

Company registration number (England and Wales) 07458607

WELLES UW HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012



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WELLES UW HOLDINGS LIMITED

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WELLES UW HOLDINGS LIMITED

COMPANY INFORMATION

COMPANY PERSONNEL

Directors	Rosemary Knox Gerald Knox
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COMPANY ADDRESSES

Registered office	7-9 The Avenue Eastbourne East Sussex BN21 3YA
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Member's agent	Alpha Insurance Analysts Limited 5th Floor, 107 Fenchurch Street London EC3M 5JF
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Auditors	Humphrey & Co 7 - 9 The Avenue Eastbourne East Sussex BN21 3YA
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WELLES UW HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

The directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 2012

Results and dividends

The profit for the year after taxation was £978,413 (2011 loss £500,987) Interim dividends of £50,000 (2011 £Nil) were paid during the period The directors do not recommend the payment of a final dividend

Principal activities and review of the business

The company's principal activity is to participate in underwriting at Lloyd's on a limited liability basis through its wholly owned subsidiary company The subsidiary company, Welles Underwriting Limited, has continued to underwrite on the 2013 underwriting account where the market conditions are considered favourable for a profitable outcome subject to the level of claims experienced

The result for the year is primarily in respect of the 2012 annual accounting period, which consists of movements in the 2010, 2011 and 2012 years of account as well as any 2009 and prior run-off years Gross premiums written increased from £4,886,851 to £5,300,398 compared to the previous year and the overall balance on the technical account increased from £279,109 deficit to £459,959 as a result of the level of claims experienced

The group's total capital and reserves at the year end were £4,177,010

The key business risks and uncertainties affecting the company are considered to relate to insurance risk, investment and currency risk and regulatory risk

Financial risk management objectives and policies

The Company is principally exposed to financial risk through its participation on Lloyd's Syndicates It has 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 Syndicates' 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

Key Performance Indicators

The directors monitor the performance of the Company by reference to the following key performance indicators

	2012	2011
Capacity (youngest underwriting year) (£)	5,531,970	5,337,086
Gross premium written as a % of capacity	95.8 %	91.6 %
Underwriting profit of latest closed year as a % of capacity	(0.3) %	16.0 %
Run-off years of account movement (£)	-	-
Combined ratio	92.1 %	109.5 %

The combined ratio is the ratio of net claims incurred, commissions and expenses to net premiums earned

WELLES UW HOLDINGS LIMITED

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2012

Directors

The directors who held office at any time during the year are listed below

Rosemary Knox

Gerald Knox

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,
- 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.

The directors 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.

Auditors

The auditors, Humphrey & Co, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board on 28 August 2013 and signed on its behalf by

Rosemary Knox
Director



WELLES UW HOLDINGS LIMITED

INDEPENDENT AUDITORS REPORT

TO THE SHAREHOLDERS OF WELLES UW HOLDINGS LIMITED

We have audited the financial statements of Welles UW Holdings Limited for the year ended 31 December 2012 on pages 5 to 24. 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 members, 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 members those matters we are required to state to them in a Report of the Auditors 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 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.

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. If we become aware of any apparent 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 group's and parent 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.

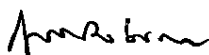
Opinion on other matter prescribed by the Companies Act 2006

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 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.



Andrew Robinson (Senior Statutory Auditor)

for and on behalf of Humphrey & Co

Chartered Accountants

Statutory Auditor

Date 5 September 2013

Humphrey & Co

7-9 The Avenue

Eastbourne

East Sussex

BN21 3YA

WELLES UW HOLDINGS LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT - TECHNICAL ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £	2011 £
Gross premiums written	2	5,300,398	4,886,851
Outward reinsurance premiums		(1,000,444)	(944,071)
Net premiums written		4,299,954	3,942,780
Change in the provision for unearned premiums			
Gross provision		(123,806)	(20,602)
Reinsurers' share		(10,929)	4,108
Net change in the provision for unearned premiums		(134,735)	(16,494)
Earned premiums net of reinsurance		4,165,219	3,926,286
Allocated investment income	4	89,723	101,643
Claims paid			
Gross amount		(2,633,267)	(2,473,216)
Reinsurers' share		519,856	424,152
Net claims paid		(2,113,411)	(2,049,064)
Change in provision for claims			
Gross amount		(140,594)	(1,035,767)
Reinsurers' share		81,736	304,026
Net change in provision for claims		(58,858)	(731,741)
Claims incurred net of reinsurance		(2,172,269)	(2,780,805)
Net operating expenses	5	(1,665,172)	(1,518,909)
Investment expenses and charges		42,458	(7,324)
Balance on technical account for general business		459,959	(279,109)

WELLES UW HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT - NON TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £	2011 £
Balance on the general business technical account		459,959	(279,109)
Investment income	6	816,624	(411,815)
Other income	7	9,314	48,143
Other charges		(35,208)	(57,796)
Profit/(Loss) on ordinary activities before taxation	8	1,250,689	(700,577)
Tax on profit/(loss) on ordinary activities	17	(272,276)	199,590
Profit/(Loss) for the financial year		978,413	(500,987)

The company has no recognised gains or losses other than the profit/(loss) for the financial years stated above

All amounts above relate to continuing operations

WELLES UW HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012

ASSETS	Note	Syndicate Assets £	Corporate £	2012 Total £	2011 Total £
Intangible assets					
Syndicate participation rights	9	-	18,830	18,830	31,210
Investments					
Financial investments	10	5,110,857	4,659,121	9,769,978	8,283,922
Deposits with ceding undertakings		1,299	-	1,299	1,605
Total investments		5,112,156	4,659,121	9,771,277	8,285,527
Reinsurers' share of technical provisions					
Provision for unearned premiums		197,025	-	197,025	186,563
Claims outstanding		901,284	-	901,284	934,399
Other technical provisions		791,031	-	791,031	726,095
Total reinsurers' share of technical provisions		1,889,340	-	1,889,340	1,847,057
Debtors					
Arising out of direct insurance operations	11				
Policyholders		7,098	-	7,098	3,085
Intermediaries		1,114,584	-	1,114,584	1,012,013
Arising out of reinsurance operations	11	127,226	-	127,226	115,154
Other debtors	12	1,558,387	69,552	1,627,939	1,668,404
Total debtors		2,807,295	69,552	2,876,847	2,798,656
Other assets					
Cash at bank	13	837,515	14,769	852,284	909,633
Other		2,983	-	2,983	3,100
Total other assets		840,498	14,769	855,267	912,733
Prepayments and accrued income					
Accrued interest		4,827	-	4,827	7,012
Deferred acquisition costs		443,918	-	443,918	435,786
Other prepayments and accrued income		26,125	-	26,125	30,917
Total prepayments and accrued income		474,870	-	474,870	473,715
Total assets		11,124,159	4,762,272	15,886,431	14,348,898

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WELLES UW HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET (continued) AS AT 31 DECEMBER 2012

	Note	Syndicate Liabilities £	Corporate £	2012 Total £	2011 Total £
LIABILITIES					
Capital and reserves					
Called-up share capital	14	-	131,135	131,135	131,135
Share premium account	15	-	1,213,920	1,213,920	1,213,920
Profit and loss account	15	-	2,831,955	2,831,955	1,903,542
Shareholder's funds attributable to equity interests					
	16	-	4,177,010	4,177,010	3,248,597
Technical provisions					
Provision for unearned premiums		1,880,460	-	1,880,460	1,766,685
Claims outstanding - gross amount		7,849,915	-	7,849,915	7,729,483
Total technical provisions		9,730,375	-	9,730,375	9,496,168
Provisions for other risks and charges					
Provision for taxation	17	-	54,076	54,076	65,607
Deposits received from reinsurers					
		-	-	-	-
Creditors					
Arising out of direct insurance operations		248,800	-	248,800	233,746
Arising out of reinsurance operations		682,156	-	682,156	555,758
Amounts due to credit institutions		-	-	-	-
Other creditors	18	462,828	531,186	994,014	696,531
Total creditors		1,393,784	531,186	1,924,970	1,486,035
Accruals and deferred income					
Other accruals and deferred income		-	-	-	52,491
Total liabilities		11,124,159	4,762,272	15,886,431	14,348,898

Approved by the Board on *25 August* 2013 and signed on its behalf by

Rosemary Knox *Rosemary Knox*
Director

Company Registration No 07458607

WELLES UW HOLDINGS LIMITED

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2012

	Note	2012 Total £	2011 Total £
Fixed assets			
Fixed asset investments	20	131,135	131,135
Current assets			
Debtors		-	
Cash at bank and in hand		-	
		-	
Creditors amounts falling due within one year			
Amounts due to associated undertakings			
Shareholders' loan account			
Accruals			
		-	
Net current assets/(liabilities)		-	-
Total assets less current liabilities		131,135	131,135
Net assets		131,135	131,135
Capital and Reserves			
Called up share capital	14	131,135	131,135
Share premium account	15	-	-
Revenue reserves	15	-	-
Total shareholders funds	16	131,135	131,135

Approved by the Board on 25 August 2013 and signed on its behalf by

Rosemary Knox
Director
Company Registration No 07458607

WELLES UW HOLDINGS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £	2011 £
Net cash inflow from operating activities	19	411,085	424,875
Returns on investments and servicing of finance			
Interest received		674	661
Interest paid		-	-
Dividends received		140,967	116,413
Dividends paid		(50,000)	-
Net cash inflow from returns on investments and servicing of finance		91,641	117,074
Taxation			
UK corporation tax refunded/paid		98,042	(329,006)
Foreign tax paid		(6,166)	(12,289)
Net cash inflow/(outflow) from taxation		91,876	(341,295)
Capital expenditure and financial investment			
Purchase of syndicate participation rights		(8,715)	(7,630)
Proceeds from sale of syndicate participation rights		22,241	-
Purchase of investments		(2,169,722)	(1,620,562)
Proceeds from sale of investments		1,563,420	1,428,109
Net cash outflow from capital expenditure and financial investment		(592,776)	(200,083)
Net cash inflow before financing		1,826	571
Financing			
Funds lent to the company by the company's shareholders		-	-
Issue of share capital		-	-
Net cash inflow from financing		-	-
Increase in cash		1,826	571
Net funds at 1 January		12,943	12,372
Increase in cash in the period		1,826	571
Net funds at 31 December		14,769	12,943

The Company has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the Cash Flow Statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from the Syndicates at Lloyd's

WELLES UW HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2012

1 Accounting policies

1.1 Basis of preparation

The Financial Statements have been prepared in accordance with the Companies Act 2006 and Regulation 6 of Schedule 3 to the Large and Medium Sized Companies And Groups (Accounts and Reports) Regulations 2008 and the recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005, as amended in December 2006, except that exchange differences arising on syndicate assets and liabilities are dealt with in the technical account as all these differences arise from technical account transactions. They are prepared under the historical cost basis of accounting modified to include the revaluation of investments, and comply with applicable accounting standards.

Basis of consolidation

The amounts shown in the column to the balance sheet headed 'corporate' consolidate the accounts of Welles UW Limited and its subsidiary undertakings. The amounts shown in the column to the balance sheet headed 'total' consolidate the accounts of Welles UW Limited and its subsidiary undertakings and a pro rata share of the assets and liabilities of the syndicates on which they participate. Merger accounting has been used in accordance with Financial Reporting Standard No 6. Consequently the consolidated profit and loss account and consolidated balance sheet show the results and position of Welles UW Holdings Limited as though the group has always existed. The figures in the 2012 column show the results for the year ended 31 December 2012 and the figures in the 2011 column show the results for the year ended 31 December 2011. No profit and loss account is presented for Welles UW Limited, as permitted by section 408 of the Companies Act 2006.

Basis of accounting

The technical account has been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums net of re-insurance. Amounts reported in the technical account relate to movements in the period in respect of all relevant years of account of the Syndicates on which the company participates.

Accounting information in respect of the Syndicate participations has been provided by the Syndicate managing agents through an information exchange facility operated by Lloyd's and has been reported on by the Syndicate auditors.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents and are shown separately on the Balance Sheet as "Syndicate Assets" and "Syndicate Liabilities". The assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

In continuing to apply the going concern basis to this Company's Financial Statements the following factors have been taken into account: the likely timing of any underwriting and non-underwriting cash flows, any Funds at Lloyd's supporting the Company's underwriting and not reflected in the Company's Balance Sheet and the continued support of the Directors and Shareholders including the potential deferral of balances due to them.

General business

i Premiums

Gross premiums are accounted for in the period in which the risk commences, together with adjustments to premiums written in previous accounting periods. Future premiums relating to risks commencing in the period are based upon estimates made by the Syndicates' management. Other adjustments are accounted for as arising.

ii Unearned premiums

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis having regard where appropriate, to the incidence of risk. The specific basis adopted by each Syndicate is determined by the relevant managing agent.

WELLES UW HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2012

iii Deferred acquisition costs

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned

iv Reinsurance premiums

Reinsurance premium costs are allocated by the Managing Agent of each Syndicate to reflect the protection arranged in respect of the business written and earned

v Claims

Provision is made for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date, and for the related cost of settlement. Claims incurred comprise amounts paid or provided in respect of claims occurring during the current year, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year.

The claims provision determined by the managing agent will have been based on information that was currently available at the time. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided and will be reflected in the financial statements for the period in which the adjustment is made.

vi Closed years of account

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling costs.

Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring Syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The company has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

vii Run-off years of account

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

viii Investments and allocated investment income

In accordance with Lloyd's current accounting practice, investments are stated at market value, including accrued interest at the Balance Sheet date. Investment income is included in the General Business Technical Account reflecting that earned on the investment portfolio managed by the Syndicates. The allocated investment income therefore comprises income received and investment profits and losses arising in the calendar year including appreciation/depreciation and accrued interest consequent upon the revaluation of investments at 31 December. All gains and losses on investments are treated as realised at the Balance Sheet date.

WELLES UW HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2012

ix Basis of currency translation

Syndicates maintain separate funds in Sterling, United States and Canadian dollars, and may also do so in certain other currencies. All transactions where separate currencies are maintained are translated into Sterling at the rates of exchange ruling at the Balance Sheet date. Transactions during the year in other overseas currencies are expressed in Sterling at the rates ruling at the transaction date.

Assets and liabilities are translated into Sterling at the rates of exchange at the Balance Sheet date.

Differences arising on translation of foreign currency amounts in syndicates are included in the technical account.

x Debtors/creditors arising from insurance/reinsurance operations

The amounts shown in the Balance Sheet include the totals of all the Syndicates outstanding debit and credit transactions. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the Syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

xi Distribution of profits and collection of losses

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between Syndicates and their members. Lloyd's continues to require membership of Syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the Syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The Syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

1.2 Taxation

The company is taxed on its results including its share of the underwriting results declared by the syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. The syndicate results included in these Financial Statements are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for tax in relation to open years of account. However, full provision is made for deferred tax on underwriting results not subject to current corporation tax.

HM Revenue & Customs agrees the taxable results of the syndicates at a syndicate level on the basis of computations submitted by the managing agent. At the date of the approval of these Financial Statements the syndicate results of years of account closed at this and at previous year ends may not have been fully agreed with HM Revenue & Customs. Any adjustments that may be necessary to the tax provisions established by the Company, as a result of HM Revenue & Customs agreement of syndicate results, will be reflected in the Financial Statements of subsequent periods.

1.3 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. 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 have not been discounted.

1.4 Intangible assets

Costs incurred by the group in the Corporation of Lloyd's auctions in order to acquire rights to participate on Syndicates' underwriting years are included within intangible assets and amortised over a 3 year period beginning with the respective year of Syndicate participation.

WELLES UW HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2012

1 5 Investments

Investments held directly by the company, by trustees of the Premium Trust Fund, or as the Lloyd's Deposit, are stated at market value

1 6 Cash Flow Statement

The company has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the Cash Flow Statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from syndicates at Lloyd's

WELLES UW HOLDINGS LIMITED

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

2 Class of business	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Operating expenses £	Reinsurance balance £
2012	£	£	£	£	£
Direct					
Accident and health	197,014	148,368	(73,649)	(59,673)	(4,269)
Motor - third party liability	9,207	8,421	(1,248)	(2,981)	(236)
Motor - other classes	410,135	212,558	(160,284)	(81,667)	4,900
Marine, aviation and transport	707,777	505,586	(258,461)	(165,404)	463
Fire and other damage to property	1,746,340	1,231,174	(722,212)	(416,945)	(90,021)
Third party liability	1,157,473	834,985	(380,947)	(300,276)	(80,520)
Credit and suretyship	73,673	51,336	(16,233)	(16,477)	(5,754)
Other	764,743	555,925	(271,393)	(261,956)	(58,228)
Total direct	5,066,362	3,548,353	(1,884,427)	(1,305,379)	(233,665)
Reinsurance business					
Reinsurance balance	234,036	1,628,239	(889,434)	(359,793)	(176,116)
Total	5,300,398	5,176,592	(2,773,861)	(1,665,172)	(409,781)
2011	£	£	£	£	£
Direct					
Accident and health	147,944	144,273	(80,630)	(55,539)	(65,554)
Motor - third party liability	11,267	11,341	(5,706)	(3,912)	(730)
Motor - other classes	139,699	147,376	(125,099)	(51,711)	21,786
Marine, aviation and transport	540,843	536,611	(222,280)	(164,697)	(34,494)
Fire and other damage to property	1,136,772	1,128,288	(736,661)	(377,870)	(91,309)
Third party liability	825,632	774,220	(495,962)	(292,749)	(27,743)
Credit and suretyship	58,175	54,367	(28,396)	(14,294)	(3,632)
Other	505,244	553,227	(128,364)	(267,763)	(74,447)
Total direct	3,365,576	3,349,703	(1,823,098)	(1,228,535)	(276,123)
Reinsurance business					
Reinsurance balance	1,521,275	1,516,546	(1,685,885)	(290,374)	64,338
Total	4,886,851	4,866,249	(3,508,983)	(1,518,909)	(211,785)

Any open year loss provisions, stop loss premiums and stop loss recoveries have been allocated across the classes of business by reference to the gross premiums written

WELLES UW HOLDINGS LIMITED

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

3	Geographical analysis	2012 £	2011 £
	Direct gross premiums written in		
	United Kingdom	4,844,867	3,164,014
	Other EU member states	15,937	14,503
	The rest of the world	205,558	187,059
	Total	5,066,362	3,365,576
4	Allocated investment income	2012 £	2011 £
	Investment income	104,762	120,782
	Realised loss on investments	(15,039)	(19,139)
	Total	89,723	101,643
5	Net operating expenses	2012 £	2011 £
	Acquisition costs	1,213,897	1,192,147
	Administrative expenses	402,626	347,552
	Loss/(Profit) on exchange	48,649	(20,790)
	Total	1,665,172	1,518,909

WELLES UW HOLDINGS LIMITED

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

6	Investment income	2012 £	2011 £
	Income from other investments (including interest receivable)	141,641	117,074
	Realised gain from other investments	436,778	98,517
	Unrealised gain/(loss) from other investments	238,205	(627,406)
	Total	816,624	(411,815)

7	Other income	2012 £	2011 £
	Profit on sale of syndicate participation rights	9,271	-
	Other	43	48,143
	Total	9,314	48,143

8	Profit/(Loss) on ordinary activities before taxation	2012 £	2011 £
	This is stated after charging		
	Auditor's remuneration - audit	1,179	665
	Auditor's remuneration - other	1,485	985
	Director's remuneration	-	-
	Employer's National Insurance contributions	-	-
	Employer's pension contributions	-	-
	Wages and salaries	-	-
	Amortisation of syndicate capacity	8,125	29,859
	Amortisation of goodwill	-	-

The company has no employees

WELLES UW HOLDINGS LIMITED

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

9	Intangible assets	Syndicate Participation Rights
		£
	Cost	
	At 1 January 2012	233,724
	Additions	8,715
	Disposals	(52,706)
	At 31 December 2012	189,733
	Amortisation	
	At 1 January 2012	202,514
	Charge for the year	8,125
	Impairment losses	-
	Disposals	(39,736)
	At 31 December 2012	170,903
	Net book value	
	At 31 December 2012	18,830
	At 31 December 2011	31,210

10	Investments	Financial investments		2012	2011
			Syndicate	Corporate	Total
			£	£	Total
					£
	<i>At market value</i>				
	Shares and other variable yield securities		770,318	4,659,121	5,429,439
	Debt securities and other fixed income securities		4,041,869	-	4,041,869
	Participation in investment pools		175,744	-	175,744
	Loans guaranteed by mortgage		47,693	-	47,693
	Other loans		15,974	-	15,974
	Deposits with credit institutions		13,702	-	13,702
	Other		45,557	-	45,557
	Total		5,110,857	4,659,121	9,769,978
					8,283,922

The corporate investments held include £4,205,196 (2011 £2,696,758) at market value in respect of Lloyd's deposits that are held in accordance with the constraints detailed in note 22

WELLES UW HOLDINGS LIMITED

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

10 Investments Financial investments (continued)

	Syndicate £	Corporate £	2012 Total £	2011 Total £
<i>At cost</i>				
Shares and other variable yield securities	767,920	4,593,027	5,360,947	4,345,111
Debt securities and other fixed income securities	4,009,472	-	4,009,472	4,004,921
Participation in investment pools	206,681	-	206,681	127,941
Loans guaranteed by mortgage	47,080	-	47,080	42,672
Other loans	15,970	-	15,970	19,888
Deposits with credit institutions	13,702	-	13,702	57,377
Other	43,483	-	43,483	1,029
Total	5,104,308	4,593,027	9,697,335	8,598,939

11 Debtors arising out of direct insurance and reinsurance operations

	Syndicate £	Corporate £	2012 Total £	2011 Total £
The following amounts are due after one year				
Direct insurance operations	482	-	482	993
Reinsurance operations	9,942	-	9,942	7,307
Total	10,424	-	10,424	8,300

12 Other debtors

	Syndicate £	Corporate £	2012 Total £	2011 Total £
Deferred tax	-	-	-	-
Other	1,558,387	69,552	1,627,939	1,668,404
Total	1,558,387	69,552	1,627,939	1,668,404

Corporate other debtors includes £Nil (2011 £Nil) due to the company after more than one year

Syndicate other debtors includes £381,888 (2011 £370,504) due to the group after more than one year

13 Cash at bank

	Syndicate £	Corporate £	2012 Total £	2011 Total £
Lloyd's deposit	319,615	591	320,206	391,335
Cash at bank and in hand	517,900	14,178	532,078	518,298
Total	837,515	14,769	852,284	909,633

Any Lloyd's deposit is held in accordance with the constraints detailed in note 22

WELLES UW HOLDINGS LIMITED

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

14	Share capital	2012 £	2011 £
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Allotted, called up and fully paid

131,135 Ordinary shares of £1 00 each	131,135	131,135
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15 Statement of movements on reserves

	Company		Group	
	Share premium account £	Profit and loss account £	Share premium account £	Profit and loss account £
At 1 January 2012	-	-	1,213,920	1,903,542
Profit/(loss) for the year	-	-	-	978,413
Dividends	-	-	-	(50,000)
At 31 December 2012	-	-	1,213,920	2,831,955

16 Reconciliation of movements in shareholders' funds

	Company		Group	
	2012 £	2011 £	2012 £	2011 £
Retained profit/(loss) for the financial period	-	-	928,413	(500,987)
Proceeds from the issue of shares	-	131,135	-	-
Net addition to/(depletion in) shareholders' funds	-	131,135	928,413	(500,987)
Opening shareholders' funds	131,135	-	3,248,597	3,749,584
Closing shareholders' funds	131,135	131,135	4,177,010	3,248,597

17	Taxation	2012 £	2011 £
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Analysis of charge in year

Current tax

UK Corporation Tax on profits of the year	278,615	(97,068)
Adjustments in respect of prior years	(974)	418
Foreign tax	6,166	12,289
Total current tax	283,807	(84,361)

WELLES UW HOLDINGS LIMITED

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

17 Taxation (continued)	2012	2011
	£	£
<i>Analysis of charge in year</i>		
<i>Deferred tax</i>		
Origination and reversal of timing differences	(11,531)	(118,509)
Changes in tax rates	-	3,280
Adjustment to the estimated recoverable amounts of deferred tax assets arising in prior years	-	-
Other items	-	-
Total deferred tax	(11,531)	(115,229)
Tax on profit/(loss) on ordinary activities	272,276	(199,590)

Factors affecting tax charge for the year

The tax assessed for the year is lower (2011 - higher) than the standard rate of Corporation Tax in the UK of 24.50% (2011 - 20.00%). The differences are explained below

	2012	2011
	£	£
Profit/(Loss) on ordinary activities before taxation	1,250,689	(700,577)
Profit/(Loss) on ordinary activities before taxation multiplied by the standard rate of Corporation Tax in the UK of 24.50% (2011 - 20.00%)	306,419	(140,115)
<i>Effects of</i>		
Expenses not deductible for tax purposes	-	-
Timing differences arising from the taxation of the underwriting results	13,885	83,418
Timing differences arising from the taxation of syndicate participation movements	1,125	-
Tax losses carried forward/(Utilisation of tax losses)	-	(40,371)
Adjustments to tax charge in respect of prior periods	(974)	418
Other adjustments	(36,648)	12,289
Current tax charge for the year	283,807	(84,361)

Factors that may affect future tax charges

The company has trading losses of £Nil (2011 - £Nil) available for carry forward against future trading profits

WELLES UW HOLDINGS LIMITED

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

17 Taxation (continued)	2012 £	2011 £
<i>Provision for deferred tax</i>		
At 1 January 2012	65,607	180,836
Credit to the profit and loss account	(11,531)	(115,229)
Released or utilised in the year	-	-
At 31 December 2012	54,076	65,607

Full provision has been made for all timing differences apart from the recovery of taxation losses against future trading profits, which cannot be prudently anticipated at this time

The deferred tax asset not provided for in respect of Corporation Tax losses, and deferred tax losses not yet assessable to Corporation Tax, amounted to £Nil (2011 - £Nil)

18 Other creditors	Syndicate £	Corporate £	2012 £	2011 £
Other creditors	462,828	252,571	715,399	696,531
Social security costs	-	-	-	-
Corporation tax	-	278,615	278,615	-
Shareholders' loan account	-	-	-	-
	462,828	531,186	994,014	696,531

19 Reconciliation of operating profit/(loss) before interest to net cash inflow from operating activities	2012 £	2011 £
Operating profit/(loss) before interest	434,065	(288,762)
Current year result not distributable in year	(459,959)	279,109
Prior year result distributable in year	653,640	336,635
(Profit)/Loss on sale of syndicate participation rights	(9,271)	-
Increase in creditors	11,175	149,967
Increase in debtors	(226,690)	(81,933)
Amortisation and impairment of syndicate participation rights	8,125	29,859
Net cash inflow from operating activities	411,085	424,875

WELLES UW HOLDINGS LIMITED

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

20 Fixed Asset Investments - Company

	2012 £
Subsidiary undertakings at cost/valuation	131,135
Less adjustment for impairment review	-
Total	131,135

Detail of the company's subsidiary undertakings, all of which are held by the company, are as follows

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Welles Underwriting Ltd	England and Wales	Ordinary shares	100%	Corporate member of Lloyds

21 Profit/(Loss) attributable to members of the parent company

The profit/loss dealt with in the accounts of the parent company was £Nil

WELLES UW HOLDINGS LIMITED

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

22 Fund's at Lloyd's

Cash balances of £591 (2011 £1,390) detailed in note 13 and investments of £4,205,196 (2011 £2,696,758) detailed in note 10 are held within the company's Lloyd's deposit

The Lloyd's deposit represents funds deposited with the Corporation of Lloyd's (Lloyd's) to support the company's underwriting activities as described in the accounting policies. The company has entered into a legal agreement with Lloyd's which gives the Corporation the right to apply these funds in settlement of any claims arising from the company's participation on Lloyd's Syndicates. These funds can only be released from the provision of this deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset or after the expiration of the company's liabilities in respect of its underwriting.

In addition to these amounts, the shareholders of the company have also made available to Lloyd's assets amounting to approximately £Nil (2011 £Nil) which are also used by the company to support its Lloyd's underwriting.

23 Controlling party

The directors control the company by virtue of their controlling interest of the issued ordinary share capital.

24 Related party transactions

During the year £13,500 (2011 - £Nil) was advanced to the company by Mr G Knox, a director of the company. Included within creditors at the year end is £13,500 (2011 - £Nil) that is owed to Mr G Knox.

During the year dividends of £50,000 (2011 - £Nil) were paid to Mr and Mrs G Knox.