



# LONDON SPECIAL RISKS LIMITED

Lloyd's Broker  
Annual Report 2009

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# AUDITED REPORTS AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009

**DIRECTORS:**

D A Edwards  
R W Brown  
S W Ardolino

**SECRETARY:**

R W Brown

**REGISTERED NUMBER:**

1264149

**REGISTERED OFFICE:**

Minster House  
42 Mincing Lane  
London  
EC3R 7AE

**AUDITORS:**

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

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# DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2009.

## REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company continues to trade as a Lloyd's broker specialising in Marine business. The level of business and the year-end financial position were satisfactory and the Directors expect that the level of activity of Marine business will remain at a similar level in the following year.

The Company's Sterling income in 2009 increased by 4.0% over 2008 levels. Trading expenses reduced by 8.4% against 2008. Pre tax profit increased by 2.6%.

A dividend was declared and paid to LSR Holdings. Balance Sheet Net Assets strengthened to £1,038k.

The Company has budgeted for an average Dollar rate weaker against Sterling than in 2009, which will adversely affect Sterling Income. Sterling income is expected to fall by 7.8% in the current economic climate and pre tax profit is expected to be at broadly the same level as 2009.

The Company is a wholly owned subsidiary of LSR Holdings Limited, a company incorporated and registered in England.

## REGULATION OF THE BUSINESS

The Company is regulated by the Financial Services Authority (FSA). The Company's FSA Firm Reference Number is 312125.

The Company's registered number is 1264149.

## DIRECTORS' RESPONSIBILITIES

Company law requires directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the

company and of the profit or loss of the company for that period. In preparing these financial statements, directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors are responsible for maintaining 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. 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.

## DIRECTORS

The Directors set out below have held office during the whole of the period from 1 January 2009 to the date of this report, unless otherwise stated.

D A Edwards  
R W Brown  
S W Ardolino

## FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks. The majority of the company's income is earned in foreign currency, principally US dollars, and hence the business is exposed to

currency risk arising from fluctuations in exchange rates. The risk is monitored and where appropriate the company enters into forward exchange contracts and options to mitigate such risks.

Little use is made of financial instruments other than operational bank accounts and managed funds. Hence the exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of assets, liabilities, financial position and profits of the company.

#### **DONATIONS**

During the year, the Company made payments of £19,222 for charitable purposes (2008: £17,601).

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

The directors of the company have, individually, considered their responsibilities to provide information to the company's auditors and in so far as each of them are aware there is no relevant audit information of which the company's auditors are unaware and each director has taken steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

#### **AUDITORS**

Mazars LLP have signified their willingness to continue in office and a resolution proposing their re-appointment will be put to the forthcoming Annual General Meeting.

Approved by the Board on 7 June 2010 and signed on its behalf by:

R W BROWN, SECRETARY  
Minster House  
42 Mincing Lane  
London  
EC3R 7AE

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# INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF LONDON SPECIAL RISKS LIMITED

We have audited the financial statements of London Special Risks Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes. 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).

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 and 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit 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 (APB's) Ethical Standards for Auditors. This report, including our opinion, has been prepared for and only for the company's member 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 member those matters we are required to state to the company's member 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 member for our audit work, for this report, or for the opinions we have formed.

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

## OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## OPINION ON THE OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our 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.

R C Tidbury (Senior statutory auditor)  
for and on behalf of Mazars LLP,  
Chartered Accountants (Statutory auditor)

Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

7 June 2010

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# ACCOUNTS

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £	2008 £
<b>Turnover</b>			
Continuing operations	2	3,988,068	3,835,965
Other operating (expense)/income	3	(175,200)	280,851
Trading expenses	4 to 6	(3,463,451)	(3,779,738)
<b>Operating profit</b>			
Continuing operations		349,417	337,078
Interest payable and similar charges	7	(6,009)	(2,354)
<b>Profit on ordinary activities before taxation</b>			
Taxation on profit on ordinary activities	8	(92,418)	(170,985)
<b>Profit on ordinary activities after taxation retained</b>			
	17	250,990	163,739

The Company has no recognised gains or losses other than the profit for the year, which is calculated on the historical cost basis.

## BALANCE SHEET AS AT 31 DECEMBER 2009

	Notes	2009 £	2008 £
<b>Fixed assets</b>			
Tangible assets	10	205,154	178,930
<b>Current assets</b>			
Debtors	11	32,572,803	39,197,675
Cash at bank		3,526,296	4,744,844
		<u>36,099,099</u>	<u>43,942,519</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>35,092,856</u>	<u>43,161,461</u>
<b>Net current assets</b>		<u>1,006,243</u>	<u>781,058</u>
<b>Total assets less current liabilities</b>		1,211,397	959,988
<b>Creditors: amounts falling due after more than one year</b>	13	93,388	47,803
<b>Provisions for liabilities and charges</b>	14	<u>80,000</u>	<u>80,000</u>
<b>Net assets</b>		<u>1,038,009</u>	<u>832,185</u>
<b>Capital and reserves</b>			
Called up share capital	15	592,693	592,693
Share premium	16	21,125	21,125
Profit and loss account		<u>424,191</u>	<u>218,367</u>
<b>Equity shareholder's funds</b>	17	<u>1,038,009</u>	<u>832,185</u>

Approved by the Board on 7 June 2010 and signed on its behalf by:  
D A Edwards, Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 £	2009 £	2008 £	2008 £
<b>Net cash (outflow)/inflow from operating activities (Note 18)</b>		(1,048,441)		459,761
<b>Returns on investments and servicing of finance</b>				
Interest received	21,756		152,844	
Interest paid	(6,009)		(2,354)	
<b>Net cash inflow from returns on investments and servicing of finance</b>		15,747		150,490
<b>Taxation</b>				
UK corporation tax paid	(94,065)		(192,787)	
<b>Tax paid</b>		(94,065)		(192,787)
<b>Capital expenditure</b>				
Payments to acquire tangible fixed assets	(37,874)		(94,979)	
Sale of tangible fixed assets	36,000		-	
<b>Net cash (outflow) from capital expenditure</b>		(1,874)		(94,979)
<b>Net cash (outflow)/ inflow before dividends and financing</b>		(1,128,633)		322,485
<b>Equity dividend paid</b>		(45,166)		(50,279)
<b>Financing</b>				
Capital element of finance lease rentals	(44,749)		(4,221)	
<b>Net cash (outflow) from financing</b>		(44,749)		(4,221)
<b>(Decrease)/increase in cash (Note 20)</b>		(1,218,548)		267,985

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

## 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards.

### a) Accounting convention

The financial statements are prepared under the historical cost convention.

### b) Revenue recognition

The company recognises revenue in accordance with Amendment to Financial Reporting Standard 5, 'Reporting the substance of transactions' ("FRS 5 Application Note G"). The effect of FRS 5 Application Note G is to recognise revenue on fixed or minimum premium instalments at the point when placement services are substantially completed. Where contractual obligations exist for the performance of post placement activities a relevant proportion of revenue received on placement is deferred and recognised over the period during which these activities are performed.

### c) Turnover

The company generates revenue principally from brokerage, commissions and fees associated with placing insurance contracts and programmes.

Revenues from brokerage, commissions and fees relating to fixed or minimum premiums on insurance contracts and programmes placed are recognised at the point at which placement services are substantially complete. Revenues from brokerage, commissions and fees on adjustments to minimum premiums, binding authorities and treaties are recognised on a periodic basis when consideration due is confirmed by third parties.

Where contractual obligations exist for the performance of post placement activities a relevant proportion of revenue received on placement is deferred and recognised over the period during which these activities are performed.

### d) Expenses

Expenses are charged to the profit and loss account as incurred.

### e) Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets on a straight-line basis over their estimated useful lives.

### f) Deferred taxation

Deferred tax is provided in respect of the tax effect of all timing differences at the rates of tax expected to apply when the timing differences reverse. Deferred tax assets are only recognised to the extent that they are regarded to be recoverable.

### g) Foreign currencies

Assets, liabilities, revenue and costs expressed in foreign currencies are translated into sterling at rates of exchange ruling on the date on which transactions occur, except for:

- i) monetary assets and liabilities, which are translated at the rate ruling at the balance sheet date, other than those in ii) below; and
- ii) transactions covered by forward and other contracts which are translated at those contractual rates.

Differences arising on the translation of such items are dealt with in the profit and loss account.

### h) Insurance broking assets and liabilities

The Company acts as an agent in broking the insurable risks of clients and, generally speaking, is not liable as a principal for premiums due to underwriters or for claims payable to clients. Notwithstanding the legal relationship with clients and underwriters, the Company has followed generally accepted accounting practice for insurance intermediaries by showing debtors, creditors and cash balances relating to insurance business as assets and liabilities of the Company itself. This recognises that the Company is entitled to retain the investment income on any cash flows arising from these transactions.

In the ordinary course of insurance broking business, settlement is required to be made with certain market settlement bureau, insurance intermediaries or insurance companies on the basis of the net balance due to or from them rather than the amount due to or from the individual third-parties which it represents.

However, under Financial Reporting Standard 5 ("FRS5"), assets and liabilities may not be offset unless net settlement is legally enforceable and, therefore, insurance debtors and creditors are shown gross within these financial statements.

#### i) Finance leases

Assets held under finance leases and the related lease obligations are included at the fair value of the leased assets at the inception of the lease. Depreciation on leased assets is calculated to write off this amount on a straight-line basis over the shorter of the lease term and the useful life of the asset.

Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable so that the

charge for each accounting period is calculated on a straight-line basis.

#### j) Operating leases

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

#### k) Pension costs

Contributions payable to the Company's pension schemes are charged in the profit and loss account in the period to which they relate.

## 2. TURNOVER AND SEGMENTAL INFORMATION

Turnover and profit before taxation are attributable to the principal activity of Lloyd's insurance broking. Turnover relates to marine, liability and excess of loss business and emanates from:

	2009 £	2008 £
North America	112,859	91,432
Europe and Middle East	2,927,556	2,839,648
Far East and Australia	898,235	804,808
Latin America	49,418	100,077
	<u>3,988,068</u>	<u>3,835,965</u>

## 3. OTHER OPERATING (EXPENSE)/INCOME

Interest receivable	21,756	152,844
Exchange gains	(196,956)	128,007
	<u>(175,200)</u>	<u>280,851</u>

## 4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging:

Staff costs (Notes 5 and 6)	2,362,865	2,575,381
Depreciation of owned tangible fixed assets	48,845	54,512
Depreciation of assets held under financial leases	26,023	8,510
Interest element of finance leases	6,009	1,953
Hire of equipment – operating leases	32,831	34,704
Hire of other assets – operating leases: land & buildings	82,086	82,086
Auditors' remuneration – audit fees	33,800	32,500
Loss on the sale of fixed assets	3,008	-
	<u>3,008</u>	<u>-</u>

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
<b>5. STAFF COSTS</b>		
The information in (a) and (b) includes directors (Note 6)		
<b>(a) Staff costs</b>		
Wages and salaries	1,965,083	2,009,805
Social security costs	233,584	249,029
Other pension costs	164,198	316,547
	<u>2,362,865</u>	<u>2,575,381</u>

**(b) The average number of persons employed by the Company during the year was as follows:**

	<b>No.</b>	<b>No.</b>
Management	3	3
Broking and technical	25	24
Administration	10	10
Total Employees	<u>38</u>	<u>37</u>
	<b>£</b>	<b>£</b>

## **6. DIRECTORS**

Emoluments	475,249	474,364
Company contributions to money purchase pension schemes	100,781	249,017
	<u>576,030</u>	<u>723,381</u>

At the year end, three directors were accruing pension benefits under money purchase schemes.

The above details include the following amounts in respect of the highest paid director:

Emoluments	199,267	209,620
Company contributions to money purchase pension schemes	60,000	210,000

## **7. INTEREST PAYABLE AND SIMILAR CHARGES**

Bank loans, overdrafts and other loans wholly repayable within five years	<u>6,009</u>	<u>2,354</u>
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	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
<b>8. TAXATION</b>		
<b>(a) Analysis of charge in the period</b>		
UK Corporation Tax at 28% (2008: 28.5%)	92,418	170,985
	<u>92,418</u>	<u>170,985</u>
<b>(b) Factors affecting tax charge in the period</b>		
The tax assessed in the period is lower than the applicable rate of corporation tax in the UK (28%). The differences are explained below:		
Profit on ordinary activities before tax	343,408	334,724
Tax on profit on ordinary activities at applicable rate of corporation tax in the UK of 28% (2008: 28.5%)	96,154	95,396
<b>Effects of:</b>		
Expenses not deductible for tax purposes	16,505	17,890
Depreciation in excess of capital allowances	618	1,246
Rate differences	(15,453)	(15,062)
Adjustments to tax charge in respect of previous periods	(5,406)	71,515
Current tax charge for period (see (a) above)	<u>92,418</u>	<u>170,985</u>
<b>9. DIVIDEND</b>		
A dividend of 7.6 pence (2008: 8.5) per share was paid during the year	<u>45,166</u>	<u>50,279</u>

## 10. TANGIBLE FIXED ASSETS

	Short Leasehold Improvements £	Computer £	Furniture and Equipment £	Motor Cars £	Total £
<b>Cost</b>					
At 1 January 2009	128,283	186,392	84,284	171,944	570,903
Additions	-	14,613	3,261	122,225	140,099
Disposals	-	-	-	(44,995)	(44,995)
At 31 December 2009	128,283	201,005	87,545	249,174	666,007
<b>Accumulated Depreciation</b>					
At 1 January 2009	127,482	164,989	67,625	31,877	391,973
Charge for the period	801	13,331	5,280	55,455	74,867
Eliminated on disposals	-	-	-	(5,987)	(5,987)
At 31 December 2009	128,283	178,320	72,905	81,345	460,853
<b>Net Book Values</b>					
At 31 December 2009	-	22,685	14,640	167,829	205,154
At 31 December 2008	801	21,403	16,659	140,067	178,930
Depreciation rates	Over the un-expired term of the lease	33%	25%	25% - 33%	

£110,349 (December 2008: £53,155) of the net book value of motor cars is in respect of assets held under finance leases.

	2009 £	2008 £
<b>11. DEBTORS</b>		
Insurance debtors	32,147,299	38,858,396
Amounts owed by group undertakings	118,147	118,147
Other debtors	206,632	178,097
Prepayments and accrued income	100,725	43,035
	<u>32,572,803</u>	<u>39,197,675</u>

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
<b>12. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
Obligations under finance leases	19,774	7,885
Insurance creditors	34,025,576	41,919,793
Corporation tax	97,824	99,471
Other taxation and social security costs	82,825	70,364
Accruals and deferred income	866,857	1,063,949
	<u>35,092,856</u>	<u>43,161,461</u>
<b>13. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>		
Obligations under finance leases payable within two to five years	<u>93,388</u>	<u>47,803</u>
<b>14. PROVISIONS FOR LIABILITIES AND CHARGES</b>		
		<b>Dilapidations provision</b>
		<b>£</b>
At 1 January 2009		80,000
Charge for the year		-
A 31 December 2009		<u>80,000</u>
	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
<b>15. SHARE CAPITAL</b>		
(a) Authorised		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
(b) Allotted, called up and fully paid		
592,693 ordinary shares of £1 each	<u>592,693</u>	<u>592,693</u>
<b>16. SHARE PREMIUM</b>		
Premium arising on the issue of ordinary shares of £1 each at 1 January and 31 December	<u>21,125</u>	<u>21,125</u>

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
<b>17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS</b>		
Profit for the year	250,990	163,739
Dividends paid	(45,166)	(50,279)
Net addition to shareholder's funds	205,824	113,460
Opening shareholder's funds at 1 January	832,185	718,725
Closing shareholder's funds at 31 December	1,038,009	832,185

**18. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

Operating profit	349,417	337,078
Depreciation charges	74,867	63,023
Decrease/(Increase) in debtors	6,624,872	(13,461,890)
(Decrease)/Increase in creditors	(8,078,849)	13,674,394
Interest receivable	(21,756)	(152,844)
Loss on disposal of fixed assets	3,008	-
Net cash (outflow)/inflow from operating activities	(1,048,441)	459,761

**19. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

(Decrease)/increase in cash in the year	(1,218,548)	267,985
Cash outflow from reduction in lease financing	44,749	4,221
New finance leases	(102,225)	(59,907)
Change in net debt	(1,276,024)	212,299
Net funds at 1 January	4,689,158	4,476,859
Net funds at 31 December	3,413,134	4,689,158

**20. ANALYSIS OF CHANGES IN NET DEBT**

	<b>At 1</b>	<b>Cash</b>	<b>Other</b>	<b>At 31</b>
	<b>Jan 2009</b>	<b>flows</b>	<b>changes</b>	<b>Dec 2009</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash in hand, at bank	4,744,844	(1,218,548)	-	3,526,296
Finance leases	(55,686)	44,749	(102,225)	(113,162)
	4,689,158	(1,173,799)	(102,225)	3,413,134

## 21. PENSION COMMITMENTS

The Company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £164,198 (year ended 31 December 2008: £316,547). At 31 December 2009 and 2008 all amounts due to the pension funds had been paid.

The Company made £14,948 additional pension contributions in 2009 in respect of one of its Directors (year ended 31 December 2008: £164,100).

## 22. COMMITMENTS

### a) Operating leases

At 31 December 2009, the company was committed to making the following payments under non-cancellable operating leases in the year ending 31 December 2010:

	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>Land and</b>	<b>Other</b>	<b>Land and</b>	<b>Other</b>
	<b>Buildings</b>		<b>Buildings</b>	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Operating leases which expire:				
Within 1 year	-	5,407	-	10,459
Within 2 to 5 years	104,000	23,436	-	23,436
Over 5 years	-	-	102,608	-
	<hr/>	<hr/>	<hr/>	<hr/>
	104,000	29,140	102,608	33,895

### b) Foreign Exchange Contracts

At 31st December 2009 there were no forward currency contracts or options in place (2008: between US\$3,000,000 and US\$4,800,000 depending on monthly Dollar to Sterling exchange rates in that year).

## 23. CONTROLLING PARTIES

The ultimate parent company is LSR Marine Limited. The immediate parent company is LSR Holdings Limited.

D. A. Edwards, director, controls the company by virtue of his shareholding in LSR Marine Limited.



**London Special Risks Ltd**  
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