Provision for unearned premiums	12	69,478,358	58,006,419
Claims outstanding	12	357,407,859	373,180,762
		426,886,217	431,187,181
Debtors			
Debtors arising from insurance operations	8	21,963,188	16,875,798
Other debtors	8	1,769,284	3,651,343
Deferred acquisition costs		9,389,849	6,248,097
		33,122,321	26,775,238
Other assets			
Tangible fixed assets	17	456,405	672,253
Cash at bank and in hand		149,030	218,074
		605,435	890,327
Prepayments and accrued income			
Accrued interest		930,819	1,119,458
Total assets		588,569,847	583,191,220

ALLIED WORLD ASSURANCE COMPANY (EUROPE) LIMITED
REPORTS & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

BALANCE SHEET (continued)

LIABILITIES	**Notes**	**31 Dec 2012 US$**	**31 Dec 2011 US$**
Capital and reserves			
Called up share capital	9	5,000,000	5,000,000
Capital contribution	11	45,000,000	45,000,000
Retained profit	11	10,072,515	12,348,600
Shareholders' funds	11	**60,072,515**	**62,348,600**
Technical provisions			
Provision for unearned premiums	12	76,501,598	64,506,924
Claims outstanding	12	403,689,881	423,616,644
		480,191,479	**488,123,568**
Creditors			
Creditors arising out of insurance operations	13	18,177,162	4,347,730
Other creditors	13	19,924,285	19,977,920
		38,101,447	**24,325,650**
Accruals and deferred income	18	10,204,406	8,393,402
Total liabilities		**588,569,847**	**583,191,220**

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the Board of Directors on 25th March, 2013 and signed on its behalf by

Director

Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE ACCOUNTING YEAR ENDED 31 DECEMBER 2012

1. Principal activities

The Company is licensed to undertake the business of non-life insurance in Ireland in the following classes under the European Communities (Non-Life Insurance) Framework Regulations, 1994 – Classes 1, 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15 and 16

The Company has outward reinsurance with external reinsurers on its property, trade credit and casualty books of business The Company also has an internal quota share agreement with Allied World Assurance Company, Ltd, after external reinsurance is first applied

2. Segmental analysis for the year

	31 Dec 2012				31 Dec 2011			
	Casualty US$	Trade Credit US$	Property US$	Total US$	Casualty US$	Trade Credit US$	Property US$	Total US$
Gross premium written								
- risks located in the EU	66,670,823	5,638,332	10,526,712	82,835,867	64,297,792	3,212,771	3,486,146	70,996,709
- risks located outside the EU	15,154,937	813,960	1,183,356	17,152,253	19,587,580	1,136,416	1,122,341	21,846,337
	81,825,760	6,452,292	11,710,068	99,988,120	83,885,372	4,349,187	4,608,487	92,843,046
Change in the provision for UEPR	(4,218,348)	(6,141,328)	(1,634,998)	(11,994,674)	(2,762,621)	(3,631,634)	72,841	(6,321,414)
Gross premium earned	77,607,412	310,964	10,075,070	87,993,446	81,122,751	717,553	4,681,328	86,521,632
Gross claims incurred	2,494,900	(2,543,602)	198,251	149,549	(28,380,636)	(290,465)	(18,777,567)	(47,448,668)
Net operating expenses	(9,324,278)	(1,774,263)	(1,454,742)	(12,553,282)	(7,769,607)	(368,280)	(293,642)	(8,431,529)
Gross technical result	70,778,034	(4,006,901)	8,818,579	75,589,713	44,972,508	58,808	(14,389,881)	30,641,435
Reinsurance balance	(71,064,780)	(2,725,558)	(5,116,715)	(78,907,053)	(45,867,389)	(382,398)	12,080,093	(34,169,694)
Allocated investment return	1,659,007	206,821	153,722	2,019,550	4,190,724	186,020	215,512	4,592,256
Net technical result	1,372,261	(6,525,638)	3,855,586	(1,297,790)	3,295,843	(137,570)	(2,094,276)	1,063,997

Gross written premium relates to contracts in the following geographical locations

	31 Dec 2012 US$	31 Dec 2011 US$
Republic of Ireland	2,528,309	1,834,477
Other EU member states	80,307,558	69,162,232
Other countries	17,152,253	21,846,337
	99,988,120	92,843,046

NOTES TO THE FINANCIAL STATEMENTS FOR THE ACCOUNTING YEAR ENDED 31 DECEMBER 2012 (continued)

3 Net operating expenses

	31 Dec 2012 US$	31 Dec 2011 US$
Administrative expenses	16,488,308	13,235,291
Miscellaneous underwriting expenses	483,778	250,083
Foreign exchange (gain) / loss	(1,116,594)	229,133
Broker commissions	11,514,032	7,954,553
Reinsurers share of broker commissions	(13,485,492)	(12,388,734)
Movement in deferred acquisition costs	(3,141,753)	(1,905,308)
Movement in accruals & deferred income	1,811,003	1,056,511
	12,553,282	8,431,529

The Company's employment costs for all employees comprise		
Stock compensation expense	1,899,672	1,023,038
Wages & salaries	7,013,542	4,986,716
Social welfare costs	1,613,624	1,316,634
Pension costs	576,671	436,149
Other costs	177,410	102,233
	11,280,919	7,864,770

Included in administrative expenses are payments made to a defined contribution pension scheme on behalf of employees during the year amounting to $576,671 (2011 $436,149)

The average number of persons employed by the company during the year was 35 (2011 32)

4. Investment income

	31 Dec 2012 US$	31 Dec 2011 US$
Debt securities - interest / amortisation	1,748,031	3,136,459
Debt securities - realised/ unrealised gain	467,690	1,613,848
Cash and cash equivalents - interest income	8,963	27,182
Investment expenses	(205,134)	(185,234)
	2,019,550	4,592,255

5 (Loss) / profit on ordinary activities before tax

	31 Dec 2012 US$	31 Dec 2011 US$
(Loss) / profit on ordinary activities before tax is stated after charging.		
Auditors' remuneration	196,415	197,554
Directors' fees	72,485	72,645

Directors' fees are for independent non-executive directors only Executive Directors' emoluments for the year ended December 31, 2012 and 2011 were $nil and $674,104 respectively

In accordance with Irish Company Law, Statutory Instrument 220 ("SI 220"), the following is a description of the categories of audit fees for the Company as at December 31, 2012 and 2011

NOTES TO THE FINANCIAL STATEMENTS FOR THE ACCOUNTING YEAR ENDED 31 DECEMBER 2012 (continued)

5. (Loss) / profit on ordinary activities before tax (continued)

	31 Dec 2012 US$	31 Dec 2011 US$
Audit of individual accounts	158,915	160,054
Other assurance services	37,500	37,500
Tax advisory services	-	-
Other non-audit services	-	-
Total audit fees	196,415	197,554

6 Tax on (loss) / profit on ordinary activities:

	31 Dec 2012 US$	31 Dec 2011 US$
(Loss) / profit on ordinary activities before tax	(1,297,790)	1,063,997
Corporation tax charge at the standard rate of 12 5%	-	133,000
Effects of		
Nondeductible expenses	-	84,070
Capital allowances	-	(60,038)
Trading loss carried forward	-	(22,992)
Foreign tax deduction	-	(2,167)
Tax provision for UK branch loss	-	(1,671,579)
Prior year under provision	6,620	-
Movement in deferred tax	971,675	(445,064)
Corporation tax charge / (benefit)	978,295	(1,984,771)
Ireland	427,358	(235,236)
Foreign tax	550,937	(1,749,535)
Corporation tax charge / (benefit)	978,295	(1,984,771)

Deferred tax is due to timing differences arising mainly on the share-based payment expenses

7 Debt securities

Debt securities and other fixed income securities are all on recognised stock exchanges and measured at the listed price

	31 Dec 2012 US$	31 Dec 2011 US$
Opening balance	109,656,727	98,356,186
Additions	13,943,065	88,740,396
Disposals	(29,037,051)	(80,854,458)
Valuation adjustment/ amortisation/ foreign exchange	37,464	3,414,603
Closing balance	94,600,205	109,656,727

The amortised cost of debt securities and other fixed income securities held at December 31, 2012 was $93,299,523 (2011 $107,854,603)

NOTES TO THE FINANCIAL STATEMENTS FOR THE ACCOUNTING YEAR ENDED 31 DECEMBER 2012 (continued)

8 Debtors

	31 Dec 2012 US$	31 Dec 2011 US$
Debtors arising from insurance operations		
Amounts due from external parties	21,963,188	16,875,798
Other debtors		
Deferred tax asset	218,925	1,190,600
Corporation tax asset	145,487	340,268
Prepayments and other debtors	604,495	441,352
Amounts due from affiliates	800,377	1,679,123
	1,769,284	3,651,343
Reconciliation of deferred tax asset		
Opening balance	1,190,600	745,535
Movement in year	(971,675)	445,065
Closing balance	218,925	1 190,600

9 Equity share capital

	31 Dec 2012 US$	31 Dec 2011 US$
Authorised		
100,000,000 ordinary shares of US$1 each	100,000,000	100,000,000
Issued		
5,000,000 ordinary shares of US$1 each	5,000,000	5,000,000

Each ordinary share is issued with one voting right attached

10 Employee benefit plan

a) Employee stock option plan
Allied World Assurance Company Holdings, AG ("AWAC Holdings") Third Amended and Restated 2001 Employee Stock Option Plan (the "Plan") allows up to 4,000,000 common shares of AWAC Holdings to be issued Options under the plan are exercisable in certain limited conditions, expire after 10 years, and generally vest pro-rata over four years from the date of grant. The exercise price of options issued shall not be less than 100% of the fair market value of the common shares of AWAC Holdings on the date the option award is granted

	31 Dec 2012		31 Dec 2011	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of year	56,173	$48 44	39,681	$41 99
Granted	-	-	25,894	$61 51
Exercised	(9,343)	($43 53)	(7,728)	($38 07)
Forfeited	(1,403)	($58 67)	(6,820)	($53 14)
Transfers in	14,971	$49 68	5,146	$42 58
Outstanding at end of year	60,398	$50 93	56,173	$48 44
Exercisable at end of year	29,549	$46 44	15,865	$42 52
Fair value at end of year	$1,683,124		$603,089	

The weighted average share price at the date of exercise for share options exercised during the year was $73 94 The options outstanding at December 31, 2012 had a weighted average remaining contractual life of 7 04 years The stock related compensation expense relating to the plan for the year ended December 31, 2012 and 2011 was $225,275 and $212,861 respectively

NOTES TO THE FINANCIAL STATEMENTS FOR THE ACCOUNTING YEAR ENDED 31 DECEMBER 2012 (continued)

10. Employee benefit plan (continued)

Assumptions used in the option-pricing model are as follows

	Options granted during the year ended 31 Dec 2012	Options granted during the year ended 31 Dec 2011
Expected term of option	N/A	5 48 years
Weighted average risk-free interest rate	N/A	2 33%
Weighted average expected volatility	N/A	31 51%
Dividend yield	N/A	1 00%
Exercise price	N/A	$61 51
Weighted average share price	N/A	$48 99

The expected term of the option is based on the historical terms of options granted since the inception of AWAC Holdings and the expected volatility is based on the volatility of the fair market value of AWAC Holdings' common shares The Company has assumed an annual forfeiture rate of 6 7% for options granted in determining the compensation expense over the service period.

b) Stock incentive plan

Allied World Assurance Company Holdings, AG ("AWAC Holdings") Third Amended and Restated 2004 Stock Incentive Plan (the "Stock Incentive Plan") provides for grants of restricted stock, RSUs, dividend equivalent rights and other equity-based awards. A total of 2,000,000 common shares may be issued under the Stock Incentive Plan To date, only RSUs have been granted These RSUs generally vest in the fourth or fifth year from the original grant date, or pro-rata over four years from the date of grant

	31 Dec 2012	31 Dec 2011
Outstanding RSUs at beginning of year	8,409	17,167
RSUs granted	3,061	4,076
RSUs vested	(10,166)	(18,633)
RSUs forfeited	(4,634)	(2,140)
Transfers in	25,723	7,940
Outstanding RSUs at end of year	22,393	8,409
Fair value at end of year	$1,764,647	$529,199

The compensation expense for the RSUs is based on the fair market value of AWAC Holdings' common shares at the time of grant. The Company has assumed an annual forfeiture rate of 3 14% for RSUs granted in determining the compensation expense over the service period

c) Long-term incentive plan

The Long-Term Incentive Plan ("LTIP") provides for performance based equity awards to key employees in order to promote the long-term growth and profitability of the Branch Each award represents the right to receive a number of common shares of AWAC Holdings in the future, based upon the achievement of established performance criteria during the applicable three-year performance period A total of 2,000,000 common shares of AWAC Holdings may be issued under the LTIP

	31 Dec 2012	31 Dec 2011
Outstanding LTIPs at beginning of year	2339	2,339
LTIPs granted	-	-
LTIPs vested	(2,339)	-
LTIPs forfeited	-	-
Transfer in	-	-
Outstanding LTIPs at end of year	-	2,339
Fair value at end of year	-	$147,193

The compensation expense for the LTIP is based on the fair market value of AWAC Holding's common shares at the time of grant.

NOTES TO THE FINANCIAL STATEMENTS FOR THE ACCOUNTING YEAR ENDED 31 DECEMBER 2012 (continued)

10. Employee benefit plan (continued)

d) Cash-equivalent stock awards

During 2012 and 2011, as part of the annual year-end compensation awards, Allied World Assurance Company Holdings, AG ("AWAC Holdings") granted both stock-based awards and cash-equivalent stock awards The cash-equivalent awards were granted to employees who received RSU and LTIP awards and were granted in lieu of granting the full award as a stock-based award The cash-equivalent RSU awards vest pro-rata over four years from the date of grant The cash-equivalent LTIP awards vest after a three-year performance period The compensation expenses for the cash-equivalent awards are based on the fair market value of AWAC Holdings' common shares as of the end of the reporting period and the total awards outstanding.

The stock related compensation expense relating to cash equivalent awards for the year ended December 31, 2012 and 2011 was $1,351,357 and $600,502 respectively

11 Movement in equity shareholders' fund

	Share capital US$	Capital contribution US$	Profit & loss account US$	Total US$
Balance as at 1 January 2011	5,000,000	45,000,000	9,299,832	59,299,832
Profit on ordinary activities after tax			3,048,768	3,048,768
Balance as at 1 January 2012	5,000,000	45,000,000	12,348,600	62,348,600
Loss on ordinary activities after tax			(2,276,085)	(2,276,085)
Balance as at 31 December 2012	5,000,000	45,000,000	10,072,515	60,072,515

12 Technical provisions

Claims outstanding	Gross amount US$	Reinsurance amount US$	Net amount US$
At 1 January 2012	423,616,644	(373,180,762)	50,435,882
Movement in provision	(19,926,763)	15,772,903	(4,153,860)
At 31 December 2012	403,689,881	(357,407,859)	46,282,022

Unearned premium reserve	Gross amount US$	Reinsurance amount US$	Net amount US$
At 1 January 2012	64,506,924	(58,006,419)	6,500,505
Movement in provision	11,994,674	(11,471,939)	522,735
At 31 December 2012	76,501,598	(69,478,358)	7,023,240

Our results for the year ended December 31, 2012 were impacted by a positive net reserve developments of $47 1 million for the 2002 to 2008 accident years for our casualty book of business, a $2 3m positive development on the property book for the 2004 to 2011 accident years and an adverse net reserve development of $1 2m on the property book during 2012 This compares to the year ended December 31, 2011 which included $3 1 million of positive net casualty reserve development for the accident years 2002 to 2007 and $0 2 million adverse net property reserve development for the 2003 to 2010 accident years

13 Creditors

	31 Dec 2012 US$	31 Dec 2011 US$
Creditors arising out of insurance and reinsurance operations		
Third party creditors	10,106,607	4,347,730
Amounts due to affiliates	8,070,555	-
	18,177,162	4,347,730

NOTES TO THE FINANCIAL STATEMENTS FOR THE ACCOUNTING YEAR ENDED 31 DECEMBER 2012 (continued)

13 Creditors (continued)

Amounts due to affiliates	13,548,178	14,981,108
Other creditors	6,376,107	4,996,812
	19,924,285	19,977,920

14. Forward contracts

The company has not applied fair value accounting for derivative contracts Disclosure of the fair value and relevant terms and conditions, as required under the Companies Act 1986, relating to derivative contracts at year end is given below

The fair value of forward foreign currency contracts was a positive $187,882 at December 31, 2012 At December 31, 2011 the fair value of forward foreign currency contracts was a negative $983,483

Notional amounts and relevant terms and conditions of each of the above category of derivative contracts are given below

Amount purchased	Amount sold	Forward rate agreed	Maturity date
USD 3,974,400	EUR 3,000,000	1 32	23 January 2013
AUD 3,000 000	USD 3,061,800	1 04	23 January 2013
GBP 1,000,000	USD 1,497,650	1 62	23 January 2013

15. Parent company

The company's parent company is Allied World Assurance Holdings (Ireland), Ltd, a company incorporated in Bermuda The largest and smallest group into which the results of the company are consolidated is that headed by Allied World Assurance Company Holdings, AG Copies of the consolidated group financial statements may be obtained from Lindenstrasse 8, 6340 Baar/ZG, Switzerland

16 Related party transactions and cashflow statement

Transactions with other companies within the group and cash flow statements are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No 8 (Related Party Disclosures) and Financial Reporting Standard No 1 (Cash Flow Statements), on the basis that the consolidated financial statements of Allied World Assurance Company Holdings, AG are publicly available as referred to in note 15

17. Tangible assets

	Furniture and fittings US$	Information technology US$	Leasehold improvements US$	Total US$
Cost				
As at 1 January 2012	334,802	1,856,075	2,663,382	4,854,259
Additions	-	93,422	20,488	113,910
As at 31 December 2012	334,802	1,949,497	2,683,870	4,968,169
Depreciation				
As at 1 January 2012	325,083	1,525,845	2,331,079	4,182,007
Charge for the year	5,673	231,685	92,399	329,757
As at 31 December 2012	330,756	1,757,530	2,423,478	4,511,764
Net book value at 31 December 2012	4,046	191,967	260,392	456,405
Net book value at 31 December 2011	9,720	330,230	332,303	672,253

NOTES TO THE FINANCIAL STATEMENTS FOR THE ACCOUNTING YEAR ENDED 31 DECEMBER 2012 (continued)

18 Accruals and deferred income

	31 Dec 2012 US$	31 Dec 2011 US$
Unearned ceding commissions	7,270,022	5,002,291
Unearned ceding commissions from affiliates	2,934,384	3,391,111
Third party creditors	10,204,406	8,393,402

19 Subsequent events

There were no adjusting or non-adjusting events between the balance sheet date up to the date of approval of the financial statements

20 Approval of financial statements

The Directors approved the financial statements on 25th March, 2013