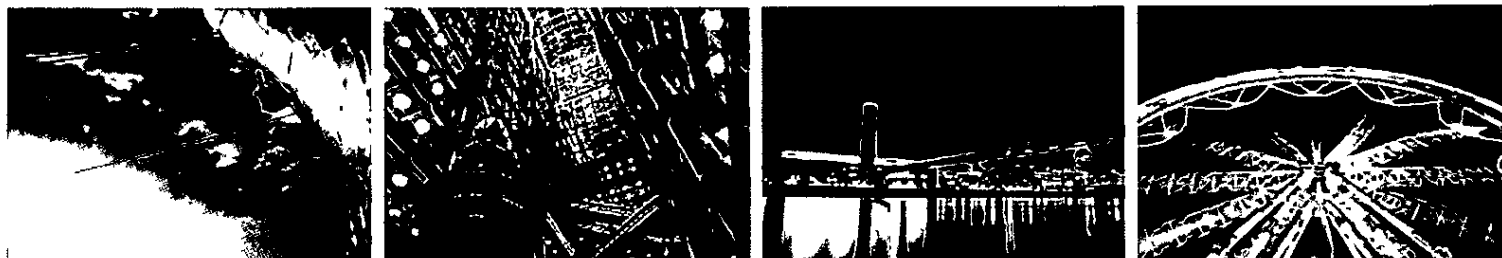




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AEGIS LONDON HOLDINGS LIMITED



Annual Report

Year Ended 31 December 2012

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COMMERCIAL ADVANTAGE. MUTUAL BENEFIT

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Financial highlights

Profit before tax £41.1m (2011: £18.0m) In the last five years we have made a profit before tax of £149.6m	Gross written premium £371.3m (2011: £329.8m) Gross written premium increased by £41.5m as a result of market conditions
Combined ratio 89.9% (2011: 94.2%)¹ The average combined ratio for the last five years is 89.7%	Investment income £25.0m (2011: £14.2m) Investment returns increased by £10.8m as yields increased from 2.63% to 4.47%

 A+(strong) from Standard & Poor's²	 A (Excellent) from A.M. Best²	 A+ (strong) from Fitch²
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Principal activity

The principal activity of AEGIS London Holdings Limited and its subsidiaries is the transaction of general insurance and reinsurance business in the United Kingdom

¹ The combined ratio relates to Syndicate 1225 only

² Current insurer financial strength ratings of Lloyd's of London

Financial report

Five year financial performance

£ million	2012	2011	2010	2009	2008
Gross written premium	371.3	329.8	286.2	297.7	245.8
Underwriting profit	29.6	15.4	27.9	25.7	25.3
Investment income	25.0	14.2	20.1	27.8	(6.6)
Profit before tax	41.1	18.0	37.9	40.7	11.9
Combined ratio ¹	89.9%	94.2%	88.4%	89.5%	86.5%

Gross written premium £371.3m (2011 £329.8m)

2012 saw an increase in gross written premium of £41.5m compared to 2011. This was as a result of a 4.8% favourable movement in premium rates and improved market conditions.

Gross premium levels also reflect the continued diversification of the underwriting portfolio.

Our business mix is as follows:

	2012	2011	2010	2009	2008
Casualty	32%	28%	26%	27%	28%
Property	68%	72%	74%	73%	72%

¹ The combined ratio relates to Syndicate 1225 only.

Investment Income £25.0m (2011: £14.2m)

Investment income increased by £10.8m during 2012. The investment portfolio produced higher realised and unrealised gains during the year of £8.5m compared to losses of £1.1m during 2011 as a result of market conditions.

The total cash and financial investments of AEGIS London Holdings Limited and its subsidiaries were £583.7m (2011: £575.3m). The split of assets by class in 2012 was broadly similar to 2011.

	2012	2011	2012	2011
	£m	£m	% of Total	% of Total
Cash	18.3	46.6	3%	8%
Overseas Deposits	68.8	66.4	12%	12%
Equity and Unit Trust	64.7	47.5	11%	8%
Fixed Income	431.9	414.8	74%	72%
	583.7	575.3		

Profit before tax: £41.1m (2011: £18.0m)

AEGIS London recorded its seventh successive year of underwriting profit, and the most profitable year to date. This result is driven by a strong investment result combined with benign loss experience.

Combined ratio: 89.9% (2011: 94.2%)

The strong combined ratio reflects the strength of AEGIS London's business model and underwriting capability. The consistency of the combined ratio over the last few years reflects that AEGIS London has consciously reduced its catastrophic risk exposure and its single risk limits. This has been achieved through selective underwriting of individual risks and refusal to write business in areas that we believe are under priced relative to their volatility.

Future developments

The Syndicate intends to transact general insurance and reinsurance business via the Lloyd's platform. Our philosophy of preserving capital in softer market conditions so that we are able to grow rapidly in stronger conditions remains. We also retain our appetite for diversification through new product lines and entrance into new geographical markets.

Consolidated profit and loss account

(for the year ended 31 December 2012)

	Notes	2012 £m	2011 £m
Technical account – general business			
Earned premium, net of reinsurance			
Gross premiums written	3	371 3	329 8
Outward reinsurance premium		(77 0)	(44 8)
Net premiums written		294 3	285 0
Change in provision for unearned premiums			
Gross amount	16	(16 6)	(21 9)
Reinsurers' share	16	9 9	6 2
Change in the net provision for unearned premiums		(6 7)	(15 7)
Earned premiums, net of reinsurance		287 6	269 3
Allocated investment return transferred from the Non-technical account		16 5	15 3
Total technical income		304 1	284 6
Claims incurred, net of reinsurance			
Gross claims paid		(187 0)	(162 6)
Reinsurers' share		29 8	20 1
Net claims paid		(157 2)	(142 5)
Change in the provision for claims			
Gross amount	16	(18 7)	(27 5)
Reinsurers' share	16	25 1	4 7
Change in the net provision for claims		6 4	(22 8)
Claims incurred, net of reinsurance		(150 8)	(165 3)
Net operating expenses	6	(107 2)	(88 6)
Total technical charges		(258 0)	(253 9)
Balance on technical account – general business		46 1	30 7

Consolidated profit and loss account

(for the year ended 31 December 2012)

	Notes	2012 £m	2011 £m
Non-technical account			
Balance on the general business technical account		46 1	30 7
Investment income	9	25 0	14 2
Allocated investment return transferred to the technical account		(16 5)	(15 3)
Other expenses		(12 7)	(9 8)
Loss on exchange		(0 8)	(1 8)
Operating profit on ordinary activities before tax		41 1	18 0
Tax charge - ordinary activities	10	(16 7)	(6 5)
Profit retained for the financial year		24 4	11 5
Retained profit brought forward		92 4	80 9
Retained profit carried forward		116 8	92 4

The profit and loss account relates entirely to continuing activities

There were no recognised gains or losses in the financial year or for the preceding financial year, other than those reported in the profit and loss account, accordingly no statement of recognised gains and losses is presented

There have been no movements in shareholders' funds other than the disclosed profit for the year and hence no separate reconciliation of movements in shareholders' funds has been stated

The notes 1 to 26 form an integral part of these financial statements

Consolidated balance sheet

(as at 31 December 2012)

	Notes	2012 £m	2011 £m
ASSETS			
Fixed assets			
Tangible fixed assets	11	<u>1 0</u>	<u>1 4</u>
		1 0	1 4
Investments			
Financial investments	15	496 6	462 3
Reinsurers' share of technical provisions			
Provision for unearned premiums	16	26 3	13 0
Claims outstanding	16	<u>117 8</u>	<u>97 0</u>
		144 1	110 0
Debtors			
Debtors arising out of direct insurance operations	13	74 9	68 5
Debtors arising out of reinsurance operations	13	8 6	10 5
Other debtors	18	9 5	1 6
Deferred tax	17	<u>3 3</u>	<u>3 3</u>
		96 3	83 9
Other assets			
Cash at bank and in hand		18 3	46 6
Overseas deposits		<u>68 8</u>	<u>66 4</u>
		87 1	113 0
Prepayments and accrued income			
Deferred acquisition costs		39 9	36 4
Other prepayments and accrued income		<u>4 6</u>	<u>3 0</u>
		44 5	39 4
TOTAL ASSETS		<u>869 6</u>	<u>810 0</u>

The notes 1 to 26 form an integral part of these financial statements

Consolidated balance sheet

as at 31 December 2012

	Notes	2012 £m	2011 £m
LIABILITIES			
Capital and reserves			
Called up share capital	21	-	-
Profit and loss account		116 8	92 4
Merger reserve	1	0 4	0 4
Shareholders' surplus attributable to equity interests		<u>117 2</u>	<u>92 8</u>
Technical provisions			
Provision for unearned premium	16	175 5	165 1
Claims outstanding	16	470 2	468 0
		<u>645 7</u>	<u>633 1</u>
Creditors amounts falling due within one year			
Creditors arising out of direct insurance operations	14	1 7	2 1
Creditors arising out of reinsurance operations	14	33 5	27 0
Accruals and deferred income		10 6	8 1
Deferred tax	17	2 0	8 9
Other creditors	19	40 8	24 8
		<u>88 6</u>	<u>70 9</u>
Creditors amounts falling due after more than one year			
	20	18 1	13 2
		<u>18 1</u>	<u>13 2</u>
TOTAL LIABILITIES		<u>869 6</u>	<u>810 0</u>

The annual accounts of AEGIS London Holdings Limited (registered number 7984021) were approved by the Board of Directors on 7 March 2013 and were signed on 15 May 2013 on its behalf by



Stuart Davies
Managing Director

The notes 1 to 26 form an integral part of these financial statements

Company balance sheet

as at 31 December 2012

	Notes	2012 £000	2011 £000
ASSETS			
Investments			
Investment in subsidiary	12	50 1	50 1
TOTAL ASSETS		<u>50 1</u>	<u>50 1</u>
LIABILITIES			
Capital and reserves			
Called up share capital	21	0 1	0 1
Profit and loss account	22	<u>(12 0)</u>	<u>-</u>
Shareholders' surplus attributable to equity interests		(11 9)	0 1
Creditors			
Other creditors		62 0	50 0
TOTAL LIABILITIES		<u>50 1</u>	<u>50 1</u>

The annual accounts of AEGIS London Holdings Limited (registered number 7984021) were approved by the Board of Directors on 7 March 2013 and were signed on 15 May 2013 on its behalf by



Stuart Davies
Managing Director

The notes 1 to 26 form an integral part of these financial statements

Notes to the accounts

(forming part of the financial statements)

1 Accounting policies

The principal activity of the Group is the transaction of general insurance and reinsurance business in the United Kingdom. The accounting policies and the risks and uncertainties are therefore derived directly from the syndicate. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's and Company's financial statements.

Basis of preparation

The financial statements are prepared in accordance with the provisions of Section 396 of the Companies Act 2006 and Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements have also been prepared in accordance with applicable accounting standards and under the historical cost convention, as modified by the revaluation of investments. The Group has adopted all material recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued in 2005 (as amended in December 2006) by the Association of British Insurers ("the ABI SORP") except that exchange gains and losses arising in respect of technical transactions have been included in the technical accounting.

A cash flow statement has not been prepared, as the Group and Company are exempt under Financial Reporting Standard 1 (Revised 1996), being a wholly owned subsidiary of a group that prepares a consolidated cash flow statement, and whose financial statements are publicly available.

Basis of consolidation

The Group combining the companies listed in note 12 was incorporated on 9 March 2012 and has been accounted for as a merger in accordance with Financial Reporting Standard 6. The results and cash flows of all combining entities have been brought into the financial statements of the combined entity from the beginning of the financial year. The carrying values of the assets and liabilities of the parties to the combination have not been adjusted to fair value on consolidation.

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. A merger reserve has been created as the difference between the nominal value of consideration given, and the nominal value of the shares received in exchange by AEGIS London Holdings Limited.

Insurance contracts premium

Gross premium written comprises premium on insurance contracts incepting during the financial year. The estimated premium income in respect of facility contracts is deemed to be written in full at the inception of the contract. Premium is disclosed before the deduction of brokerage and taxes or duties levied on them. Estimates are included for premium receivable after the period end but not yet notified, as well as adjustments made in the year to premium written in prior accounting periods.

Premium is earned over the policy contract period. Where the incidence of risk is the same throughout the contract, the earned element is calculated separately for each contract on a 365ths basis. For premium written under facilities, such as binding authorities, the earned element is calculated based on the estimated risk profile of the individual contracts involved.

The proportion of premium written, gross of commission payable, attributable to periods after the balance sheet date is deferred as a provision for unearned premium. The change in this provision is taken to the income statement in order that revenue is recognised over the period of the risk.

Acquisition costs comprise brokerage incurred on insurance contracts written during the financial year. They are incurred on the same basis as the earned proportions of the premium they relate to. Deferred acquisition costs are amortised over the period in which the related revenues are earned. Deferred acquisition costs are reviewed at the end of each reporting period and are written off where they are no longer considered to be recoverable.

Notes to the accounts *(continued)*

Reinsurance premium ceded

Reinsurance premium ceded comprises the cost of reinsurance arrangements placed and are accounted for in the same accounting period as the related insurance contracts. The provision for reinsurers' share of unearned premium represents that part of reinsurance premium written which is estimated to be earned in following financial years.

Insurance contracts liabilities: claims

Claims paid are defined as those claims transactions settled up to the balance sheet date including the internal and external claims settlement expenses allocated to those transactions. The reinsurers' share represents recoveries received from reinsurance protections in the period plus recoveries receivable against claims paid that have not been received at the balance sheet date, net of any provision for bad debt. Where applicable, deductions are made for salvage and other recoveries.

Claims reserves are estimated on an undiscounted basis. Provisions are subject to a detailed quarterly review where forecast future cash flows and existing amounts provided are reviewed and reassessed. Any changes to the amounts held are adjusted through the income statement.

Claims reserves are made for known or anticipated liabilities under insurance contracts which have not been settled up to the balance sheet date. Included within the provision is an allowance for the future costs of settling those claims. This is estimated based on past experience and current expectations of future cost levels.

The claims provision also includes, where necessary, a reserve for unexpired risks where, at the balance sheet date, the estimated costs of future claims and related deferred acquisition costs are expected to exceed the unearned premium provision. In determining the need for an unexpired risk provision the underwriting divisions within the Company have been regarded as groups of business that are managed together.

Although the claims provision is considered to be reasonable, having regard to previous claims experience (including the use of certain statistically based projections) and case by case reviews of notified losses, on the basis of information available at the date of determining the provision, the ultimate liabilities will vary as a result of subsequent information and events. These adjustments are reflected in the financial statements for the period in which the related adjustments are made.

Investments

Listed investments are stated at market value, based on a bid price, at the close of business on the balance sheet date. The cost of Group investments held at the balance sheet date is deemed to be the aggregate of the value of investments held at the balance sheet date, and the cost of any new investments acquired during the year.

In the Company balance sheet, for investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

Overseas deposits

Overseas deposits are stated at the market value ruling at the balance sheet date -

Investment return

The investment return comprises investment income, investment gains less losses, and is net of investment expenses and charges.

Realised gains or losses are calculated as the difference between the net sales proceeds and their purchase price in the financial year or their valuation at the commencement of the year. Unrealised gains and losses are calculated as the difference between the valuation of investments at the balance sheet date and their purchase price in the financial year or their valuation at the commencement of the year.

All of the investment return arising in the year is reported initially in the non-technical account. A transfer is then made from the non-technical account to the technical account.

Notes to the accounts *(continued)*

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment

Depreciation is provided by the Group to write off the cost, less the estimated residual value, of tangible fixed assets on a straight-line basis at the following rates

Fixtures, fittings and equipment	20.00% per annum
Computer equipment	33.33% per annum

Leases

Rentals payable under operating leases are taken to the profit and loss account on a straight-line basis over the lease term

Pension scheme

The Group operates a defined contribution pension scheme. Charges in respect of employers' contributions are calculated by reference to eligible employees' salaries, to their age and the level of contributions that the employee voluntarily makes to the scheme. Such costs are charged to the profit and loss account. Differences between contributions payable in the current year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currencies

The Group maintains three separate currency funds, namely Sterling, US dollars and Canadian dollars.

Income and expenditure in US dollars and Canadian dollars is translated at average rates of exchange for the year. Transactions denominated in other foreign currencies are translated using the exchange rates prevailing at the dates of the transactions. Assets and liabilities, expressed in US dollars and Canadian dollars are translated into Sterling at the rates of exchange at the balance sheet date.

Assets and liabilities expressed in other foreign currencies have been translated at the rates of exchange at the balance sheet date. Where contracts to sell currency for Sterling have been entered into prior to the year end, the contracted rates have been used.

Differences arising on translation of foreign currency amounts in the Group are included in net operating expenses.

Insurance debtors and creditors

In the normal course of business, settlement is required to be made with Lloyd's Central Accounting, the market settlement bureau, on the basis of the net balance due to or from insurance brokers in total rather than the amounts due to or from the individual parties which they represent. The legal status of this practice of net settlement is uncertain and in the event of insolvency it is generally abandoned. Accordingly, insurance debtors and creditors, as presented, comprise respectively the totals of all the Group's individual outstanding debit and credit transactions before any offset. The resultant totals give no indication of future net cash flows.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that 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 upon 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.

Going concern

After making enquiries, the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. In addition, the directors have a reasonable expectation that capital will be available to support future underwriting activities. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

Notes to the accounts *(continued)*

2 Principal risks and uncertainties

Underwriting risk

The Group accepts underwriting risk in a range of classes of business. The bias of the portfolio is towards short-tail property and accident risk but liability coverage is also underwritten.

In underwriting insurance or reinsurance policies the Group's underwriters use their skill, knowledge and data on past claims experience to evaluate the likely claims cost and therefore the premium that should be sufficient (across a portfolio of risks) to cover claims costs, expenses and to produce an acceptable profit. However, due to the nature of insurance risk there is no guarantee that the premium charged will be sufficient to cover claims costs. This shortfall may originate either from insufficient premium being calculated and charged or result from an unexpected, or unprecedented, high level of claims.

A number of controls are deployed to limit the amount of insurance exposure underwritten. Each year a business plan is prepared and agreed which is used to monitor the amount of premium income, and exposure, to be written in total and for each class of business. The business plan is subject to Lloyd's scrutiny and monitoring. Progress against this plan is monitored during the year. The Group also operates under a line guide which determines the maximum liability per policy which can be written for each class and for each underwriter. These can be exceeded in exceptional circumstances but only with the approval of senior management. The Group is also exposed to catastrophe losses which may impact many risks in a single event and again reinsurance is purchased to limit the impact of loss aggregation from such events. These reinsurance arrangements are described in the reinsurance arrangements section below.

Insurance liabilities are written through individual risk acceptances, reinsurance treaties or through facilities whereby the Group is bound by other underwriting entities. Facility arrangements delegate underwriting authority to other underwriters, or to agents acting as cover holders, that use their judgement to write risks on our behalf under clear authority levels. We have a regular process of cover holder audits performed during the year.

The insurance liabilities underwritten by the Group are reviewed on an individual risk, or contract, basis and through review of portfolio performance. All claims arising are reserved upon notification. Each quarter the entire portfolio of business is subject to a reserving process whereby levels of paid and outstanding (advised but not paid) claims are reviewed. Potential future claims are assessed with a provision for incurred but not reported (IBNR) claims being made. Whilst a disciplined exercise is carried out to provide for claims notified, it is possible that known claims could develop and exceed the reserves carried. Furthermore, there is increased uncertainty in establishing an accurate provision for IBNR claims and there is a possibility that claims may arise that in aggregate exceeds the reserve provision established.

The review of claims arising may result in underwriters adjusting pricing levels to cater for an unexpectedly higher trend of claims advice or payments. However, this may not be possible in a competitive market and underwriters may respond either by accepting business with lower expected profit margins or declining to renew policies and thus reducing income. Also, there is a portfolio of risk already underwritten which cannot be re-priced until renewal at the end of the policy period.

Reinsurance arrangements

The Group purchases proportional reinsurance to supplement line size and to reduce exposure on individual risks. The Group also purchases a number of excess of loss reinsurances to protect itself from severe frequency or size of losses. The structure of the programme and type of protection bought will vary from year to year depending on the availability and price of cover. For information on credit risk in respect of reinsurance debtors see the 'Credit Risk' section.

Notes to the accounts *(continued)*

Risk appetite

The Group has a defined event risk appetite, which determines the maximum net loss that the Group intends to limit its exposure to, from major catastrophe event scenarios

These maximum losses are expected only to be incurred in extreme events – with an occurrence probability of less than 1 in 100 years estimated for the natural peril or elemental losses. The Group also adopts risk appetite maximum net limits for a number of other non-elemental scenarios including, for example, a marine collision and an offshore rig loss

The risk appetite policy recognises that there may be circumstances in which the net event limit could be exceeded. Such circumstances include non-renewal or delay in renewal of reinsurance protection, reinsurance security failure, or regulatory and legal requirements

A detailed analysis of catastrophe exposures is carried out every quarter and measured against the event risk appetite. The following assumptions and procedures are used in the process

- The data used reflects the information supplied to the Group by insured and ceding companies. This may prove to be inaccurate or could develop during the policy period
- The exposures are modelled using a mixture of stochastic models and underwriter input to arrive at 'damage factors' – these factors are then applied to the assumed aggregate exposure to produce gross loss estimates. The damage factors may prove to be inadequate
- The reinsurance programme as purchased is applied – a provision for reinsurer counterparty failure is included but may prove to be inadequate
- Reinstatement premiums both payable and receivable are included

There is no guarantee that the assumptions and techniques deployed in calculating these event loss estimate figures are accurate. Furthermore, there could also be a modelled loss which exceeds these figures. The likelihood of such a catastrophe is considered to be remote but the most severe scenarios modelled are simulated events and these simulations could prove to be unreliable

Claims reserves

Claims reserves established can be more or less than adequate to meet eventual claims arising. The level of uncertainty varies significantly from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR. The impact on profit of a 1% variation in the total net claims reserves would be £3.5 million (2011: £3.7 million)

Large loss case reserves are determined through careful analysis of the individual claim, often with the advice of legal advisers

Property catastrophe claims such as earthquake or hurricane losses can take several months, or years, to develop as adjusters visit damaged property and agree claim valuations. Until all the claims are settled it requires an analysis of the area damaged, contracts exposed and the use of models to simulate the loss against the portfolio of exposure in order to arrive at an estimate of ultimate loss to the Group. There is uncertainty over the adequacy of information and modelling of major losses for a period of several months after a catastrophe loss. Account should also be taken of factors which may influence the size of claims such as increased inflation or a change in law

The long tail liability classes, for which a large IBNR has to be established, represent the most difficult classes to reserve because claims are notified and settled several years after the expiry of the policy concerned. This is particularly the case for US liability written on a losses occurring basis

The use of historical development data, adjusted for known changes to wordings or the claims environment, is fundamental to reserving these classes. It is used in conjunction with the advice of lawyers and third party claims adjusters on material single claims

The allocation of IBNR to the reinsurance programme is an uncertain exercise as there is limited knowledge of the size or number of future claims advised. The assumption over future reinsurance recoveries may be incorrect and unforeseen disputes could arise which would reduce recoveries made

Notes to the accounts *(continued)*

Credit risk

Credit risk is the risk that the Group becomes exposed to loss if counterparty fails to perform its contractual obligations, including failure to perform them in a timely manner. Credit risk could therefore have an impact upon the Group's ability to meet its claims as they fall due. Credit risk can also arise from underlying causes that have an impact upon the creditworthiness of all counterparties of a particular description or geographical location. The Group is exposed to credit risk in its investment portfolio and with its premium and reinsurance debtors.

As well as an actual failure of counterparty to perform its contractual obligations, the price of corporate bond holdings will be affected by investors' perception of a borrower's ability to perform these duties in a timely manner. Credit risk within the investment funds is managed through the credit research carried out by the investment managers. The Group's investment guidelines are designed to mitigate credit risk by ensuring diversification of the holdings. For each portfolio there are limits to the exposure to single issuers and to the total amount that can be held in each credit quality rating category, as determined by reference to credit rating agencies.

At 31 December 2012, total cash and investments amounted to £583.7 million, of which 85% relates to debt and other fixed income securities, loans with credit institutions, and equities. The residue of the portfolio relates to cash and overseas deposits. The portfolio remains high quality, as illustrated by the asset allocation table shown below. The credit ratings on debt securities are composite ratings based on Standard & Poor's, Moody's and Fitch.

	2012 £m	2012 %	2011 £m	2011 %
Sovereign debt	59.8	12.1%	77.0	16.7%
Government/Government agency	31.3	6.3%	23.3	5.0%
AAA/Aaa	45.0	9.1%	56.8	12.2%
AA/Aa	98.5	19.8%	86.0	18.6%
A	111.9	22.5%	73.9	16.0%
BBB	45.0	9.1%	29.2	6.3%
BB and lower	40.4	8.1%	34.1	7.4%
Equities	64.7	13.0%	32.2	7.0%
Alternative assets	-	-	49.8	10.8%
	496.6	100%	462.3	100%

The credit risk in respect of reinsurance debtors is primarily managed by review and approval of reinsurance security and exposure limits, prior to the purchase of the reinsurance contract. Guidelines are set, and monitored, that restrict the purchase of reinsurance security based on rating agency review and the Group's own ratings for each reinsurer. Provisions are made against the amounts due from certain reinsurers, depending on the age of the debt and the current rating assigned to the reinsurer.

Credit risk in respect of premium debt is overseen by the Group's Security Committee. The key controls include broker approval, annual financial review and internal rating of brokers and regular monitoring of premium settlement performance.

Valuation risk

The Group's earnings are directly affected by changes in the valuations of the investments held in the portfolios. These valuations vary according to the movements in the underlying markets. The Group's assets are marked to market at bid price. Prices are supplied by the custodians, whose pricing processes are covered by their published annual audits, and SSAE 16 reports are obtained.

Interest rate risk

Investors' expectations for interest rates will impact bond yields. The value of the Group's bond holdings is therefore subject to fluctuation as bond yields rise and fall. If the yield falls the capital value will rise, and vice versa. The sensitivity of the price of a bond is indicated by its duration. The greater the duration of a security the greater its price volatility. This risk is mitigated by continual review of our investment strategies. Overall the Group seeks to balance the potential for adverse results arising from interest rate movements against investment return.

Notes to the accounts *(continued)*

Foreign exchange risk

Policyholders' assets are held in the base currencies of Sterling, US dollars and Canadian dollars, which represent the majority of the Group's liabilities by currency. This limits underlying foreign exchange risk.

Foreign exchange exposure also arises when business is written in non-base currencies. These transactions are converted into sterling at the prevailing spot rate once the premium is received. Consequently there is exposure to currency movements between the exposure being written and the premium being converted. Payments in non-base currencies are converted back into the underlying currency at the time a claim is to be settled, therefore the Group is exposed to exchange rate risk between the claim being made and the settlement being paid.

Foreign exchange risk is mitigated by internal monitoring which includes asset and liability matching. It is not management's intention to take speculative currency positions in order to make currency gains. Overall the Group's foreign exchange risk appetite seeks to minimise the potential for adverse results arising from foreign exchange rate movements.

Liquidity risk

It is important to ensure that claims are paid as they fall due. Levels of cash are therefore managed on a daily basis. Liquid assets are also held in excess of the immediate requirements to avoid the Group having to be a forced seller of any of its assets, which may result in prices below market value being realised, especially in periods of below normal investment market activity. This practice of limiting the extent of duration divergence between the policyholders' assets and the liabilities helps to reduce the risk of a cash flow mismatch.

Liquidity in the event of a major disaster is tested regularly using internal cash flow forecasts and realistic disaster scenarios.

Regulatory risk

Regulatory risk is the risk that the Group fails to meet the regulatory requirements of the Financial Services Authority until 31 March 2013 and Prudential Regulatory Authority (PRA) thereafter and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US Situs business. AEGIS London has a Compliance Officer who monitors regulatory developments and assesses the impact on our policy.

Operational risk

Operational risk is the risk that failure of people, systems or processes leads to losses to the Group. The Company manages these risks through internal compliance monitoring and the use of detailed procedure manuals. In addition, AEGIS London has an Internal Audit department which assists the business to meet the strategic and operational objectives of the Group through the provision of independent appraisal of the adequacy and effectiveness of internal controls in operation and to provide reasonable assurance as to the adequacy of systems and procedures to enable compliance with all relevant regulatory and legal requirements.

Notes to the accounts *(continued)*

3 Segmental analysis

The directors regard the transaction of general insurance business in the United Kingdom as the only business segment

2012	Gross premiums written £m	Gross premium earned £m	Gross claims incurred £m	Gross operating expenses £m	Reinsurance balance £m
Marine, aviation and transport	72.5	69.5	(40.7)	(21.0)	(2.4)
Fire and other damage to property	126.7	117.3	(62.4)	(36.4)	(5.8)
Third party liability	54.8	45.1	(26.1)	(15.8)	(1.6)
Miscellaneous	3.0	4.2	(2.8)	(1.0)	0.0
	<u>257.0</u>	<u>236.1</u>	<u>(132.0)</u>	<u>(74.2)</u>	<u>(9.8)</u>
Reinsurance acceptances	114.3	118.6	(73.7)	(33.0)	(3.0)
Quota share agreement	-	-	-	-	0.6
	<u>371.3</u>	<u>354.7</u>	<u>(205.7)</u>	<u>(107.2)</u>	<u>(12.2)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2011	Gross premiums written £m	Gross premium earned £m	Gross claims incurred £m	Gross operating expenses £m	Reinsurance balance £m
Marine, aviation and transport	69.5	63.2	(37.0)	(19.5)	(3.2)
Fire and other damage to property	104.8	96.1	(57.7)	(29.4)	(5.1)
Third party liability	52.6	42.6	(26.5)	(14.8)	(2.7)
Miscellaneous	3.0	2.4	(2.6)	(0.8)	(0.0)
	<u>229.9</u>	<u>204.3</u>	<u>(123.8)</u>	<u>(64.5)</u>	<u>(11.0)</u>
Reinsurance acceptances	99.9	103.6	(66.3)	(24.1)	(2.8)
	<u>329.8</u>	<u>307.9</u>	<u>(190.1)</u>	<u>(88.6)</u>	<u>(13.8)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The net assets of Syndicate 1225 are managed as a whole and are not allocated to a separate business segment

Notes to the accounts *(continued)*

4 Brokerage

Gross premiums written are stated before the deduction of brokerage. Brokerage for the year was £81.3m (2011: £71.1m)

5. Profit on ordinary activities before taxation

Profit on ordinary activities is stated after charging

	2012	2011
	£	£
Auditor's remuneration		
- Audit	175,000	120,800
Non audit fees		
- Taxation services	18,500	18,500

6 Net operating expenses

	2012	2011
	£m	£m
Acquisition expenses	81.3	71.1
Change in net deferred acquisition costs	(4.9)	(5.9)
Administrative expenses	29.1	24.6
Reinsurers commissions and profit participations	(3.2)	0.0
Profit/(loss) on exchange	4.9	(1.2)
	107.2	88.6

7 Staff costs

Employees

At 31 December 2012 the Group employed 116 full time members of staff (2011: 104). The average monthly number of employees including executive directors during the year was 106 (2011: 99) analysed as follows:

	2012	2011
Administration and finance	46	45
Underwriting and reinsurance	53	47
Claims	7	7
	106	99

Staff costs (including directors' remuneration)

	2012	2011
	£m	£m
Wages and salaries	21.9	15.6
Social security costs	2.9	2.1
Other pension costs	1.4	1.1
	26.2	18.8

Included within wages and salaries above is profit-related remuneration payable to staff of £12.5 million (2011: £7.0 million)

Notes to the accounts *(continued)*

Directors' remuneration

	2012 £m	2011 £m
Emoluments	3.5	3.2
Pension contributions	0.3	0.2
Compensation for loss of office	-	0.1
	<u>3.8</u>	<u>3.5</u>
	2012 £m	2011 £m
Highest paid director's total emoluments	0.8	0.7
Number of directors to whom retirement benefits are accruing under a defined contribution pension scheme	7	7

Director's remuneration payments for the group were made by AEGIS Managing Agency Limited, a subsidiary of AEGIS London Holdings Limited. The emoluments of the executive directors in respect of services provided to AEGIS London Holdings Limited Company during the period were £nil (2011 £nil).

Defined contribution pension scheme

The Group's contributions for the year are shown above. The assets for the scheme are held separately from those of the Group's in an independently administered fund. At 31 December 2012 no contributions had been prepaid (2011 £nil).

8 Prior years' claims provision

The provision for claims at the beginning of the year as compared with net payments and provisions at the end of the year in respect of prior years' claims provision are as follows:

	2012 £m	2011 £m
Favourable movement in technical provisions	<u>20.8</u>	<u>23.0</u>

9 Investment income

	2012 £m	2011 £m
Income from investments	19.4	16.4
Unrealised investment gains / (losses)	1.1	(0.2)
Realised investment gains / (losses)	5.4	(0.9)
Investment management charges	<u>(0.9)</u>	<u>(1.1)</u>
	<u>25.0</u>	<u>14.2</u>

Notes to the accounts *(continued)*

10. Tax charge on ordinary activities

a) Analysis of the tax charge in the period

	2012 £m	2011 £m
- UK Corporation tax charge and prior year adjustments	12.8	3.8
- US taxes	8.6	0.9
- US tax prior year adjustment	2.0	(0.8)
- Other foreign tax (credits) / suffered	0.2	(0.3)
- Total current tax charge for the year	23.6	3.6
- Deferred tax (credit) /charge (Note 17)	(6.9)	3.0
Total charge for the year	16.7	6.6

b) Factors affecting the tax charge for the year

The tax charge for the year is different from the standard rate of corporation tax in the UK
The differences are explained below

	2012 £m	2011 £m
Profit on ordinary activities before tax	41.1	18.3
Profit on ordinary activities multiplied by the blended rate of corporation tax of 24.5% (2011 26.5%)	10.1	4.8
Effects of		
Overseas tax	10.6	0.3
Amounts not taxable in the current period - technical account balances	(11.7)	(8.9)
Movement in other short-term timing differences	(2.2)	(0.3)
2008 / 2007 year of account underwriting result	18.2	7.9
Foreign tax credits	0.2	(0.3)
Expenses not deductible for tax purposes	0.8	1.0
Capital allowances less than depreciation	-	0.1
Adjustments in respect of prior periods	(1.7)	(1.0)
Double taxation relief	(0.7)	-
Current tax charge for the year	23.6	3.6

c) Factors that may affect future tax charges

A 953d election has been made under United States tax legislation effectively treating AEGIS Electric & Gas International Services Limited as a US corporation for tax purposes and therefore applying a tax rate of 35%

Other companies within the Group are subject to the UK corporation tax rate of 24.5% for the year (2011 26.5%) This rate reduces to 23% from April 2013 and is expected to reduce to 21% from April 2014 and to 20% from April 2015

Notes to the accounts *(continued)*

11 Tangible fixed assets

	Fixtures, fittings and equipment £m	Computer equipment £m	Total £m
Cost			
At 1 January, 2012	2 4	2 6	5 0
Additions	-	-	-
Disposal	(0 9)	(0 4)	(1 3)
At 31 December, 2012	<u>1 5</u>	<u>2 2</u>	<u>3 7</u>
Depreciation			
At 1 January, 2012	(1 2)	(2 4)	(3 6)
Disposal amount	0 9	0 4	1 3
Charge for year	(0 3)	(0 1)	(0 4)
At 31 December, 2012	<u>(0 6)</u>	<u>(2 1)</u>	<u>(2 7)</u>
Net book value			
At 31 December, 2012	0 9	0 1	1 0
At 1 January, 2012	<u>1 2</u>	<u>0 2</u>	<u>1 4</u>

12 Investments in subsidiaries

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Investment in subsidiary	-	50 1	-	50 1

Investments in the companies in the table below were received on incorporation of AEGIS London Holdings Limited in March 2012 for £100 share capital issued. £50,000 investment in AEGIS London Services Limited was also transferred to the Company from AEGIS Managing Agency Limited in 2012.

Subsidiary undertakings relate to the following investments

	Country of incorporation	Principal activity	Holding	%
AEGIS London Services Limited	United Kingdom	Service Company	Ordinary shares	100
AEGIS Managing Agency Limited	United Kingdom	Managing agent	Ordinary shares	100
AEGIS Electric & Gas International Services Limited	United Kingdom	Corporate member	Ordinary shares	100
AEGIS Electric & Gas International Services 2 Limited	United Kingdom	Corporate member	Ordinary shares	100
AEGIS Electric & Gas International Services 3 Limited	United Kingdom	Corporate member	Ordinary shares	100
AEGIS London Services Canada (Inc)	Canada	Service Company	Ordinary shares	100
AEGIS London Adjusting (Canada) Inc	Canada	Service Company	Ordinary shares	100

Notes to the accounts *(continued)*

13. Debtors arising out of direct insurance and reinsurance operations

	2012 £m	2011 £m
Debtors arising out of direct insurance operations	74.9	68.5
Debtors arising out of reinsurance operations	8.6	10.5
	83.5	79.0

14. Creditors arising out of direct insurance and reinsurance operations

	2012 £m	2011 £m
Creditors arising out of direct insurance operations	1.7	2.1
Creditors arising out of reinsurance operations	33.5	27.0
	35.2	29.1

15. Financial investments

	At valuation 2012 £m	At valuation 2011 £m	At cost 2012 £m	At cost 2011 £m
Shares & other variable yield securities & unit trusts	64.7	47.5	64.4	48.6
Debt securities & other fixed income securities	321.2	341.4	319.9	335.8
Loans guaranteed by mortgage	110.7	73.4	109.0	72.6
	496.6	462.3	493.3	457.0

Of the above categories all shares and other variable yield security investments together with all loans guaranteed by mortgage are listed on recognised stock exchanges. Debt securities and other fixed income securities listed on recognised stock exchanges have a carrying value of £276.5m.

Notes to the accounts *(continued)*

16 Technical provisions

	Provision for unearned premium £m	Claims outstanding £m	Total £m
Gross			
At 1 January 2012	(165 1)	(468 0)	(633 1)
Movement in technical account	(16 6)	(18 7)	(35 3)
Foreign exchange movement	6 2	16 5	22 7
At 31 December 2012	<u>(175 5)</u>	<u>(470 2)</u>	<u>(645 7)</u>
Reinsurance			
At 1 January 2012	13 0	97 0	110 0
Movement in technical account	9 3	25 1	34 4
Foreign exchange movement	4 0	(4 3)	(0 3)
At 31 December 2012	<u>26 3</u>	<u>117 8</u>	<u>144 1</u>
Net			
At 31 December 2012	<u>(149 2)</u>	<u>(352 4)</u>	<u>(501 6)</u>
At 31 December 2011	<u>(152 1)</u>	<u>(371 0)</u>	<u>(523 1)</u>

The exchange rate movement reflects the difference between the technical account movement, which is at average rates of exchange for the year and the opening provision, which is at closing rates of exchange

17. Deferred tax asset

Unrecognised deferred tax	Underwriting results £m	Other timing differences £m	Total £m
At 1 January 2012	(13 0)	0 2	(12 8)
Prior year adjustment to deferred tax	0 9	-	0 9
Reduction in opening deferred tax liability due to change in corporation tax rate	1 0	-	1 0
Current year deferred tax movement	<u>5 2</u>	<u>(2 0)</u>	<u>3 2</u>
At 31 December 2012	<u>(5 9)</u>	<u>(1 8)</u>	<u>(7 7)</u>
Offset of UK deferred tax following election to tax as a US corporation	<u>5 9</u>	<u>1 8</u>	<u>7 7</u>
Deferred tax balance in balance sheet as at 31 December 2012	<u>0 0</u>	<u>0 0</u>	<u>0 0</u>

A UK deferred tax liability has not been recognised in AISL, as the crystallisation of the UK liability will give rise to foreign tax credits which are considered to be utilisable against AISL's US taxes arising from future profits subject to US tax. A deferred US tax liability and deferred tax asset in respect of US capital losses carried forward are therefore recognised in AISL (and on consolidation below) at the prevailing rate of 35%. A UK deferred tax asset recognised in AMAL's accounts is also included for consolidation purposes. This is recognised at 23% as at 31 December 2012, being the rate substantively enacted at the Balance Sheet date.

Notes to the accounts *(continued)*

Recognised deferred tax	US deferred earnings £m	Capital losses £m	Total deferred tax liability £m	Deferred tax asset - AMAL £m	Total £m
At 1 January 2012	(11 0)	2 1	(8 9)	3 3	(5 6)
Prior year adjustment to deferred tax	0 3	0 1	0 4	(0 5)	(0 1)
Current year deferred tax movement	7 8	(1 3)	6 5	0 8	7 3
Tax rate change	-	-	-	(0 3)	(0 3)
At 31 December 2012	<u>(2 9)</u>	<u>0 9</u>	<u>(2 0)</u>	<u>3 3</u>	<u>1 3</u>

Total deferred tax credit / (charge) 2012 **6 9**

Total deferred tax credit / (charge) 2011 (3 0)

18. Other debtors

	2012 £m	2011 £m
Amounts due from reinsurance profit participations	0 6	-
Corporation tax asset	4 2	-
Other debtors	<u>4 7</u>	<u>1 6</u>
	<u>9 5</u>	<u>1 6</u>

19. Other creditors amounts falling due within one year

	2012 £m	2011 £m
Amount due to AEGIS Holding Inc	19 7	20 8
Corporation tax liability	20 7	3 1
Other taxes and social security costs	<u>0 4</u>	<u>0 4</u>
	<u>40 8</u>	<u>24 8</u>

20 Creditors. amounts falling due after more than one year

	2012 £m	2011 £m
Accruals and deferred income	16 1	11 2
Subordinated loan provided by the ultimate parent and controlling entity	<u>2 0</u>	<u>2 0</u>
	<u>18 1</u>	<u>13 2</u>

21. Share capital

	2012 £	2011 £
Allotted, called up and fully paid – 100 £ 1 Ordinary shares	<u>100</u>	<u>100</u>

The share capital of the company was allotted during 2012

Notes to the accounts *(continued)*

22 Reconciliation of movements in Group and Company shareholders' funds

	Group 2012 £m	Company 2012 £m	Group 2011 £m	Company 2011 £m
Profit for the financial year	24.4	-	11.5	-
Opening shareholders' funds as previously stated	92.4	-	80.9	-
Closing shareholders' funds	<u>116.8</u>	<u>-</u>	<u>92.4</u>	<u>-</u>

Loss attributable to the Company in 2012 was £12,000

23 Capital and operating lease commitments

There were no capital commitments at 31 December 2012

	2012 £m	2012 £m	2012 £m	2011 £m
	Plant & machinery	Other leases	Total	Total
Total operating lease commitments	0.1	3.0	3.1	3.4
Less amounts due in more than one year	(0.1)	(2.6)	(2.7)	(3.0)
Operating lease commitment payable in the next year	<u>-</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>

24 Commitments

There were no capital or lease commitments at 31 December 2012 (2011: £nil). The assets of the Group are subject to restrictions on use or transfer as follows:

a) Assets of the 2010, 2011 and 2012 years of account of Syndicate 1225 as at 31 December 2012 amounting to £367.1m (as at 31 December 2011 in respect of the 2009, 2010 and 2011 years of account £447.0m) are held subject to the Lloyd's Premium Trust Deeds. Profits cannot be fully released from the Premium Trust Fund to the Company until the close of the 2010, 2011 and 2012 underwriting years of account.

b) The Group's parent has provided funds at Lloyd's ("FAL") of \$176m (2011: \$176m) to support the future underwriting of the Company by means of a Letter of Credit in favour of the Corporation of Lloyd's.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on FSA (PRA from 1 April 2013) requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten.

Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

25. Related party transactions

The Group has taken advantage of the exemption allowed by Financial Reporting Standard 8 not to disclose related party transactions with its parent undertaking and fellow subsidiary undertakings. No contract existed at any time during the period in which a director or key manager was materially interested or which required disclosure as a related party transaction as defined under Financial Reporting Standard 8.

26 Ultimate parent company

The Company's immediate parent is AEGIS Holding Inc, incorporated in the USA and the ultimate parent and controlling party is Associated Electric & Gas Insurance Services Limited (AEGIS), incorporated in Bermuda. AEGIS is the largest group of undertakings for which group accounts are prepared. A copy of the group accounts may be obtained from 1 Meadowlands Plaza, East Rutherford, NJ 07073.

Directors' report

The directors of AEGIS London Holdings Limited present their report and audited financial statements for the year ended 31 December 2012

Directors

The directors who held office during the year were as follows (all appointed 1 June 2012)

C D Forbes
A J Maguire
W von Schack
S R Davies

Principal activity, review of business and future developments

AEGIS London Holdings Limited combining the companies listed in note 12 was incorporated on 9 March 2012. The principal activity of the Group is the transaction of general insurance and reinsurance business in the United Kingdom. A financial review is given in the 'Financial Report' section, pages 4 to 5.

Proposed dividend and transfer to reserves

There is no dividend proposed for the year ended 31 December 2012 (2011: £nil).

Going concern

Details regarding the going concern can be found in the Notes to the accounts. The Board has satisfied itself that the Group has adequate resources to continue in operation for the foreseeable future.

Use of financial instruments

In relation to the use of financial instruments, the financial risk management objectives and policies of the Group as well as the exposure of the Group to risk are discussed in note 2 of these accounts.

Principal risks and uncertainties

A review of the principal risks and uncertainties facing the business is given in note 2 of these accounts. The Group has considerable financial resources to meet its financial needs and manages a mature portfolio of insurance risk through an experienced and stable team. The directors believe that the Group is well positioned to manage its business risks successfully in the current economic environment.

Auditor

Each of the persons being a director at the date of approval of this report confirms that

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- The director has taken all the steps that he or she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

Deloitte LLP has indicated its willingness to be appointed for another term and appropriate arrangements have been put in place for them to be appointed as auditors.

Directors' report *(continued)*

Approved by the Board of Directors on 7 March 2013 and signed on 15 May 2013 on its behalf by

A handwritten signature in black ink, consisting of a stylized 'S' followed by a horizontal line.

Stuart Davies
Managing Director

Director's responsibilities statement

The directors are responsible for preparing the Annual 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 judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Member of AEGIS London Holdings Limited

We have audited the financial statements of AEGIS London Holdings Limited for the year ended 31 December 2012 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet and the related notes 1 to 26. 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 an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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 Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2012 and of the Group's 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.

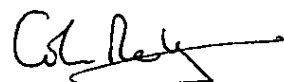
Opinion on other matter prescribed by the Companies Act 2006

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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company 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.



Colin Rawlings FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP on 15 May 2013
Chartered Accountants and Statutory Auditor
London, United Kingdom

Directors and administration

The directors of AEGIS London Holdings Limited at 31 December 2012 were

A J Maguire	<i>Non-executive Chairman</i>	Appointed	01 06 12
C D Forbes	<i>Non-executive</i>	Appointed	01 06 12
W Von Schack	<i>Non-executive</i>	Appointed	01 06 12
S R Davies	<i>Managing Director</i>	Appointed	01 06 12

Company Secretary Hayley Connell

Registered Office 33 Gracechurch Street, London, EC3V 0BT

Registered Number 7984021