

FLIGHT INVESTMENTS (UK) LIMITED
(Company Registration Number 03959567)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

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FLIGHT INVESTMENTS (UK) LIMITED

DIRECTORS

R J Osborne
D R Lander

COMPANY SECRETARY

D R Lander

REGISTERED OFFICE

7-9 The Avenue
Eastbourne
East Sussex
BN21 3YA

AUDITORS

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

FLIGHT INVESTMENTS (UK) LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report together with the audited financial statements for the year ended 31 March 2013

ACTIVITIES AND BUSINESS REVIEW

The company's principal activity is to participate in underwriting at Lloyd's on a limited liability basis through its wholly owned subsidiary companies. The company also has a 50% investment in two associated companies whose principal activities are the manufacture of plastic sheet extrusion products and property investment.

The group financial statements incorporate the annual accounting results of the syndicates on which the group's subsidiary companies participate for the 2010, 2011 and 2012 years of account, as well as any 2009 and prior run-off years. The 2010 year closed at 31 December 2012 with a result of £4,456 (2009 - £376,520). The 2011 and 2012 open underwriting accounts will normally close at 31 December 2013 and 2014. The group financial statements also incorporate its share of profits from its associated companies.

RESULTS AND DIVIDENDS

The consolidated profit for the year after taxation was £241,319 (2012 – loss £163,024). The directors do not recommend the payment of a dividend.

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 agents to implement appropriate policies, procedures and internal controls to manage each Syndicate's exposures to insurance risk, credit risk, market risk, liquidity risk, and operational risk. The 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 company. 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. The amounts and ratios below represent the combined totals and results for group underwriting subsidiaries.

	2013	2012
Capacity (youngest underwriting year)	£3,089,013	£3,058,012
Gross premium written as a % of capacity	99.1%	89.3%
Underwriting profit of latest closed year		
as a % of capacity	-0.1%	17.4%
Run-off years of account movement	£-	£(2,960)
Combined ratio	91.7%	105.3%

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

DIRECTORS

The directors who held office during the year were as follows:

R J Osborne
D R Lander

**FLIGHT INVESTMENTS (UK) LIMITED
REPORT OF THE DIRECTORS (CONTINUED)**

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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume 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.

AUDITORS

Messrs Humphrey & Co have signified their willingness to act and continue to be appointed as the company's auditors.

In the case of each of the persons who are Directors at the time this report is approved the following applies:

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

Approved by the board on

12/12/

2013 and signed on its behalf by


D R Lander
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FLIGHT INVESTMENTS UK LIMITED

We have audited the group and parent company financial statements of Flight Investments UK Limited on pages 5 to 25 for the year ended 31 March 2013. 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 audit 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 Auditors

As explained more fully in the Directors' Responsibilities Statement (set out on page 2), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the group's and the parent company's affairs as at 31 March 2013 and of the group's profit for the year then ended,
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
FLIGHT INVESTMENTS UK LIMITED (CONTINUED)**

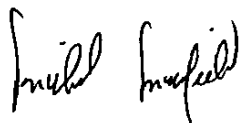
Opinion on other matter prescribed by the Companies Act 2006

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



Michael Macefield (Senior Statutory Auditor)
for and on behalf of Humphrey & Co
Chartered Accountants
Statutory Auditor
7-9 The Avenue
Eastbourne
East Sussex
BN21 3YA

Date 20/12/13

FLIGHT INVESTMENTS (UK) LIMITED
CONSOLIDATED UNDERWRITING ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2013

		Year ended 31/03/13		Year ended 31/03/12	
	Notes	£	£	£	£
Premiums Written					
Gross premiums written	1	3,063,548		2,841,063	
Outward reinsurance premiums	1	<u>(548,335)</u>		<u>(505,907)</u>	
Net premiums written			2,515,213		2,335,156
Change in provision for unearned premiums					
Gross provision	1	(100,099)		(200,860)	
Reinsurers' share	1	<u>9,502</u>		<u>5,471</u>	
			<u>(90,597)</u>		<u>(195,389)</u>
Earned premiums, net of reinsurance			2,424,616		2,139,767
Allocated investment return transferred from the non-technical account			75,495		50,074
Other technical income, net of reinsurance			-		-
Claims paid					
Gross amount	1	(1,429,847)		(1,312,626)	
Reinsurers' share	1	<u>280,667</u>		<u>231,087</u>	
Net claims paid		<u>(1,149,180)</u>		<u>(1,081,539)</u>	
Change in provision for claims					
Gross amount	1	(245,827)		(593,489)	
Reinsurers' share	1	<u>53,363</u>		<u>211,142</u>	
Change in net provision for claims		<u>(192,464)</u>		<u>(382,347)</u>	
Claims incurred, net of reinsurance			(1,341,644)		(1,463,886)
Net Operating expenses	2		<u>(882,646)</u>		<u>(790,277)</u>
Balance on Consolidated Underwriting Account			<u>275,821</u>		<u>(64,322)</u>

The accompanying notes are an integral part of these financial statements

FLIGHT INVESTMENTS (UK) LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2013

		Year ended 31/03/2013	Year ended 31/03/2012
	Notes	£	£
Balance on Consolidated Underwriting Account		275,821	(64,322)
Investment income	3	61,600	63,972
Investment expenses and charges	4	(5,040)	(4,378)
Unrealised gains/(losses) on investments		34,493	(7,299)
Allocated investment return transferred to the Consolidated underwriting account		(75,495)	(50,074)
Other income		5,422	26,491
Other charges		(134,992)	(119,298)
Operating profit	5	161,809	(154,908)
Share of operating profits in associate		155,565	1,927
Profit on ordinary activities before tax		317,374	(152,981)
Tax on profit on ordinary activities	6	(76,055)	(10,043)
Profit for the year	13	241,319	(163,024)

The group has no recognised gains or losses other than the profit or loss for the period

All amounts relate to continuing operations

The accompanying notes are an integral part of these financial statements

FLIGHT INVESTMENTS (UK) LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2013

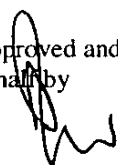
	Notes	31 March 2013			31 March 2012		
		Syndicate Partici- pations £	Corporate £	Total £	Syndicate Partici- pations £	Corporate £	Total £
Assets							
Intangible assets	8	-	56,464	56,464	-	101,323	101,323
Investments							
Financial Investments	9	2,620,040	1,676,119	4,296,159	2,531,269	1,550,511	4,081,780
Deposits with ceding undertakings		1,098	-	1,098	1,350	-	1,350
		<u>2,621,138</u>	<u>1,732,583</u>	<u>4,353,721</u>	<u>2,532,619</u>	<u>1,651,834</u>	<u>4,184,453</u>
Reinsurers share of technical provisions							
Provision for unearned premiums		130,883	-	130,883	125,122	-	125,122
Claims outstanding		911,058	-	911,058	877,359	-	877,359
Other technical provisions		-	-	-	-	-	-
		<u>1,041,941</u>	<u>-</u>	<u>1,041,941</u>	<u>1,002,481</u>	<u>-</u>	<u>1,002,481</u>
Debtors							
Arising out of direct insurance operations		677,835	-	677,835	657,900	-	657,900
Arising out of reinsurance operations		604,666	-	604,666	444,146	-	444,146
Other debtors	10	370,969	17,388	388,357	393,004	24,682	417,686
		<u>1,653,470</u>	<u>17,388</u>	<u>1,670,858</u>	<u>1,495,050</u>	<u>24,682</u>	<u>1,519,732</u>
Other Assets							
Cash at bank and in hand		127,140	317,883	445,023	142,752	158,441	301,193
Other assets		315,846	-	315,846	310,655	-	310,655
		<u>442,986</u>	<u>317,883</u>	<u>760,869</u>	<u>453,407</u>	<u>158,441</u>	<u>611,848</u>
Prepayments and accrued income							
Accrued interest		3,058	-	3,058	5,474	-	5,474
Deferred acquisition costs		309,955	-	309,955	286,214	-	286,214
Other prepayments and accrued income		8,580	-	8,580	14,322	-	14,322
		<u>321,593</u>	<u>-</u>	<u>321,593</u>	<u>306,010</u>	<u>-</u>	<u>306,010</u>
TOTAL ASSETS		<u>6,081,128</u>	<u>2,067,854</u>	<u>8,148,982</u>	<u>5,789,567</u>	<u>1,834,957</u>	<u>7,624,524</u>

The accompanying notes form an integral part of these financial statements

FLIGHT INVESTMENTS (UK) LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2013

	Notes	31 March 2013			31 March 2012		
		Syndicate Partici- pations £	Corporate £	Total £	Syndicate Partici- pations £	Corporate £	Total £
Liabilities and Shareholders' Funds							
Capital and Reserves							
Called up share capital	11	-	3 785	3 785	-	3 785	3 785
Share premium account	12	-	596 215	596 215	-	596 215	596,215
Profit and loss account	13	(15,644)	1 059 839	1 044 195	116,663	686 213	802 876
Total Shareholders' Funds	14	(15 644)	1,659 839	1 644 195	116 663	1 286,213	1,402 876
Technical provisions							
Provision for unearned premiums		1 249,093	-	1 249 093	1 172 089	-	1 172 089
Claims outstanding – gross amount		4 027 386	-	4 027 386	3 891 036	-	3,891 036
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges							
Deferred taxation	15	-	4,588	4 588	-	51,354	51,354
Other		-	3 000	3 000	-	-	-
Deposit received from reinsurers		782	-	782	843	-	843
Creditors							
Arising from direct insurance operations		135 014	-	135 014	142 404	-	142 404
Arising from reinsurance operations		348 900	-	348,900	271 383	-	271 383
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors including taxation and social security		337 512	345 018	682,530	285 818	331 335	617 153
		6 098 687	352 606	6 451 293	5 763,573	382 689	6 146 262
Accruals and deferred income		(1 915)	55 409	53 494	(90 669)	166 055	75,386
TOTAL LIABILITIES		6,081,128	2 067 854	8 148 982	5 789 567	1 834 957	7 624 524

Approved and authorised for issue by the Board on behalf by



12/12/ 2013 and signed on its

D R Lander
Director

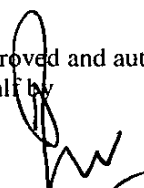
Company registration number: 03959567

The accompanying notes form an integral part of these financial statements

FLIGHT INVESTMENTS (UK) LIMITED
BALANCE SHEET
AS AT 31 MARCH 2013

	Notes	2013	2012
		£	£
FIXED ASSETS			
Investments	9	885,623	890,412
Current Assets			
Debtors amounts falling due within one year	10	-	-
Cash at bank and in hand		2,009	2,009
		<u>2,009</u>	<u>2,009</u>
Creditors amounts falling due within one year			
Amounts owed to ultimate parent company		13,776	13,776
Director's loan account		250,000	250,000
Accruals		4,933	4,788
		<u>268,709</u>	<u>268,564</u>
Net Current Assets/(Liabilities)		(266,700)	(266,555)
Net Assets		<u>618,923</u>	<u>623,857</u>
Capital and Reserves			
Called up share capital	11	3,785	3,785
Share premium account	12	596,215	596,215
Revenue reserves	13	18,923	23,857
Total Shareholders' Funds	14	<u>618,923</u>	<u>623,857</u>

Approved and authorised for issue by the Board on
 behalf by



D R Lander – Director

12/12/2013 and signed on its

Company registration number: 03959567

The accompanying notes form an integral part of these financial statements

FLIGHT INVESTMENTS (UK) LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

	Note	Year ended 31/03/13 £	Year ended 31/03/12 £
Operating activities			
Net cash inflow/(outflow) from operating activities	16(a)	212,759	218,272
Returns on investments and servicing of finance		-	-
Capital expenditure			
Proceeds from sale of syndicate capacity		7,119	14,115
Purchase of syndicate capacity		(20,555)	-
Taxation			
Corporation and overseas taxes (paid)/refunded		(39,881)	(57,662)
Acquisitions			
Purchase of subsidiary undertaking		-	-
Net cash flow before financing		<u>159,442</u>	<u>174,725</u>
Financing			
Increase in loan from ultimate parent company		-	-
Proceeds from the issue of ordinary share capital		-	-
Net cash inflow/(outflow) for the year		<u><u>159,442</u></u>	<u><u>174,725</u></u>
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings		159,442	(373,583)
Purchase of financial investments		-	548,308
Sale of financial investments		-	-
Net investment of cash flows	16(b)	<u><u>159,442</u></u>	<u><u>174,725</u></u>

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.

The accompanying notes form an integral part of these financial statements.

**FLIGHT INVESTMENTS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**

Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of Schedule 3 to SI 2008/410 and with the Statement of Recommended Accounting Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") in December 2005 (as amended in December 2006)

Basis of Consolidation

The group financial statements consolidate the accounts of Flight Investments (UK) Limited and all its subsidiary undertakings. The financial statements of the subsidiary companies are made up to 31 December 2012 and consolidated within the group financial statements.

Where the group has an investment in an entity which is sufficient to give the group a participating interest, the entity is treated as an associated undertaking and is accounted for using the equity method of accounting.

Recognition of insurance transactions

Preparing financial statements in accordance with SI 2008/410 required the group to recognise its proportion of all the transactions undertaken by the Lloyd's syndicates in which its subsidiaries participate ("the Syndicates").

The financial statements are prepared using the annual basis of accounting. Under the annual basis of accounting, a result is determined at the end of each accounting period reflecting the profit and loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

For each such Syndicate, the group's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the group's profit and loss account. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its consolidated balance sheet (under the column heading "Syndicate"). The Syndicate's assets are held subject to trust deeds for the benefit of the group's insurance creditors.

The proportion referred to above is calculated by reference to the group's subsidiaries' participation as a percentage of the Syndicates total capacity.

The group has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate ("the Managing Agent") and it has further undertaken not to interfere with the exercise of such management and control. The Managing Agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised by the group. The only exception to this rule is the level of provision for outstanding claims.

Sources of data

The information used to compile the technical account and the "Syndicate" balance sheet is based on returns prepared for this purpose by the Managing Agents of the Syndicates ("the Returns"). These Returns have been subjected to audit by the Syndicate auditors and are based on the audited Syndicate returns to Lloyd's and the audited annual reports to Syndicate members.

The format of the Returns has been established by Lloyd's and Lloyd's has also been responsible for collating the data at a Syndicate level and analysing it into corporate member level results.

**FLIGHT INVESTMENTS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**

Accounting Policies

I. Accounting convention

The financial statements are prepared in accordance with appropriate accounting standards and under the historical cost convention as modified by the revaluation of financial investments

II. Going concern

The directors consider the group to be a going concern and have prepared the financial statements on that basis. The company is continuing to underwrite at Lloyd's for the 2013 year of account through its subsidiary companies

III. Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years. Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax. Gross premiums written may include "reinsurance to close" premiums receivable (see (vii) below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see (vii) below). Premiums written by a Syndicate may also include the reinsurance of other syndicates on which the group participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this intersyndicate reinsurance. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

IV. Claims incurred

Claims incurred include the costs of claims handling expenses. Recoverable amounts arising out of subrogation or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from prior years differ from the provision at the beginning of the year.

V. Provision for claims outstanding

Claims outstanding comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR). Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision is based on the Returns and reports from the Managing Agents and the group's licensed adviser or Members' Agent. When appropriate, statistical methods have been applied to past experience of claims frequency and severity.

The two most critical assumptions as regard claims provisions are that the past is a reasonable predictor of the likely level of claims development, and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The directors consider the provision for gross claims and related reinsurance recoveries, as based on the Returns to be fairly stated. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made.

FLIGHT INVESTMENTS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

VI. Unexpired risk provision

A provision for unexpired risk is made by the underlying Syndicates where claims, related expenses and deferred acquisition costs, likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred

VII. Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's Syndicates. Under it, underwriting members (the reinsured members) who are members of a Syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that Syndicate and allocated to the closed year in consideration of (1) a premium, and (2) either

(a) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business), or

(b) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharges of the liabilities of the reinsured members

Where the reinsurance to close is between members on successive years of account of the same Syndicate, the Managing Agent has a duty to ensure both sets of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members. To the extent that the group participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the group has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the group has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the group has assumed a greater proportion of the business of the Syndicate, if the group has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the group's exposure to risks previously written by the Syndicate. The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyds chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims. However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a Syndicate year of account and it is treated for accounts purposes as

FLIGHT INVESTMENTS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

settling all the group's outstanding gross liabilities in respect of the business so reinsured

VIII. Investments

Syndicate Where investments represent the group's share of syndicate investments, they are stated at current value at the balance sheet date. For this purpose, listed investments are stated at market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Corporate Listed investments held directly by the group, by the trustees of the Premiums Trust Fund, or as Lloyd's Deposit, are stated at market value. Unlisted investments held directly by the group and where there is no participating interest are stated at cost less provision for any permanent diminution in value.

IX. Investment Return

Investment income comprises interest receivable and dividends received plus realised and unrealised gains on the disposal of investments. Realised gains and losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluation. Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date or purchase price, if acquired during the year. Investment income is initially recorded in the non-technical account. All investment income arising on Syndicate participations is allocated to the technical account.

X. Net Operating Expenses

Operating expenses are recognised when incurred. They include the group's share of Syndicate operating expenses, the remuneration payable to Managing Agents (and the group's Members' Agent/licensed adviser) and the direct costs of membership of Lloyd's.

XI. Foreign Currencies

Transactions in United States dollars, Canadian dollars and Euros are translated at the rates of exchange ruling at the date the transaction is processed or at an appropriate average rate. Unless otherwise stated, transactions in currencies other than United States dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed. Monetary assets and liabilities are retranslated into Sterling at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities at the balance sheet date are maintained at the rate of exchange ruling when the contract was entered into (or an appropriate average rate). Exchange differences arising on translation are dealt with in the profit and loss account.

XII. Syndicate Participation rights

Where the company's subsidiaries have purchased the right to participate on Syndicates, the cost is capitalised and amortised in equal annual instalments over five years.

FLIGHT INVESTMENTS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

XIII. Taxation

The company's subsidiaries are taxed on their share of the underwriting results declared by Syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. The Syndicate results included in these financial statements (excluding any losses on open years of account) are only declared for tax purposes in the calendar year following closure of the year of account. HM Revenue & Customs agrees the taxable results of Syndicates at a Syndicate level on the basis of computations submitted by the Managing Agent. At the date of approval of these financial statements, the Syndicate taxable results of this year have not been agreed. Any adjustments that may be necessary to the tax provision as a result of HM Revenue & Customs agreement of Syndicate taxable results will be reflected in the financial statements of subsequent periods.

XIV. Deferred Taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

FLIGHT INVESTMENTS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

1. Class of Business

Year Ended 31 March 2013	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operatin g Expenses £	Reinsur- ance Balance £	Total £
Direct business						
Accident and health	111,714	117,143	(56,126)	(46,580)	(2,949)	11,488
Motor – third party liability	6,137	8,007	(3,237)	(2,685)	(266)	1,819
Motor – other classes	233,906	240,195	(187,025)	(79,051)	8,380	(17,501)
Marine, aviation and transport	409,397	417,807	(191,736)	(129,265)	(3,678)	93,128
Fire and other damage to property	737,011	737,984	(453,836)	(240,643)	(41,655)	1,850
Third party liability	360,709	353,929	(199,300)	(118,878)	(20,180)	15,571
Credit and suretyship	43,389	42,328	(15,740)	(11,597)	(6,273)	8,718
Legal expenses	9,059	9,109	(3,801)	(4,531)	(23)	754
Assistance	-	-	-	-	-	-
Other	144,472	124,809	(68,279)	(47,250)	(10,372)	(1,092)
Total direct	2,055,794	2,051,311	(1,179,080)	(680,480)	(77,016)	114,735
Reinsurance	1,007,754	912,138	(496,594)	(202,166)	(127,787)	85,591
Total	3,063,548	2,963,449	(1,675,674)	(882,646)	(204,803)	200,326
Year Ended 31 March 2012	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsur- ance Balance £	Total £
Direct business						
Accident and health	142,905	140,915	(67,150)	(66,584)	(3,789)	3,392
Motor – third party liability	10,808	10,041	(4,941)	(3,368)	(553)	1,179
Motor – other classes	252,316	210,967	(172,962)	(73,893)	15,154	(20,734)
Marine, aviation and transport	453,486	421,002	(178,064)	(126,338)	(28,039)	88,561
Fire and other damage to property	696,757	635,526	(388,258)	(212,536)	(60,628)	(25,896)
Third party liability	347,933	342,888	(173,271)	(118,118)	(17,281)	34,218
Credit and suretyship	46,956	45,658	(26,593)	(11,186)	(4,614)	3,265
Legal expenses	10,052	7,025	(2,334)	(4,029)	(236)	426
Assistance	-	-	-	-	-	-
Other	93,222	51,529	(31,407)	(25,778)	(3,898)	(9,554)
Total direct	2,054,435	1,865,551	(1,044,980)	(641,830)	(103,884)	74,857
Reinsurance	786,628	774,652	(861,135)	(148,447)	45,677	(189,253)
Total	2,841,063	2,640,203	(1,906,115)	(790,277)	(58,287)	(114,396)

All insurance business is underwritten in the UK in the Lloyd's insurance market, which has been treated as one geographical segment for the purpose of SSAP25 Segmental Reporting

FLIGHT INVESTMENTS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

2. Net Operating Expenses

(i) The following amounts are included within net operating expenses in the underwriting account

	2013	2012
	£	£
Acquisition Costs	750,959	700,815
Change in deferred acquisition costs	(26,102)	(55,089)
Administrative expenses	111,061	103,367
Reinsurance commissions and profit participations	(43,230)	(44,563)
Personal expenses	89,958	85,747
	<u>882,646</u>	<u>790,277</u>

3. Investment Income (other than syndicate investment income)

	2013	2012
	£	£
Income from investments	57,937	66,371
Gains/(losses) on realisation of investments	3,442	(2,671)
Bank deposit interest	221	272
	<u>61,600</u>	<u>63,972</u>

4. Investment Expenses and Charges

	2013	2012
	£	£
Investment management expenses, including interest	5,040	4,378
	<u>5,040</u>	<u>4,378</u>

FLIGHT INVESTMENTS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

5. Operating Profit

	2013	2012
	£	£
Operating profit/(loss) is stated after charging		
Auditors' remuneration for audit services	1,860	1,803
Auditors' remuneration for other services	2,252	2,188
Directors' remuneration	-	-
Amortisation of syndicate capacity	63,717	71,610
(Profit)/loss on disposal of intangible fixed assets	(5,422)	(11,773)
(Profit)/loss on exchange	(36,283)	(4,331)

The group has no employees and no staff costs are met by the group

The fees payable to the Subsidiary Companies' auditor for audit and taxation services are included in the fees payable to the Members' Agent

6. Taxation

	2013	2012
	£	£
Analysis of charge in year		
Current tax		
UK corporation tax on profit/(loss) of the period	81,230	43,584
Adjustment in respect of previous period	(6,230)	5,097
	<u>75,000</u>	<u>48,681</u>
Foreign tax (parent and subsidiaries)	2,526	1,903
	<u>77,526</u>	<u>50,584</u>
Total current tax		
Deferred tax		
Origination and reversal of timing differences (parent and subsidiaries)	(46,766)	(37,688)
	<u>30,760</u>	<u>12,896</u>
Tax charge parent and subsidiaries	45,295	(2,853)
Associate tax charge	<u>76,055</u>	<u>10,043</u>

FLIGHT INVESTMENTS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

6. Taxation (continued)

Factors affecting parent and subsidiaries tax charge for year

The tax assessed for the period is different to the standard rate of corporation tax in the UK of 20.00% (2012 – 20.00%). The differences are explained below

	2013	2012
	£	£
Profit on ordinary activities before tax	161,809	(154,908)
Profit on ordinary activities multiplied by standard rate of UK Corporation tax of 20.00% (2012 – 20.00%)	32,361	(30,981)
Effects of		
Timing differences arising from the taxation of underwriting results	27,577	67,442
Utilisation of tax losses	-	970
Foreign tax	1,960	1,484
Other corporation tax adjustments	987	4,909
Non deductible expenses for tax purposes	7,521	7,615
Marginal rates of taxation and prior period adjustment	7,120	(855)
Parent and subsidiaries current tax charge	77,526	50,584

The results of the Company's participation on the 2010, 2011 and 2012 years of account and the calendar year movement on 2009 and prior run-offs, will not be assessed to tax until the year ended 31 December 2013, 2014 and 2015 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account

7. Dividends

	2013	2012
	£	£
Amounts recognised as distributions to equity holders in the period:		
Interim dividends paid	-	-
	-	-

FLIGHT INVESTMENTS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

8. Intangible Assets - Group

	2013	2012
	£	£
(a) Purchased syndicate capacity		
Cost		
At 1 April 2012	425,825	432,244
Additions	20,555	-
Revaluation on acquisition	-	-
Disposals	(65,175)	(6,419)
	<u>381,205</u>	<u>425,825</u>
At 31 March 2013		
Amortisation		
At 1 April 2012	324,502	256,970
Provided during the year	63,717	71,610
Disposals	(63,478)	(4,078)
	<u>324,741</u>	<u>324,502</u>
At 31 March 2013		
Net Book Value		
At 31 March 2013	<u>56,464</u>	<u>101,323</u>
At 31 March 2012	<u>101,323</u>	<u>175,274</u>

FLIGHT INVESTMENTS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

9. Investments

Other financial investments - Syndicate

(i) At Market Value

	2013		2012	
	Market Value	Cost	Market Value	Cost
	£	£	£	£
Shares and Other Variable Yield Securities	272,745	270,604	271,820	269,462
Debt Securities and Other Fixed Interest Securities	2,152,546	2,128,907	2,121,779	2,130,550
Participation in Investment Pools	99,446	119,034	81,542	80,473
Loans Guaranteed by Mortgage	34,887	34,454	31,443	31,584
Other Loans	11,901	11,898	13,427	13,343
Deposits with Credit Institutions	21,748	21,709	11,175	11,175
Other	26,767	25,785	83	684
	<u>2,620,040</u>	<u>2,612,391</u>	<u>2,531,269</u>	<u>2,537,271</u>

(ii) Group

	2013	2012
	£	£
Associated Undertakings	1,110,524	1,000,254
Other	565,595	550,257
	<u>1,676,119</u>	<u>1,550,511</u>

Associated Undertakings

	Share of net tangible assets
	£
At 1 April 2012	1,000,254
Share of profit retained by associated undertakings	110,270
At 31 March 2013	<u>1,110,524</u>

	£
Group's share of turnover of associated undertakings	<u>3,517,866</u>

Group's share of Assets and liabilities of associate

Share of assets		
Share of tangible fixed assets	1,610,810	
Share of current assets	1,320,589	
	<u></u>	2,931,399
Share of liabilities		
Liabilities due within one year	1,233,010	
Liabilities due after more than one year	587,865	(1,820,875)
	<u></u>	<u>1,110,524</u>

FLIGHT INVESTMENTS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

9. Investments (cont.)

(iii) Company

	2013	2012
Investment in subsidiary undertakings at cost	341,233	341,233
Amounts due from subsidiary companies	444,340	449,129
Associate undertakings at cost	100,050	100,050
	<u>885,623</u>	<u>890,412</u>

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

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Subsidiary Undertakings				
Jefren Underwriting Limited	England & Wales	Ordinary Shares	100%	Corporate Member of Lloyd's
West End Capital Limited	England & Wales	Ordinary Shares	100%	Corporate Member of Lloyd's
Associated Undertakings				
Flight Plastics (UK) Limited	England & Wales	Ordinary Shares	50%	Plastics Manufacture
Abbey Way Property Limited	England & Wales	Ordinary Shares	50%	Property Investment

FLIGHT INVESTMENTS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

10. Debtors: amounts falling due after one year

Other Debtors

	2013		2012	
	Group	Company	Group	Company
	£	£	£	£
Other Debtors	<u>388,357</u>	<u>-</u>	<u>417,686</u>	<u>-</u>

11. Called up share capital

	2013	2012
	£	£
Allotted, issued and fully paid 3,785 Ordinary shares of £1 each	<u>3,785</u>	<u>3,785</u>

12. Share Premium Account

Group and Company	2013	2012
Opening balance brought forward at 1 April 2012	596,215	596,215
Arising on issue of shares	-	-
Closing balance carried forward at 31 March 2013	<u>596,215</u>	<u>596,215</u>

13. Profit and Loss Account

Group	Syndicate Participation	Corporate	Total
Retained profit brought forward at 1 April 2012	116,663	686,213	802,876
Reallocate distribution	(376,512)	376,512	-
Profit/(loss) for the financial year	244,205	(2,886)	241,319
Equity dividends	-	-	-
Retained profit carried forward at 31 March 2013	<u>(15,644)</u>	<u>1,059,839</u>	<u>1,044,195</u>

Company

Retained profit brought forward at 1 April 2012	23,857
Loss for the financial year	(4,934)
Equity dividends	-
Retained profit carried forward at 31 March 2013	<u>18,923</u>

FLIGHT INVESTMENTS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

14. Reconciliation of Movements in Shareholders' Funds

Group	2013	2012
Opening shareholders' funds	1,402,876	1,565,900
Profit/(loss) for the financial year	241,319	(163,024)
Equity dividends	-	-
Proceeds from issue of shares	-	-
	<u>1,644,195</u>	<u>1,402,876</u>
Closing shareholders' funds	<u>1,644,195</u>	<u>1,402,876</u>

Company	2013	2012
Opening shareholders' funds	623,857	628,645
Profit/(loss) for the financial year	(4,934)	(4,788)
Equity dividends	-	-
Proceeds from issue of shares	-	-
	<u>618,923</u>	<u>623,857</u>
Closing shareholders' funds	<u>618,923</u>	<u>623,857</u>

15. Provision for Other Risks and Charges

	2013	2012
	£	£
Deferred Taxation		
Opening balance	51,354	89,042
Profit and loss account charge	(46,766)	(37,688)
	<u>4,588</u>	<u>51,354</u>

FLIGHT INVESTMENTS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

16. (a) Reconciliation of Operating Profit/(Loss) to Net Cash Inflow/(Outflow) from operating Activities

	2013	2012
	£	£
Profit/(loss) on ordinary activities before tax	272,080	(150,128)
Share of operating profits in associate not distributed	(110,270)	(4,780)
(Profit)/loss attributable to syndicate transactions	132,307	270,228
(Increase)/decrease in debtors	(93,836)	(186,021)
Increase/(decrease) in creditors	(30,480)	231,085
(Profit)/loss on disposal of intangible assets	(5,422)	(11,773)
Realised/unrealised (gains)/losses on investments	(15,337)	(1,949)
Amortisation of syndicate capacity	63,717	71,610
	<u>212,759</u>	<u>218,272</u>

16. (b) Movement in Cash, Portfolio Investments and Financing

	At 1 April 2012	Cash flows	Other changes	At 31 March 2013
	£	£	£	£
Cash at bank	158,441	159,442	-	317,883
Other financial investments	550,257	-	15,338	565,595
	<u>708,698</u>	<u>159,442</u>	<u>15,338</u>	<u>883,478</u>

17. Loss Attributable to Members of the Parent Company

The loss dealt with in the accounts of the parent company was £4,934 (2012 – loss £4,788)

18. Ultimate Holding Company

The ultimate parent company and controlling party is Flight Group Limited, a company registered in New Zealand, which holds all of the issued share capital

19. Related Party Transactions

Mr Richard Osborne, a director of the company, provided funding of £250,000 which was used by the company to acquire 50% of the issued share capital in a company named Abbey Way Property Limited for £50 and to provide additional funding to that company of £249,950

The full amount of the loan remained outstanding at 31 March 2013. The loan carries no interest and there are no fixed dates for repayment.