

Company registration number (England and Wales): 07458607

WELLES UW HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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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 2013

The directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 2013.

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, Strategic 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

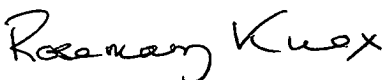
The auditors, Humphrey & Co, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

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 21/6

2014 and signed on its behalf by:



Rosemary Knox
Director

WELLES UW HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

The directors have pleasure in presenting their strategic report for the year ended 31 December 2013.

Results and dividends

The profit for the year after taxation was £1,616,710 (2012 profit £978,413). Interim dividends of £7,500 (2012: £50,000) were paid during the year. 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 2014 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 2013 annual accounting period, which consists of movements in the 2011, 2012 and 2013 years of account as well as any 2010 and prior run-off years. Gross premiums written decreased from £5,300,398 to £4,992,865 compared to the previous year and the overall balance on the technical account increased from £459,959 to £705,796 as a result of the level of claims experienced.

The group's total capital and reserves at the year end were £5,768,220.

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 Syndicate's exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The Company is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the Company.

Hedge accounting is not used by the Company.

Key Performance Indicators

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

	2013	2012
Capacity (youngest underwriting year) (£)	5,363,100	5,531,970
Gross premium written as a % of capacity	93.1 %	95.8 %
Underwriting profit of latest closed year as a % of capacity	5.3 %	(0.3)%
Run-off years of account movement (£)	57,235	-
Combined ratio	84.9 %	92.1 %

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

Approved by the Board on 21/6 2014 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 2013 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 2, 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 Directors' Report and Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent 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 2013 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 and Strategic 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: 24 June 2014

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 2013**

	Note	2013 £	2012 £
Gross premiums written	2	4,992,865	5,300,398
Outward reinsurance premiums		(869,533)	(1,000,444)
Net premiums written		4,123,332	4,299,954
Change in the provision for unearned premiums			
Gross provision		196,056	(123,806)
Reinsurers' share		11,550	(10,929)
Net change in the provision for unearned premiums		207,606	(134,735)
Earned premiums net of reinsurance		4,330,938	4,165,219
Allocated investment income	4	62,107	89,723
Claims paid			
Gross amount		(2,766,819)	(2,633,267)
Reinsurers' share		512,236	519,856
Net claims paid		(2,254,583)	(2,113,411)
Change in provision for claims			
Gross amount		709,569	(140,594)
Reinsurers' share		(218,375)	81,736
Net change in provision for claims		491,194	(58,858)
Claims incurred net of reinsurance		(1,763,389)	(2,172,269)
Net operating expenses	5	(1,914,648)	(1,665,172)
Investment expenses and charges		(9,212)	42,458
Balance on technical account for general business		705,796	459,959

WELLES UW HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT - TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £	2012 £
Balance on the general business technical account		705,796	459,959
Investment income	6	1,344,448	816,624
Other income	7	-	9,314
Other charges		(13,796)	(35,208)
Profit on ordinary activities before taxation	8	2,036,448	1,250,689
Tax on profit on ordinary activities	17	(419,738)	(272,276)
Profit for the financial year		1,616,710	978,413

The company has no recognised gains or losses other than the profit for the financial years stated above.

All amounts above relate to continuing operations.

WELLES UW HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2013

ASSETS	Note	Syndicate Assets £	Corporate £	2013 Total £	2012 Total £
Intangible assets					
Syndicate participation rights	9	-	18,695	18,695	18,830
Investments					
Financial investments	10	4,880,238	5,765,684	10,645,922	9,769,978
Deposits with ceding undertakings		1,479	-	1,479	1,299
Total investments		4,881,717	5,765,684	10,647,401	9,771,277
Reinsurers' share of technical provisions					
Provision for unearned premiums		237,227	-	237,227	197,025
Claims outstanding		868,021	-	868,021	901,284
Other technical provisions		555,030	-	555,030	791,031
Total reinsurers' share of technical provisions		1,660,278	-	1,660,278	1,889,340
Debtors					
Arising out of direct insurance operations	11				
Policyholders		4,222	-	4,222	7,098
Intermediaries		1,056,405	-	1,056,405	1,114,584
Arising out of reinsurance operations	11	138,746	-	138,746	127,226
Other debtors	12	1,593,794	480,687	2,074,481	1,627,939
Total debtors		2,793,167	480,687	3,273,854	2,876,847
Other assets					
Cash at bank	13	840,564	5,237	845,801	852,284
Other		2,433	-	2,433	2,983
Total other assets		842,997	5,237	848,234	855,267
Prepayments and accrued income					
Accrued interest		4,086	-	4,086	4,827
Deferred acquisition costs		467,604	-	467,604	443,918
Other prepayments and accrued income		30,417	1,198	31,615	26,125
Total prepayments and accrued income		502,107	1,198	503,305	474,870
Total assets		10,680,266	6,271,501	16,951,767	15,886,431

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WELLES UW HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET (continued) AS AT 31 DECEMBER 2013

	Note	Syndicate Liabilities £	Corporate £	2013 Total £	2012 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	-	4,441,165	4,441,165	2,831,955
Shareholder's funds attributable to equity interests	16	-	5,786,220	5,786,220	4,177,010
Technical provisions					
Provision for unearned premiums		1,894,731	-	1,894,731	1,880,460
Claims outstanding - gross amount		7,457,284	-	7,457,284	7,849,915
Total technical provisions		9,352,015	-	9,352,015	9,730,375
Provisions for other risks and charges					
Provision for taxation	17	-	227,746	227,746	54,076
Deposits received from reinsurers		-	-	-	-
Creditors					
Arising out of direct insurance operations		306,458	-	306,458	248,800
Arising out of reinsurance operations		532,561	-	532,561	682,156
Amounts due to credit institutions		6,971	-	6,971	-
Other creditors	18	411,119	257,535	668,654	994,014
Total creditors		1,257,109	257,535	1,514,644	1,924,970
Accruals and deferred income					
Other accruals and deferred income		71,142	-	71,142	-
Total liabilities		10,680,266	6,271,501	16,951,767	15,886,431

Approved by the Board on

21/6/

2014 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 2013

	Note	2013 Total £	2012 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 2/6/14 and signed on its behalf by:


Rosemary Knox
Director
Company Registration No. 07458607

WELLES UW HOLDINGS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £	2012 £
Net cash inflow from operating activities	19	52,389	411,085
Returns on investments and servicing of finance			
Interest received		116	674
Interest paid		(13)	-
Dividends received		140,994	140,967
Dividends paid		(7,500)	(50,000)
Net cash inflow from returns on investments and servicing of finance		133,597	91,641
Taxation			
UK corporation tax paid/refunded		(278,622)	98,042
Foreign tax paid		(3,331)	(6,166)
Net cash (outflow)/inflow from taxation		(281,953)	91,876
Capital expenditure and financial investment			
Purchase of syndicate participation rights		(10,340)	(8,715)
Proceeds from sale of syndicate participation rights		-	22,241
Purchase of investments		(1,589,438)	(2,169,722)
Proceeds from sale of investments		1,686,213	1,563,420
Net cash inflow/(outflow) from capital expenditure and financial investment		86,435	(592,776)
Net cash (outflow)/inflow before financing		(9,532)	1,826
Financing			
Funds lent to the company by the company's shareholders		-	-
Net cash inflow from financing		-	-
(Decrease)/Increase in cash		(9,532)	1,826
Net funds at 1 January		14,769	12,943
(Decrease)/Increase in cash in the year		(9,532)	1,826
Net funds at 31 December		5,237	14,769

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 2013

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 of 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 2013 column show the results for the year ended 31 December 2013 and the figures in the 2012 column show the results for the year ended 31 December 2012. 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 2013

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 2013

ix Basis of currency translation

Syndicates maintain separate funds in Sterling, United States dollars, Canadian dollars and Euros, and may also do so in certain other currencies. All transactions where separate currencies are maintained are translated into Sterling at the average rates of exchange for the year. 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 underwriting results declared by the syndicates and these are deemed to accrue 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 corporation 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 taxable results of years of account closed at this and previous year ends may not be 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 Company 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 2013

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 as at the Balance Sheet date.

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 2013

2 Class of business	Gross written premiums	Gross premiums earned	Gross claims incurred	Operating expenses	Reinsurance balance
	£	£	£	£	£
2013					
Direct					
Accident and health	172,164	142,509	(68,577)	(64,959)	(6,414)
Motor - third party liability	21,935	15,057	(9,249)	(5,898)	51
Motor - other classes	334,535	320,183	(226,879)	(118,273)	(740)
Marine, aviation and transport	497,071	511,900	(182,896)	(173,015)	(68,703)
Fire and other damage to property	1,106,896	1,141,501	(457,820)	(416,308)	(174,863)
Third party liability	867,221	821,966	(532,948)	(314,574)	7,785
Credit and suretyship	57,461	57,683	(13,444)	(19,124)	(8,272)
Other	448,874	630,059	(151,106)	(405,790)	(36,234)
Total direct	3,506,157	3,640,858	(1,642,919)	(1,517,941)	(287,390)
Reinsurance business					
Reinsurance balance	1,486,708	1,548,063	(414,331)	(396,707)	(276,732)
Total	4,992,865	5,188,921	(2,057,250)	(1,914,648)	(564,122)
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	410,136	212,558	(160,283)	(81,667)	4,900
Marine, aviation and transport	707,779	505,586	(258,460)	(165,403)	463
Fire and other damage to property	1,746,345	1,231,174	(722,208)	(416,944)	(90,021)
Third party liability	1,157,476	834,985	(380,945)	(300,275)	(80,520)
Credit and suretyship	73,673	51,336	(16,233)	(16,477)	(5,754)
Other	764,731	555,925	(271,405)	(261,960)	(58,227)
Total direct	5,066,361	3,548,353	(1,884,431)	(1,305,380)	(233,664)
Reinsurance business					
Reinsurance balance	234,037	1,628,239	(889,430)	(359,792)	(176,117)
Total	5,300,398	5,176,592	(2,773,861)	(1,665,172)	(409,781)

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 2013

3	Geographical analysis	2013	2012
		£	£
	Direct gross premiums written in:		
	United Kingdom	3,246,560	4,844,866
	Other EU member states	43,818	15,937
	The rest of the world	215,779	205,558
	Total	3,506,157	5,066,361
4	Allocated investment income	2013	2012
		£	£
	Investment income	90,005	104,762
	Realised loss on investments	(27,898)	(15,039)
	Total	62,107	89,723
5	Net operating expenses	2013	2012
		£	£
	Acquisition costs	1,392,590	1,213,897
	Administrative expenses	441,689	402,626
	Loss on exchange	80,369	48,649
	Total	1,914,648	1,665,172

WELLES UW HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2013

6	Investment income	2013 £	2012 £
	Income from other investments (including interest receivable)	141,110	141,641
	Realised gain from other investments	375,670	436,778
	Unrealised gain from other investments	827,668	238,205
	Total	1,344,448	816,624

7	Other income	2013 £	2012 £
	Profit on sale of syndicate participation rights	-	9,271
	Other	-	43
	Total	-	9,314

8	Profit on ordinary activities before taxation	2013 £	2012 £
	This is stated after charging:		
	Auditor's remuneration - audit	1,190	1,179
	Auditor's remuneration - other	1,523	1,485
	Wages and salaries	5,000	-
	Amortisation of syndicate capacity	10,475	8,125

The average number of persons, including directors, employed during the year was 1 (2012: nil).

WELLES UW HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2013

9 Intangible assets

Syndicate Participation Rights £

Cost

At 1 January 2013	189,733
Additions	10,340
Disposals	-

At 31 December 2013	200,073
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Amortisation

At 1 January 2013	170,903
Charge for the year	10,475
Impairment losses	-
Disposals	-

At 31 December 2013	181,378
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Net book value

At 31 December 2013	18,695
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At 31 December 2012	18,830
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10 Investments: Financial investments

	Syndicate £	Corporate £	2013 Total £	2012 Total £
<i>At market value</i>				
Shares and other variable yield securities	788,342	5,765,684	6,554,026	5,429,439
Debt securities and other fixed income securities	3,779,746	-	3,779,746	4,041,869
Participation in investment pools	232,698	-	232,698	175,744
Loans guaranteed by mortgage	34,613	-	34,613	47,693
Other loans	1,770	-	1,770	15,974
Deposits with credit institutions	2,685	-	2,685	13,702
Other	40,384	-	40,384	45,557
Total	4,880,238	5,765,684	10,645,922	9,769,978

The corporate investments held include £4,517,856 (2012: £4,205,196) 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 2013

10 Investments: Financial investments (continued)

	Syndicate £	Corporate £	2013 Total £	2012 Total £
<i>At cost</i>				
Shares and other variable yield securities	775,192	4,951,706	5,726,898	5,360,947
Debt securities and other fixed income securities	3,812,542	-	3,812,542	4,009,472
Participation in investment pools	227,191	-	227,191	206,681
Loans guaranteed by mortgage	34,519	-	34,519	47,080
Other loans	1,770	-	1,770	15,970
Deposits with credit institutions	2,685	-	2,685	13,702
Other	39,593	-	39,593	43,483
Total	4,893,492	4,951,706	9,845,198	9,697,335

11 Debtors arising out of direct insurance and reinsurance operations

	Syndicate £	Corporate £	2013 Total £	2012 Total £
The following amounts are due after one year:				
Direct insurance operations	3,438	-	3,438	482
Reinsurance operations	6,390	-	6,390	9,942
Total	9,828	-	9,828	10,424

12 Other debtors

	Syndicate £	Corporate £	2013 Total £	2012 Total £
Deferred tax	-	-	-	-
Other	1,593,794	480,687	2,074,481	1,627,939
Total	1,593,794	480,687	2,074,481	1,627,939

Corporate other debtors includes £200,309 (2012: £Nil) due to the company after more than one year.

Syndicate other debtors includes £411,402 (2012: £381,888) due to the company after more than one year.

13 Cash at bank

	Syndicate £	Corporate £	2013 Total £	2012 Total £
Lloyd's deposit	370,463	2,929	373,392	320,206
Cash at bank and in hand	470,101	2,308	472,409	532,078
Total	840,564	5,237	845,801	852,284

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 2013

14 Share capital	2013	2012
	£	£

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 2013	-	-	1,213,920	2,831,955
Profit during the year	-	-	-	1,616,710
Dividends	-	-	-	(7,500)
At 31 December 2013	-	-	1,213,920	4,441,165

16 Reconciliation of movements in shareholders' funds

	Company		Group	
	2013	2012	2013	2012
	£	£	£	£
Retained profit for the financial year	-	-	1,609,210	928,413
Proceeds from the issue of shares	-	-	-	-
Net addition to shareholders' funds	-	-	1,609,210	928,413
Opening shareholders' funds	131,135	131,135	4,177,010	3,248,597
Closing shareholders' funds	131,135	131,135	5,786,220	4,177,010

17 Taxation	2013	2012
	£	£

Analysis of charge in year

Current tax

UK Corporation Tax on profits of the year	242,730	278,615
Adjustments in respect of prior years	7	(974)
Foreign tax	3,331	6,166
Total current tax	246,068	283,807

WELLES UW HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2013

17 Taxation (continued)	2013	2012
	£	£
<i>Analysis of charge in year</i>		
<i>Deferred tax</i>		
Origination and reversal of timing differences	173,670	(11,531)
Changes in tax rates	-	-
Adjustment to the estimated recoverable amounts of deferred tax assets arising in prior years	-	-
Other items	-	-
Total deferred tax	173,670	(11,531)
Tax on profit on ordinary activities	419,738	272,276

Factors affecting tax charge for the year

The tax assessed for the year is lower (2012 - lower) than the standard rate of Corporation Tax in the UK of 23.25% (2012 - 24.50%). The differences are explained below:

	2013	2012
	£	£
Profit on ordinary activities before taxation	2,036,448	1,250,689
Profit on ordinary activities before taxation multiplied by the standard rate of Corporation Tax in the UK of 23.25% (2012 - 24.50%).	473,474	306,419
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	-
Timing differences arising from the taxation of the underwriting results	(189,086)	13,885
Timing differences arising from the taxation of syndicate participation movements	1,180	1,125
Tax losses carried forward	-	-
Adjustments to tax charge in respect of prior periods	7	(974)
Other adjustments	(39,507)	(36,648)
Current tax charge for the year	246,068	283,807

Factors that may affect future tax charges

The company has trading losses of £Nil (2012 - £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 2013

17 Taxation (continued)	2013 £	2012 £
<i>Provision for deferred tax</i>		
At 1 January 2013	54,076	65,607
Charge/(Credit) to the profit and loss account	173,670	(11,531)
Released or utilised in the year	-	-
At 31 December 2013	227,746	54,076

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 (2012 - £Nil).

18 Other creditors	Syndicate £	Corporate £	2013 £	2012 £
Other creditors	411,119	14,805	425,924	715,399
Social security costs	-	-	-	-
Corporation tax	-	242,730	242,730	278,615
Shareholders' loan account	-	-	-	-
	411,119	257,535	668,654	994,014

Corporate other creditors includes £Nil (2012: £225,249) due from the company after more than one year.

19 Reconciliation of operating profit before interest to net cash inflow from operating activities	2013 £	2012 £
Operating profit before interest	692,013	434,065
Current year result not distributable in year	(705,796)	(459,959)
Prior year result distributable in year	(13,822)	653,640
Loss/(Profit) on sale of syndicate participation rights	-	(9,271)
Increase in creditors	481,852	11,175
Increase in debtors	(412,333)	(226,690)
Amortisation and impairment of syndicate participation rights	10,475	8,125
Net cash inflow from operating activities	52,389	411,085

WELLES UW HOLDINGS LIMITED

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

20 Fixed Asset Investments - Company

	2013 £	2012 £
Subsidiary undertakings at cost/valuation	131,135	131,135
Less: adjustment for impairment review	-	-
Total	131,135	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 2013

22 Fund's at Lloyd's

Cash balances of £2,929 (2012: £591) detailed in note 13 and investments of £4,517,856 (2012: £4,205,196) 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 (2012: £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 Mr G Knox, a director of the company, advanced £Nil (2012 - £13,500) to the company and withdrew £13,640 (2012 - £Nil) from the company. Included within debtors at the year end is £140 (2012 - creditors £13,500) that is owed by Mr G Knox. The balance has been repaid in full since the year end.

During the year dividends of £7,500 (2012 - £50,000) were paid to Mr and Mrs G Knox.