

Company registration number (England and Wales) 7783521

BALLYLYNCH CAPITAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2012



BALLYLYNCH CAPITAL LIMITED

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BALLYLYNCH CAPITAL LIMITED

COMPANY INFORMATION

COMPANY PERSONNEL

		Appointed
Directors	Mr T H Henry	22 Sep 2011
	Mr M J Argyle	11 Nov 2011

COMPANY ADDRESSES

Registered office	3 Castlegate Grantham Lincolnshire NG31 6SF
Auditors	Humphrey & Co 7 - 9 The Avenue Eastbourne East Sussex BN21 3YA

BALLYLYNCH CAPITAL LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2012

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

Results and dividends

The loss for the period after taxation was £432,800. The directors do not recommend the payment of a final dividend.

Principal activities and review of the business

The principal activity of the group in the period under review was that of an investment group. The group is also a corporate underwriting member of Lloyd's.

The company incorporated on 22 September 2011 and commenced trading on 1 January 2012.

The financial statements incorporate the annual accounting results of the syndicates on which the group participates for the 2012 year of account. The 2012 year of account will normally close at 31 December 2014.

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 group 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 Agent 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 group 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 group.

Hedge accounting is not used by the group.

Key performance indicators

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

	2012
Capacity	£ 4,803,967
Gross premium written as a % of capacity	81.69%
Combined ratio	106.02%

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

Directors

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

Mr T H Henry

Mr M J Argyle

BALLYLYNCH CAPITAL LIMITED

DIRECTORS' REPORT (continued)

FOR THE PERIOD ENDED 31 DECEMBER 2012

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 estimates that are reasonable and prudent,
- state whether applicable 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.

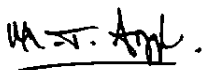
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006.

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.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's or the group'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 group's auditors are aware of that information.

Approved by the Board on 10 July 2013 and signed on its behalf by



M J Argyle
Director

BALLYLYNCH CAPITAL LIMITED

INDEPENDENT AUDITORS REPORT

TO THE SHAREHOLDERS OF BALLYLYNCH CAPITAL LIMITED

We have audited the financial statements of Ballylynch Capital Limited for the period 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 group'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 group'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 group and the group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As explained more fully in the Statement of Directors' Responsibilities 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 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 group'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 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 of the parent company's affairs as at 31 December 2012 and of the group's loss for the period 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.

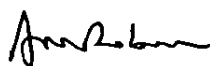
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial period 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

Humphrey & Co
7 - 9 The Avenue
Eastbourne
East Sussex
BN21 3YA

Date 12 July 2013

BALLYLYNCH CAPITAL LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT - TECHNICAL ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 2012**

	Note	£
Gross premiums written	2	3,924,283
Outward reinsurance premiums		(716,107)
Net premiums written		3,208,176
Change in the provision for unearned premiums		
Gross provision		(1,509,371)
Reinsurers' share		190,689
Net change in the provision for unearned premiums		(1,318,682)
Earned premiums net of reinsurance		1,889,494
Allocated investment income	4	12,245
Claims paid		
Gross amount		(193,840)
Reinsurers' share		22,784
Net claims paid		(171,056)
Change in provision for claims		
Gross amount		(1,449,156)
Reinsurers' share		260,416
Net change in provision for claims		(1,188,740)
Claims incurred net of reinsurance		(1,359,796)
Net operating expenses	5	(643,538)
Investment expenses and charges		(1,064)
Balance on technical account for general business		(102,659)

BALLYLYNCH CAPITAL LIMITED

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

	Note	£
Balance on the general business technical account		(102,659)
Investment income	6	591
Other income	7	6,369
Other charges		(337,101)
(Loss)/Profit on ordinary activities before taxation	8	(432,800)
Tax on (loss)/profit on ordinary activities	18	-
(Loss)/Profit for the financial year		(432,800)

All amounts above relate to continuing operations

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

BALLYLYNCH CAPITAL LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012

Company registration number (England and Wales) 7783521

ASSETS	Note	Syndicate Assets £	Corporate £	2012 Total £
Fixed assets				
Tangible assets	9	-	-	-
Intangible assets				
Intangible assets	10	-	823,408	823,408
Investments				
Financial investments	11	882,528	-	882,528
Deposits with ceding undertakings		696	-	696
Total investments		883,224	-	883,224
Reinsurers' share of technical provisions				
Provision for unearned premiums		188,256	-	188,256
Claims outstanding		50,976	-	50,976
Other technical provisions		204,166	-	204,166
Total reinsurers' share of technical provisions		443,398	-	443,398
Debtors				
Arising out of direct insurance operations	12			
Policyholders		6,989	-	6,989
Intermediaries		601,630	-	601,630
Arising out of reinsurance operations	12	10,700	-	10,700
Other debtors	13	736,309	-	736,309
Total debtors		1,355,628	-	1,355,628
Other assets				
Cash at bank	14	127,118	171,879	298,997
Other		2	-	2
Total other assets		127,120	171,879	298,999
Prepayments and accrued income				
Accrued interest		477	-	477
Deferred acquisition costs		338,821	-	338,821
Other prepayments and accrued income		10,393	-	10,393
Total prepayments and accrued income		349,691	-	349,691
Total assets		3,159,061	995,287	4,154,348

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BALLYLYNCH CAPITAL LIMITED**CONSOLIDATED BALANCE SHEET (continued)
AS AT 31 DECEMBER 2012**

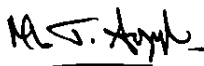
Company registration number (England and Wales) 7783521

	Note	Syndicate Liabilities £	Corporate £	2012 Total £
LIABILITIES				
Capital and reserves				
Called-up share capital	15	-	100	100
Share premium account	16	-	-	-
Revaluation reserve	16	-	-	-
Profit and loss account	16	(102,659)	(330,141)	(432,800)
Shareholder's funds attributable to equity interests	17	(102,659)	(330,041)	(432,700)
Technical provisions				
Provision for unearned premiums		1,489,905	-	1,489,905
Claims outstanding - gross amount		1,436,463	-	1,436,463
Total technical provisions		2,926,368	-	2,926,368
Provisions for other risks and charges				
Provision for taxation	18	-	-	-
Deposits received from reinsurers		-	-	-
Creditors				
Arising out of direct insurance operations		17,502	-	17,502
Arising out of reinsurance operations		227,255	-	227,255
Amounts due to credit institutions		-	-	-
Other creditors	19	72,494	1,322,328	1,394,822
Total creditors		317,251	1,322,328	1,639,579
Accruals and deferred income				
Other accruals and deferred income		18,101	3,000	21,101
Total liabilities		3,159,061	995,287	4,154,348

Approved by the Board on

10 July

2013 and signed on its behalf by

M J Argyle
Director

BALLYLYNCH CAPITAL LIMITED**COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2012**

Company registration number (England and Wales) 7783521

ASSETS	Note	Syndicate Assets £	Corporate £	2012 Total £
Fixed assets				
Tangible fixed assets	9	-	-	-
Investments				
Financial investments	11	-	1,047,210	1,047,210
Deposits with ceding undertakings		-	-	-
Total investments		-	1,047,210	1,047,210
Reinsurers' share of technical provisions				
Provision for unearned premiums		-	-	-
Claims outstanding		-	-	-
Other technical provisions		-	-	-
Total reinsurers' share of technical provisions		-	-	-
Debtors				
Arising out of direct insurance operations	12			
Policyholders		-	-	-
Intermediaries		-	-	-
Arising out of reinsurance operations	12	-	-	-
Other debtors	13	-	-	-
Total debtors		-	-	-
Other assets				
Cash at bank	14	-	138,876	138,876
Other		-	-	-
Total other assets		-	138,876	138,876
Prepayments and accrued income				
Accrued interest		-	-	-
Deferred acquisition costs		-	-	-
Other prepayments and accrued income		-	-	-
Total prepayments and accrued income		-	-	-
Total assets		-	1,186,086	1,186,086

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BALLYLYNCH CAPITAL LIMITED**COMPANY BALANCE SHEET (continued)
AS AT 31 DECEMBER 2012**

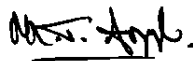
Company registration number (England and Wales) 7783521

	Note	Syndicate Liabilities £	Corporate £	2012 Total £
LIABILITIES				
Capital and reserves				
Called-up share capital	15	-	100	100
Share premium account	16	-	-	-
Revaluation reserve	16	-	-	-
Profit and loss account	16	-	(243,719)	(243,719)
Shareholder's funds attributable to equity interests	17	-	(243,619)	(243,619)
Technical provisions				
Provision for unearned premiums		-	-	-
Claims outstanding - gross amount		-	-	-
Total technical provisions		-	-	-
Provisions for other risks and charges				
Provision for taxation	18	-	-	-
Deposits received from reinsurers		-	-	-
Creditors				
Arising out of direct insurance operations		-	-	-
Arising out of reinsurance operations		-	-	-
Amounts due to credit institutions		-	-	-
Other creditors	19	-	1,426,705	1,426,705
Total creditors		-	1,426,705	1,426,705
Accruals and deferred income				
Other accruals and deferred income		-	3,000	3,000
Total liabilities		-	1,186,086	1,186,086

Approved by the Board on

10 July

2013 and signed on its behalf by

**M J Argyle**
Director

BALLYLYNCH CAPITAL LIMITED**CONSOLIDATED CASH FLOW STATEMENT****FOR THE PERIOD ENDED 31 DECEMBER 2012**

	Note	2012 £
Net cash inflow from operating activities	20	526,087
Returns on investments and servicing of finance		
Interest received		591
Interest paid		-
Dividends received		-
Dividends paid		-
Net cash inflow from returns on investments and servicing of finance		591
Taxation		
UK corporation tax paid		-
Foreign tax paid		-
Net cash inflow from taxation		-
Capital expenditure and financial investment		
Purchase of intangible assets		(1,054,184)
Proceeds from sale of syndicate participation rights		7,425
Purchase of investments		-
Proceeds from sale of investments		-
Net cash (outflow) from capital expenditure and financial investment		(1,046,759)
Net cash (outflow) before financing		(520,081)
Financing		
Funds lent to the company by the company's shareholders		691,860
Issue of share capital		100
Net cash inflow from financing		691,960
Increase in cash		171,879
Net funds at incorporation		-
Increase in cash in the year		171,879
Net funds at 31 December 2012		171,879

The group 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.

BALLYLYNCH CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - ACCOUNTING POLICIES FOR THE PERIOD 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 2005. 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 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 group'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 group's underwriting and not reflected in the group's Balance Sheet and the continued support of the Directors and Shareholders including the potential deferral of balances due to them.

Basis of consolidation

The group financial statements consolidate the financial statements of Ballylynch Capital Limited and all its subsidiary undertakings for the period ended 31 December 2012.

The consolidated financial statements are based on the financial statements of subsidiary undertakings which are coterminous with those of the parent company.

Acquisitions of companies that are consolidated are accounted for using the purchase method, by allocating their acquisition cost to the acquired identifiable assets and liabilities (including contingent liabilities) at the time of acquisition. Where the acquisition cost exceeds the net fair value of the acquired assets and liabilities, the difference is recognised as goodwill.

All expenses, income, debtors, creditors and provisions from transactions between consolidated companies are eliminated.

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.

BALLYLYNCH CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - ACCOUNTING POLICIES (continued) FOR THE PERIOD 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

BALLYLYNCH CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - ACCOUNTING POLICIES (continued) FOR THE PERIOD 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 period in other overseas currencies are expressed in Sterling at the rates ruling at the transaction date.

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 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.

1.3 Goodwill

In accordance with Financial Reporting Standard 10, goodwill arising on the acquisition of subsidiary undertakings is capitalised as an intangible asset and amortised against profit over its useful life of 5 years.

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 5 year period beginning with the respective year of Syndicate participation.

1.5 Investments

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

BALLYLYNCH CAPITAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE PERIOD 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	124,946	60,951	(31,522)	(26,887)	(2,722)
	Motor - third party liability	5,445	1,650	(626)	(624)	(9)
	Motor - other classes	287,013	137,614	(99,743)	(60,237)	(1,866)
	Marine, aviation and transport	387,241	217,787	(115,064)	(65,306)	(15,858)
	Fire and other damage to property	844,872	410,372	(307,110)	(142,803)	(50,774)
	Third party liability	516,270	254,035	(172,401)	(103,795)	(13,583)
	Credit and suretyship	61,558	30,827	(16,308)	(9,148)	(7,607)
	Other	22,082	10,832	(4,775)	(6,540)	(100)
	Total direct	2,249,427	1,124,068	(747,549)	(415,340)	(92,519)
	Reinsurance business					
	Reinsurance balance	1,674,856	1,290,844	(895,447)	(228,198)	(149,699)
	Total	3,924,283	2,414,912	(1,642,996)	(643,538)	(242,218)

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

BALLYLYNCH CAPITAL LIMITED

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

3	Geographical analysis	2012
		£
	Direct gross premiums written in	
	United Kingdom	2,175,399
	Other EU member states	5,326
	The rest of the world	68,702
	Total	2,249,427
4	Allocated investment income	2012
		£
	Investment income	11,354
	Realised gain on investments	891
	Total	12,245
5	Net operating expenses	2012
		£
	Acquisition costs	426,870
	Administrative expenses	210,898
	Loss on exchange	5,770
	Total	643,538

BALLYLYNCH CAPITAL LIMITED

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

6	Investment income	2012 £
	Income from other investments (including interest receivable)	591
	Realised gain from other investments	-
	Unrealised gain from other investments	-
	Total	591

7	Other income	2012 £
	Profit on sale of syndicate participation rights	6,369
	Other	-
	Total	6,369

8	(Loss)/Profit on ordinary activities before taxation	2012 £
	This is stated after charging	
	Auditor's remuneration - audit	1,290
	Auditor's remuneration - other	-
	Director's remuneration	-
	Employer's NIC	-
	Wages and salaries	10,220
	Amortisation of syndicate capacity	229,720
	Amortisation of goodwill	-

The group has no employees The above wages represent amounts recharged

9	Group and Company Tangible assets	Freehold Property £	Vehicles & Equipment £	Total £
	Cost			
	Additions	-	-	-
	At 31 December 2012	-	-	-
	Amortisation			
	Charge for the period	-	-	-
	At 31 December 2012	-	-	-
	Net book value			
	At 31 December 2012	-	-	-

BALLYLYNCH CAPITAL LIMITED

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

10 Group intangible assets	Syndicate Participation	Goodwill	2012 Total
	Rights £	£	£
Cost			
Additions	1,054,184	-	1,054,184
Disposals	(1,056)	-	(1,056)
At 31 December 2012	1,053,128	-	1,053,128
Amortisation			
Charge for the period	229,720	-	229,720
Impairment losses	-	-	-
Disposals	-	-	-
At 31 December 2012	229,720	-	229,720
Net book value			
At 31 December 2012	823,408	-	823,408

11 Investments: Financial investments	Syndicate	Corporate	2012 Total
	£	£	£
At market value			
Shares and other variable yield securities	189,411	-	189,411
Debt securities and other fixed income securities	664,131	-	664,131
Participation in investment pools	21,816	-	21,816
Loans guaranteed by mortgage	1,947	-	1,947
Other loans	3,123	-	3,123
Deposits with credit institutions	723	-	723
Other	1,377	-	1,377
Total	882,528	-	882,528

The corporate investments held include £Nil at market value in respect of Lloyd's deposits that are held in accordance with the constraints detailed in note 21

BALLYLYNCH CAPITAL LIMITED

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

11 Investments Financial investments (continued)

	Syndicate	Corporate	2012 Total
	£	£	£
<i>At cost</i>			
Shares and other variable yield securities	187,728	-	187,728
Debt securities and other fixed income securities	659,554	-	659,554
Participation in investment pools	25,455	-	25,455
Loans guaranteed by mortgage	1,927	-	1,927
Other loans	3,122	-	3,122
Deposits with credit institutions	723	-	723
Other	1,351	-	1,351
Total	879,860	-	879,860

The company element of financial investments at market value is £Nil. The company has the following unlisted investments

	Unlisted Investments £
Cost	
Additions	1,047,210
At 31 December 2012	1,047,210
Net book value	
At 31 December 2012	1,047,210

The Unlisted Investment is a 100% subsidiary and represents the company's share in Fidentia No 191 LLP. The LLP is an insurance underwriter through Lloyd's of London. The company's investment at the balance sheet date in the net assets of the LLP include the following

	2012 £
Net assets attributable to members	101,803
Loss for the year	(411,553)

12 Group debtors arising out of direct insurance and reinsurance operations

	Syndicate	Corporate	2012 Total
	£	£	£
The following amounts are due after one year			
Direct insurance operations	200	-	200
Reinsurance operations	7,002	-	7,002
Total	7,202	-	7,202

BALLYLYNCH CAPITAL LIMITED

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

13 Group other debtors			2012
	Syndicate	Corporate	Total
	£	£	£
Deferred tax	-	-	-
Other	736,309	-	736,309
Total	736,309	-	736,309

Corporate other debtors includes £Nil due to the group after more than one year
 Syndicate other debtors includes £187,849 due to the group after more than one year
 Company other debtors total £Nil

14 Cash at bank			2012
	Syndicate	Corporate	Total
	£	£	£
Lloyd's deposit	65,475	138,876	204,351
Cash at bank and in hand	61,643	33,003	94,646
Total	127,118	171,879	298,997

Any Lloyd's deposit is held in accordance with the constraints detailed in note 21
 Company cash at bank totals £138,876

15 Group and company share capital		2012
		£
<i>Allotted, called up and fully paid</i>		
100 Ordinary shares of £1 00		100
Nil Preference shares		-

16 Group statement of movements on reserves			
	Revaluation reserve	Share premium account	Profit and loss account
	£	£	£
Premium on shares issued during the period	-	-	-
Revaluation during the period	-	-	-
Loss during the period	-	-	(432,800)
Dividends	-	-	-
At 31 December 2012	-	-	(432,800)

BALLYLYNCH CAPITAL LIMITED

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

17 Reconciliation of movements in shareholders' funds

2012

£

Retained (loss)/profit for the group	(432,800)
Revaluation during the period	
Proceeds from the issue of shares	100
Opening shareholders' funds	-
Closing shareholders' funds	(432,700)

18 Taxation

2012

£

Analysis of charge in period

Current tax

UK Corporation Tax on profits of the period	-
Foreign tax	-
Total current tax	-

Analysis of charge in period

Deferred tax

Origination and reversal of timing differences	-
Changes in tax rates	-
Other items	-
Total deferred tax	-

Tax on (loss)/profit on ordinary activities	-
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Factors affecting tax charge for the period

The tax assessed for the period is different than the standard rate of Corporation Tax in the UK of 20.00%. The differences are explained below

(Loss)/Profit on ordinary activities before taxation	(432,800)
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(Loss)/Profit on ordinary activities before taxation multiplied by the standard rate of Corporation Tax in the UK of 20.00%	(86,560)
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Effects of

(Income)/Expenses not (taxable)/deductible	42,917
Timing differences arising from the taxation of the underwriting results	20,532
Timing differences arising from the taxation of syndicate participation movements	(641)
Tax losses carried forward	23,752
Other adjustments	-
Current tax charge for the year	-

BALLYLYNCH CAPITAL LIMITED

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

18 Taxation (continued)

Factors that may affect future tax charges

The company has trading losses of £118,762 available for carry forward against future trading profits

2012
£

Provision for deferred tax

Charge to the profit and loss account

-

Released or utilised in the period

-

At 31 December 2012

-

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 £44,284

19 Other creditors	Syndicate £	Corporate £	2012 £
Other creditors	72,494	630,468	702,962
Social security costs	-	-	-
Corporation tax	-	-	-
Shareholders' loan account	-	691,860	691,860
	72,494	1,322,328	1,394,822

Company other creditors total £1,426,705

20 Reconciliation of operating (loss)/profit before interest to net cash inflow from operating activities

2012
£

Operating (loss)/profit before interest	(433,391)
(Profit)/Loss on sale of syndicate participation rights	(6,369)
Increase in creditors	736,127
Decrease in debtors	-
Amortisation of goodwill	-
Amortisation and impairment of syndicate participation rights	229,720
Net cash inflow from operating activities	526,087

Note that the current year technical loss of £102,659, which has not been distributed in the period, is included with the increase in creditors line above

BALLYLYNCH CAPITAL LIMITED

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

21 Funds at Lloyd's

Cash balances of £138,876 detailed in note 14 and investments of £Nil detailed in note 11 are held within the company's Lloyd's deposit. These balances exclude any amounts held via the syndicates.

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 group have also made available to Lloyd's assets amounting to approximately £102,461 that are also used by the group to support its Lloyd's underwriting. These funds are also available to Lloyd's to meet the personal underwriting liabilities of the shareholders for underwriting years prior to the commencement of trading by the group.

The group's Lloyd's underwriting is also supported by a guarantee of £3,585,555 from Barclays Bank Plc.

22 Related party transactions

Transactions with the company

During the period, a net loan of £728,762 was provided to the company by Thomas Henry 2001 GST Non Exempt Grant Retained Annuity Trust. Mrs C Henry, a shareholder of the parent company is a trustee of the Trust. At the balance sheet date £728,762 is due to the Trust. During the period, a net loan of £697,943 was provided to the company by Mr T H Henry, a director. At the balance sheet date £697,943 is due to Mr T H Henry. During the period the company was charged £2,885 in relation to accountancy services by Duncan & Toplis, a partnership in which M J Argyle is a partner.

Transactions with the group

During the period, a net loan of £613,187 was provided to the group by Thomas Henry 2001 GST Non Exempt Grant Retained Annuity Trust. At the balance sheet date £613,187 is due to the Trust. During the period, a net loan of £691,860 was provided to the group by Mr T H Henry. At the balance sheet date £691,860 is due to Mr T H Henry. During the period the group was charged £2,885 in relation to accountancy services by Duncan & Toplis. During the period the group was charged £2,310 in relation to accountancy services by Fidentia Services LLP, a LLP in which M J Argyle is a member.

23 Ultimate controlling party

The ultimate controlling party is Mrs C Henry.

24 Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial period was £243,719.

25 Company statement of movements on reserves

	Revaluation reserve £	Share premium account £	Profit and loss account £
Profit/Loss during the period	-	-	(243,719)
At 31 December 2012	-	-	(243,719)

BALLYLYNCH CAPITAL LIMITED

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

26 Company reconciliation of movements in shareholders' funds

	2012 £
Retained profit for the financial period	243,719
Revaluation during the period	-
Proceeds from the issue of shares	(100)
Closing shareholders' funds	243,619

27 Acquisitions

On 31 December 2011, the company acquired a 100% share in Fidentia No 191 LLP. The acquisition has been included in the accounts under the acquisition method of accounting.

As the consideration paid was in excess of the acquired identifiable assets and liabilities at the acquisition date, the difference has been recognised as goodwill.

The following details of Fidentia No 191 LLP's pre acquisition trading results for the previous year

	2011 £
Earned premium, net of reinsurance	3,247,565
Technical account profit	(178,381)
Non-technical loss	(194,273)
Loss for the period	(372,654)

	Book value £	Fair value adjustments £	Fair value £
Syndicate participation rights	108,777	945,407	1,054,184
Investments	4,549,662	-	4,549,662
Reinsurers' share of technical provisions	1,771,123	-	1,771,123
Debtors	2,681,313	-	2,681,313
Other assets	1,256,741	-	1,256,741
Prepayments and accrued income	391,027	-	391,027
Amounts due to members classified as a liability	(865,369)	-	(865,369)
Technical provisions	(8,239,822)	-	(8,239,822)
Creditors	(1,583,256)	-	(1,583,256)
Accruals and deferred income	(70,196)	-	(70,196)
Net assets acquired	-	945,407	945,407
Goodwill	-	-	-
Consideration - cash	-	945,407	945,407

The book values of assets and liabilities taken from the financial statements of Fidentia No 191 LLP to 31 December 2011 have been deemed to equal fair value except where otherwise stated above.