



AXA ART Insurance Limited

Annual Report for the year ended 31 December 2013

AXA ART Insurance Limited

Directors

Dr U Guntram (Chairman)
Miss A S Fell-Clark
Miss D P Gage
P M Goss
Mrs A J Blanc
Mr J Gazançon

Company Secretary

T L Owen

Registered office

Marlow House, 1A Lloyd's Avenue, London, England, EC3N 3AA
Registered in England No: 00293215

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

AXA Art Insurance Limited

STRATEGIC REPORT

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their strategic report on the group for the year ended 31 December 2013.

The principal activity of the group and company is the underwriting of general insurance business.

The company has a wholly owned subsidiary, AXA ART Services Limited, which undertakes management and underwriting services.

REVIEW OF THE BUSINESS

Whilst 2013 presented a number of challenges within the insurance market AXA Art continued to deliver against its key objective of profitable growth. With soft conditions making trading more competitive, it is our continued focus on our service proposition for the broker community and our clients that helps differentiate us. Growth continues to come from our core target segments: private collections and High Value Homeowners.

Gross premiums written exceeded £32m, representing a growth of 6.5%. This growth was achieved by further geographical diversification: for the first time the Asia region contributed to over 10% of the top line, driven by growth of 38% in the region, whilst the Nordic region grew by 19%. As was the case in 2012, in spite of increased exposures through new business being written, 2013 was a relatively benign year for claims, with one significant loss contributing to over 50% of the total claims incurred.

The Key Performance Indicators (KPIs) by which the group and company measures its performance are gross written premiums, net combined ratio and profit after tax, the results of which are outlined below:

Overall revenues grew strongly in 2013 with gross premiums written and earned for the year at £32.1m and £25.5m respectively (compared to £30.1m and £23.8m for the same period in 2012).

The net combined ratio for the business showed 74.5% (2012: 78.9%), primarily due to a decrease in the claims ratio, net of reinsurance, compared to 2012. This resulted in an increase in the technical account profit of 27%. This increase was partly offset by a decline in net investment income as a result of unrealised losses on UK Government Bonds. We remain conservative investors and our portfolio consists entirely of fixed income investments with 73.2% of the portfolio rated AAA and 2.9% rated AA.

The overall effect was an increase in profits after tax of 4.7% to £4.5m (2012: £4.3m). The results for the year are shown on pages 14 and 15.

At the end of 2013 the female:male split for directors, senior management, and all employees was 3:3, 3:3, 19:12 respectively.

With a clear strategy, strong proposition and professional and committed team, AXA ART Insurance remains well placed to continue to grow profitably in 2014.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is part of the AXA ART Versicherung Group, which has established groupwide processes for risk acceptance and risk management which are addressed through a framework of policies, procedures and internal controls. All policies are subject to ongoing review by management, risk management and internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Company and the Compliance and Finance departments take on an important oversight role in this regard. The principal risks are detailed on page 4.

AXA ART Insurance Limited

STRATEGIC REPORT (continued)

By order of the board

Tina Owen
Company Secretary
25 February 2014

AXA Art Insurance Limited

REPORT OF THE DIRECTORS FOR 2013

The directors submit their annual report together with the audited consolidated financial statements of the group and company for the year ended 31 December 2013.

DIVIDENDS

The directors recommend a final dividend for 2013 of £4,532,000 (2012: £4,327,000).

DIRECTORS

The names of the present directors appear on page 1. Mr Gazancon was appointed on the 1st April 2013. Dr Sartorius served until the 1st April 2013.

INDEMNIFICATION OF DIRECTORS

The company is party to an indemnity policy covering all entities within the AXA S.A. group which benefits all of its current directors and is a Qualifying Third Party Indemnity Provision for the purpose of the Companies Act 2006. This policy was active during the financial year 2013 and at the date of approval of the financial statements.

FUTURE DEVELOPMENTS STATEMENT

As referred to in the statement of directors' responsibilities, it is planned that the business will continue to operate as a going concern. The forecast for 2014 is to continue the trend of growing both the private customer base and also the Asian and Nordic business.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

We seek to pay all our creditors within the terms of the appropriate agreements.

FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The group and company are exposed to financial risk through the inherent uncertainty in undertaking insurance business affecting their financial assets and liabilities. The most important components of this risk are price, credit, liquidity and cash flow risks.

Price risk

Price risk can be defined as the risk that movements in market factors (such as pricing of bonds), interest rates and currency rates impact adversely the value of, or income from, the financial assets.

The group and company manage this risk via a strategy of selecting an asset mix of government and corporate debt.

Insurance and reinsurance risk

Insurance risk is associated with the claims arising from the underlying policies. Reinsurance, the bulk of which is arranged by the company's immediate parent undertaking, AXA Art Versicherung Aktiengesellschaft, is used to manage insurance risk and is monitored by management.

AXA ART Insurance Limited

REPORT OF THE DIRECTORS FOR 2013 (continued)

Currency

The group and company are exposed to currency risk in respect of claims denominated in other currencies, principally the US dollar and Euro. Mitigation of this risk is achieved by matching the liabilities with assets in the same currency.

Credit risk

Credit risk can be defined as the risk of capital or income loss resulting from counterparty default or issuer credit downgrades affecting financial assets. The investment portfolio consists entirely of fixed

income investments and contains no equities or derivatives, with 73.2% of the portfolio rated at AAA, 2.9% at AA, 9.0% at A and 16.3% at BBB.

Exposure to credit risk from non-investment items is controlled via different processes including the active monitoring of premium debt.

Liquidity and cash flow risk

Liquidity or cash flow risk is defined as the risk that the group, irrespective of solvency and profitability, may not have sufficient available cash (or near cash assets or funding facilities) to pay obligations when they fall due at reasonable cost. This risk is controlled by regular short-term cash flow forecasting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company 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 group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AXA ART Insurance Limited

REPORT OF THE DIRECTORS FOR 2013 (continued)

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of this report confirms that:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) he has taken all the 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. Each of the persons who is a director at the date of this report confirms that:

ELECTIVE RESOLUTIONS

Elective resolutions have been passed for the purposes of:

- Dispensing with laying of accounts and reports before general meeting
- Dispensing with the holding of an annual general meeting
- Dispensing with the annual appointment of auditors

By order of the board

Tina Owen
Company Secretary
25 February 2014

AXA ART Insurance Limited

INDEPENDENT AUDITORS' REPORT TO AXA ART INSURANCE LIMITED

REPORT ON THE GROUP AND PARENT COMPANY FINANCIAL STATEMENTS

Our opinion

In our opinion the Group and Parent Company financial statements:

- give a true and fair view of the state of the Group and Parent Company's affairs as at 31 December 2013;
- 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements and the Parent Company financial statements (the "financial statements"), which are prepared by AXA Art Insurance Limited, comprise:

- the Group and Company balance sheets as at 31 December 2013;
- the Consolidated profit and loss account and the reconciliation of movements in shareholder's funds for the year then ended; and
- the summary of significant accounting policies and the notes to the Group and Parent Company financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), having regard to the statutory requirement for insurance companies to maintain equalisation provisions. The nature of equalisation provisions, the amounts set aside at 31 December 2013, and the effect of the movement in those provisions during the year on shareholders' funds, the balance on the general business technical account and profit before tax, are disclosed in note 22b.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). 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 and 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 Group and Parent Company financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

AXA ART Insurance Limited

INDEPENDENT AUDITORS' REPORT TO AXA ART INSURANCE LIMITED (continued)

OPINIONS ON MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Group and Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Group and Parent Company financial statements to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

AXA ART Insurance Limited

INDEPENDENT AUDITORS' REPORT TO AXA ART INSURANCE LIMITED (continued)

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the Group and Parent Company 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 Group and Parent Company financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Claire Clough (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
February 2014

AXA ART Insurance Limited

ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements have been prepared under the provision of The Large and Medium-sized Companies and Groups (Accounts and Reports) regulations 2008 ("SI2008/410") relating to insurance groups and in accordance with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers (the ABI SORP) dated December 2005, as amended in December 2006.

The financial statements have been prepared on a going concern basis in accordance with applicable accounting standards in the United Kingdom. A summary of the most important accounting policies is set out below:

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the company and its subsidiary. As permitted by Section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The Company's profit for the financial year was £4,471k (2012: £4,269k), as per note 12 in the financial statements. Uniform accounting policies have been adopted against the group, and all profits/losses on intra group transactions eliminated.

PREMIUMS

Written premiums comprise the premiums on contracts incepting in the financial year, and are inclusive of pipeline premiums due but not yet notified to the group.

Written premiums are stated gross of commissions payable to intermediaries and exclusive of taxes and duties levied on premiums.

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inward reinsurance business.

UNEARNED PREMIUMS

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date. This is calculated on a 365ths basis as the incidence of risk is considered to be even over time.

DEFERRED ACQUISITION COSTS

Acquisition costs represent the commission and other expenses of acquiring insurance policies written during the financial year. Acquisition costs are accrued over an equivalent period to that over which the underlying business is written and are charged to the accounting period in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred in respect of unearned premiums at the balance sheet date.

AXA ART Insurance Limited

ACCOUNTING POLICIES (continued)

CLAIMS INCURRED

Claims incurred comprise all claim payments and related expenses made in the financial year and the movement in the provision for outstanding claims and settlement expenses, including claims incurred but not reported. Deductions are made for salvage and subrogation recoveries only when certain that title of ownership has transferred to AXA Art Insurance Limited.

Outwards reinsurance recoveries are accounted for in the same accounting period as the claims for the related direct or inwards reinsurance business being reinsured.

CLAIMS OUTSTANDING

Provision is made for outstanding claims and settlement expenses incurred at the balance sheet date including an estimate for the cost of claims incurred but not reported at that date. Included in the provision is an estimate of the internal and external costs of handling the outstanding claims. Material salvage and other recoveries are recorded as other assets and not deducted from outstanding claims.

Provisions for outstanding claims are based on notifications to the company valued either in accordance with a loss adjuster's report or the company's estimate of loss based on the facts as reported. The company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Claims incurred but not reported are estimated by reference to an analysis of the historical incidence of late reported claims adjusted to reflect changes in the volume of business written.

Salvage most commonly arises from the recovery of stolen goods. The timing and incidence of recoveries are not readily predictable - salvage is therefore recognised at the point that recovery by the company is reasonably assured. Salvage not realised at year end is valued at the estimated fair market value.

EQUALISATION PROVISION

Amounts are set aside as equalisation provisions in accordance with the FSA Handbook of Rules and Guidance for the purpose of mitigating exceptionally high loss ratios in future years. The amounts provided are not liabilities because they are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date. Notwithstanding this, they are required by Schedule 3 to SI2008/410 to be included within the technical provisions.

UNEXPIRED RISKS PROVISION

Provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

PREMIUM LEVIES

The levies payable to the Financial Services Compensation Scheme are included within administrative expenses as incurred.

INVESTMENTS

The investment portfolio consists entirely of fixed income investments. The fair values of listed investments are based on current bid prices on the balance sheet date. Unlisted investments for which a market exists are also stated at the current bid price on the balance sheet date or the last trading day before that date. The unlisted investments held consist only of certificates of deposits.

AXA ART Insurance Limited

ACCOUNTING POLICIES (continued)

INVESTMENTS (continued)

Realised gains or losses represent the difference between net sale proceeds and purchase price. Interest payable and expenses incurred in the management of investments are accounted for on an accruals basis. Unrealised gains or losses represent the difference between the valuation of investments at the balance sheet date and their purchase price, or, if they have been previously valued, their valuation at the last balance sheet date, and are recognised in the non-technical account.

Investment income is the amount receivable for the year and includes the appropriate tax credit, and together with realised gains and losses, expenses and charges are reported in the non-technical account.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at historic purchase cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation on fixed assets is provided over their expected useful lives on a straight line basis. The annual rate of depreciation applied to all fixed assets is 25%. Assets under construction are not depreciated until first used. The art works capitalised by the company are not subject to depreciation, but are revalued at each year end.

FOREIGN EXCHANGE RATES

All monetary assets and liabilities in overseas currencies are translated into sterling at rates of exchange ruling at close of business on 31st December. Income and expenditure in overseas currencies are translated into sterling at the rate ruling at the beginning of the month in which the transaction takes place as an approximation to the exchange rate ruling at the date of the transaction. The income relating to exchange rate movement has been included in the non technical account.

PROVISION FOR OTHER RISKS AND CHARGES

Deferred taxation is provided in full on all timing differences at the rate at which it is expected that the tax liability or benefit will arise. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax balances are not discounted.

TRANSACTIONS WITH RELATED PARTIES

As the company is a wholly-owned subsidiary undertaking it has taken advantage of the exemption granted under FRS 8 (Related Party Disclosures) whereby subsidiary undertakings do not have to disclose transactions with group companies qualifying as related parties provided that consolidated financial statements are publicly available. This exemption has been taken on the basis that the ultimate parent company of AXA Art Insurance Limited is AXA SA, incorporated in Paris.

CASH FLOW STATEMENT

Advantage has been taken of the exemption under the revised FRS 1 (revised 1996) "Cash flow statements" not to present a statement of cash flow as the company is wholly owned by the AXA Konzern Aktiengesellschaft group of companies, and the consolidated financial statements in which the subsidiary undertaking is included are publicly available.

PENSION SCHEMES

The group operates, through its subsidiary undertaking, various individual retirement benefit arrangements covering certain employees who are eligible and have opted for membership. The schemes are operated as money purchase arrangements funded externally with appropriate contributions made to the pension fund manager which is a life assurance company incorporated in the United Kingdom.

AXA ART Insurance Limited

ACCOUNTING POLICIES (continued)

PENSION SCHEMES (continued)

Ongoing amounts charged to the profit and loss account are the pensions costs for the year in relation to this money purchase pension arrangement.

LEASES

Rentals under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight line basis over the period of the lease.

DIVIDENDS

Interim dividends are recognised when paid and final dividends are booked as a liability when they are approved by the members passing a written resolution.

SUBSIDIARY AUDIT EXEMPTION

Advantage has been taken of the audit exemption available for subsidiary companies conferred by section 479A of the Companies Act 2006. Under the legislation the subsidiary company of AXA Art Insurance Limited, AXA Art Services Limited, is exempt from the requirements of the Companies Act relating to the audit of the individual accounts by virtue of section 479A for non-dormant companies. AXA Art Insurance Limited has guaranteed all outstanding liabilities of AXA Art Services Limited.

AXA Art Insurance Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT - GENERAL BUSINESS

FOR THE YEAR ENDED 31ST DECEMBER 2013

	<i>Note</i>	2013 £000	2012 £000	£000
Earned premiums, net of reinsurance				
Gross premiums written	1a&b	32,111		30,141
Outward reinsurance premiums		<u>(6,574)</u>		<u>(6,324)</u>
Net premiums written			25,537	23,817
Change in the gross provision for unearned premiums				
	22a			
Gross amount		(920)		(298)
Reinsurers' share		<u>13</u>		<u>(117)</u>
			(907)	(415)
Total Technical Income			24,630	23,402
Claims paid				
Gross amount		(13,693)		(8,237)
Reinsurers' share		<u>6,303</u>		<u>605</u>
		(7,390)		(7,632)
Change in the provision for claims				
	22a			
Gross amount		1,441		743
Reinsurers' share		<u>78</u>		<u>84</u>
		1,519		827
Claims incurred, net of reinsurance		(5,871)		(6,804)
Net operating expenses	5	(12,139)		(11,305)
Change in the equalisation provision	22a&b	(349)		(357)
Total technical charges			(18,359)	(18,466)
Balance on the technical account for general business			6,271	4,936

The accounting policies and the notes on pages 10 to 13 and pages 21 to 33 form an integral part of these financial statements.

AXA Art Insurance Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2013

	<i>Note</i>	2013		2012	
		£000	£000	£000	£000
Balance on the general business technical account			6,271		4,936
Investment income	3	1,371		1,051	
Unrealised gains on investments		0		117	
Investment expenses and charges	4	(564)		(390)	
Unrealised losses on investments		(1,051)		0	
			(244)		778
Other income	6	19		46	
Other charges, including value adjustments	6	(112)		(61)	
Profit on ordinary activities before tax	6	5,934		5,699	
Tax on profit on ordinary activities	10	(1,402)		(1,372)	
Profit for the financial year		4,532		4,327	

The company has no recognised gains or losses other than its profit or loss for the current and prior year, and therefore no statement of total recognised gains and losses has been prepared.

All results are from continuing operations.

Gains and losses of an insurance group arising on the holding or disposal of investments are not required to be included in a note of historical profits and losses.

There are no other differences between the profit on ordinary activities before tax or the profit for the current and prior financial year stated above and their historical cost equivalents.

The accounting policies and the notes on pages 10 to 13 and pages 21 to 33 form an integral part of these financial statements.

AXA Art Insurance Limited

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31ST DECEMBER 2013

		2013 £000	2012 £000
Profit for the financial year		4,532	4,327
Dividends	11	(4,327)	(3,769)
Profit/(Loss) for the financial year	21	205	558
Proceeds of issue of ordinary shares		5,602	0
Opening shareholders' funds		15,304	14,746
Closing shareholders' funds		21,111	15,304

AXA Art Insurance Limited

CONSOLIDATED BALANCE SHEET AXA Art Insurance Limited Registered in England No: 00293215

AS AT 31ST DECEMBER 2013

	Note	2013		2012	
		£000	£000	£000	£000
ASSETS					
Investments					
Other financial investments	14		32,050		27,040
Reinsurers' share of technical provisions					
Provision for unearned premiums	22a	1,000		987	
Claims outstanding		1,091		1,013	
			2,091		2,000
Debtors					
Debtors arising out of direct insurance operations:					
Policyholders		33		6	
Intermediaries		4,389		4,545	
Debtors arising out of reinsurance operations					
	15	1,518		658	
Other debtors	16	32		119	
			5,972		5,328
Other assets					
Tangible assets	18	328		379	
Cash at bank and in hand		4,597		4,788	
Other	19	386		413	
			5,311		5,580
Prepayments and accrued income					
Accrued interest and rent		512		422	
Deferred acquisition costs	22a	4,512		4,067	
Other prepayments and accrued income		105		86	
			5,129		4,575
Total assets			50,553		44,523

The accounting policies and the notes on pages 10 to 13 and pages 21 to 33 form an integral part of these financial statements.

AXA Art Insurance Limited

CONSOLIDATED BALANCE SHEET AXA Art Insurance Limited Registered in England No: 00293215

AS AT 31ST DECEMBER 2013

	Note	2013 £000	2012 £000	£000
LIABILITIES				
Capital and reserves				
Called up share capital	20	10,602		5,000
Profit and loss account	21	10,509		10,304
Shareholders' funds attributable to equity interests			21,111	15,304
Technical provisions				
Provision for unearned premiums	22a	15,013		14,093
Claims outstanding	22a	5,314		6,780
Equalisation provision	22a&b	4,511		4,162
			24,838	25,035
Provisions for other risks and charges	23		0	267
Creditors payable in less than one year				
Creditors arising out of direct insurance operations	24	4		3
Creditors arising out of reinsurance operations	25	1,174		909
Other creditors including taxation and social security	26	2,095		1,563
			3,273	2,475
Accruals and deferred income	27		1,331	1,442
Total liabilities			50,553	44,523

The accounting policies and the notes on pages 10 to 13 and pages 21 to 33 form an integral part of these financial statements.

The financial statements on pages 14 to 18 were approved by the board of directors on 25th February 2014 and signed on its behalf by:

Miss A S Fell-Clark
Director

AXA Art Insurance Limited

COMPANY BALANCE SHEET

AS AT 31ST DECEMBER 2013

	Note	2013		2012	
		£000	£000	£000	£000
ASSETS					
Investments					
Investments in group undertakings	13	10		10	
Other financial investments	14	32,050		27,040	
			32,060		27,050
Reinsurers' share of technical provisions					
Provision for unearned premiums	22a	1,000		987	
Claims outstanding		1,091		1,013	
			2,091		2,000
Debtors					
Debtors arising out of direct insurance operations:					
Policyholders		33		6	
Amounts owed by group undertakings		0		0	
Intermediaries		4,389		4,545	
Debtors arising out of reinsurance operations					
operations	15	1,518		658	
Other debtors	16	0		286	
			5,940		5,495
Other assets					
Cash at bank and in hand		3,831		3,618	
Other	19	386		413	
			4,217		4,031
Prepayments and accrued income					
Accrued interest and rent		512		422	
Deferred acquisition costs	22a	4,512		4,067	
			5,024		4,489
Total assets			49,332		43,065

The accounting policies and the notes on pages 10 to 13 and pages 21 to 33 form an integral part of these financial statements.

AXA Art Insurance Limited

COMPANY BALANCE SHEET

AS AT 31ST DECEMBER 2013

	<i>Note</i>	2013	2012	
		£000	£000	£000
LIABILITIES				
Capital and reserves				
Called up share capital	20	10,602		5,000
Profit and loss account	21	10,201		10,056
Shareholders' funds attributable to equity interests			<u>20,803</u>	15,056
Technical provisions				
Provision for unearned premiums	22a	15,013		14,093
Claims outstanding	22a	5,314		6,780
Equalisation provision	22a&b	4,511		4,162
			<u>24,838</u>	25,035
Provisions for other risks and charges	23		0	267
Creditors payable in less than one year				
Creditors arising out of direct insurance operations	24	4		3
Creditors arising out of reinsurance operations	25	1,174		909
Other creditors including taxation and social security	26	2,197		1,492
			<u>3,375</u>	2,404
Accruals and deferred income	27		316	303
Total liabilities			<u>49,332</u>	<u>43,065</u>

The accounting policies and the notes on pages 10 to 13 and pages 21 to 33 form an integral part of these financial statements.

The financial statements on pages 19 to 20 were approved by the board of directors on 25th February 2014 and signed on its behalf by:

Miss A S Fell-Clark
Director

AXA Art Insurance Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2013

1 Segmental information

1(a) Analysis of gross premiums written, gross premiums earned, gross claims incurred, gross operating expenses and the reinsurance balance

	2013 Gross premiums written £000	2013 Gross premiums earned £000	2013 Gross claims incurred £000	2013 Gross operating expenses £000	2013 Reinsurance balance £000
Direct insurance:					
Fire and other damage to property	28,334	27,889	11,960	10,818	(528)
Third party liability	0	0	(13)	0	13
Industrial diseases	0	0	(16)	0	16
	28,334	27,889	11,931	10,818	(499)
Reinsurance	3,777	3,302	321	1,585	416
	32,111	31,191	12,252	12,403	(83)

	2012 Gross premiums written £000	2012 Gross premiums earned £000	2012 Gross claims incurred £000	2012 Gross operating expenses £000	2012 Reinsurance balance £000
Direct insurance:					
Fire and other damage to property	26,127	26,263	7,198	10,576	5,159
Third party liability	0	0	(2)	0	2
Industrial diseases	0	0	2	0	(2)
	26,127	26,263	7,198	10,576	5,159
Reinsurance	4,014	3,580	296	991	335
	30,141	29,843	7,494	11,567	5,494

Commissions payable in respect of direct insurance amounted to £6,686,000 (2012: £6,482,000).

AXA Art Insurance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2013

1 Segmental information (continued)

1(b) Analysis of premiums, profit before taxation and net assets

The company writes art, and associated, insurance business in the United Kingdom and Asia. For the purposes of SSAP25 'Segmental Reporting' the business that is written on the London insurance market in the United Kingdom is treated as one geographical segment, as is all business written in Asia.

	United Kingdom		Asia	
	2013 £000	2012 £000	2013 £000	2012 £000
Turnover	28,434	27,346	3,677	2,795
Profit Before Tax	5,183	4,613	751	1,086
Net Assets	17,789	13,266	3,322	2,038

2 Prior years' claims provisions

Over provisions for claims provisions held at the beginning of the year compared to net payments and provisions at the end of the year in respect of prior years' claims are as follows:

	2013 £000	2012 £000
Fire and other damage to property	794	930
Miscellaneous	30	0
	<u>824</u>	<u>930</u>

3 Investment income

	2013 £000	2012 £000
Income from investments	1,371	1,051
	<u>1,371</u>	<u>1,051</u>

AXA Art Insurance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2013

4 Investment expenses and charges

	2013 £000	2012 £000
Investment management expenses, including interest	107	101
Losses on realisation of investments	457	289
	<u>564</u>	<u>390</u>

5 Net operating expenses

	2013 £000	2012 £000
Acquisition costs	10,534	9,261
Change in gross deferred acquisition costs	(445)	(24)
Other technical expenses	286	330
	<u>10,375</u>	<u>9,567</u>
Administrative expenses	2,028	2,000
	<u>12,403</u>	<u>11,567</u>
Gross operating expenses	12,403	11,567
Reinsurance commissions and profit participation	(265)	(252)
Change in deferred reinsurance commission	1	(10)
	<u>12,139</u>	<u>11,305</u>

6 Profit on ordinary activities before tax

	2013 £000	2012 £000
<i>Profit on ordinary activities before tax is stated</i>		
<i>after crediting</i>		
Income from listed investments	1,369	1,047
Other income	19	46
<i>after charging</i>		
Depreciation	114	126
Other charges	8	3
Foreign exchange loss	104	58
Auditors' remuneration	45	54
Operating Lease - Other	93	92
	<u>93</u>	<u>92</u>

AXA Art Insurance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2013

7 Remuneration of directors

	2013 £000	2012 £000
Aggregate emoluments	<u>335</u>	<u>372</u>
	2013 £000	2012 £000
Aggregate value of contributions to a defined contribution scheme	<u>26</u>	<u>32</u>
	Number 2013	Number 2012
Number of directors:		
To whom benefits are accruing under a defined contribution pension scheme	<u>2</u>	<u>3</u>
	2013 £000	2012 £000
Highest paid director:		
Emoluments	201	159
Contributions to a defined contribution scheme	17	16
	<u>218</u>	<u>175</u>

An interest free season ticket loan of £3,564 was granted to one director in January 2013. The outstanding balance as at 31 December 2013 was £297.

AXA Art Insurance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2013

8 Staff numbers and costs

The average monthly number of persons employed by the group (including directors) was as follows:

	Number 2013	Number 2012
By activity:		
Management	7	8
Underwriting and administration	23	21
	<u>30</u>	<u>29</u>

The aggregate payroll costs in respect of these persons were as follows:

	2013 £000	2012 £000
Wages and salaries	2,352	2,188
Social security costs	307	284
Other pension costs	172	163
	<u>2,831</u>	<u>2,635</u>

No pension contributions were outstanding at year end (2012: none).

9 Auditors' remuneration

During the year the group obtained the following services from the group's auditors at costs as detailed below:

	2013 £000	2012 £000
Audit Services		
Fees payable to the company's auditor for the audit of the parent company and consolidated financial statements	34	36
Non Audit Services		
Audit of the company's subsidiary, pursuant to legislation	0	0
Other services pursuant to such legislation	9	16
Other services relating to taxation	2	2
	<u>45</u>	<u>54</u>

AXA Art Insurance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2013

10 Taxation on profit on ordinary activities

	2013	2012
	£000	£000
Current taxation:		
UK corporation tax on profits of the period	1,398	1,406
Adjustment in respect of previous periods	1	(32)
Total current tax	1,399	1,374
Deferred tax:		
Origination and reversal of timing differences	3	(2)
Tax on profit on ordinary activities	1,402	1,372

The tax assessed for the period is higher (2012: lower) than the standard rate of corporation tax in the UK 23.25% (2012: 24.5%)
The differences are explained below:

	2013	2012
	£000	£000
Profit on ordinary activities before tax	5,934	5,699
Profit on ordinary activities multiplied by standard rate in the UK - 23.25% (2012: 24.5%)	1,380	1,396
Effects of:		
Expenses not deductible for tax purposes	11	8
Accelerated capital allowances and other timing differences	7	2
Revaluation of assets	0	(0)
Adjustment in respect of previous periods	1	(32)
Current tax charge for the year	1,399	1,374

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from the 1st April 2013.
Accordingly, the company's profits for the accounting period are taxed at an effective rate of 23.25%.

Factors affecting current and future tax charges

A number of changes to the UK rate of corporation tax were enacted in Finance Act 2013, from 23% to 21% with effect from 1 April 2014 and from 21% to 20% with effect from 1 April 2015.

As these changes have been substantively enacted at the balance sheet date, the company has remeasured its deferred tax assets and liabilities at the end of the reporting period at 20%. This has resulted in recognition of a deferred tax charge of £5k in the profit and loss account.

AXA Art Insurance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2013

11 Dividends

	2013 £000	2012 £000
Final dividend paid	4,327	3,769

The directors are proposing a final dividend in respect of the financial year ended 31st December 2013 of £4,532,000 (2012: £4,327,000). The dividend per share is 42.75p (2012: 86.54p).

12 Profit of company

Of the consolidated profit after taxation, a profit of £4,471,000 (2012: £4,269,000) relates to the company.

13 Investment in group undertakings

At 31st December 2013 and 2012 AXA Art Insurance Limited held ordinary shares in the following subsidiary:

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Description of shares</i>	<i>Percentage of issued share capital</i>
AXA Art Services Limited	Great Britain	Ordinary shares of £1 each	100

The principal activity of AXA Art Services Limited, a company registered in England and Wales, is to act as underwriting manager.

Investment in group undertakings is stated at the cost, the value at 31 December being £10,000 (2012: £10,000).

The directors believe that the carrying value of the investments is supported by their underlying net assets.

14 Other financial investments

	Market Value 2013 £000	Group & Company		Cost 2012 £000
		Market Value 2012 £000	Cost 2013 £000	
Debt securities and other fixed interest securities	29,136	24,015	30,321	24,261
Collective Investment Securities	2,914	3,025	2,797	2,797
Deposits with credit institutions	0	0	0	0
	32,050	27,040	33,118	27,058

AXA Art Insurance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2013

15 Debtors arising out of reinsurance operations

	Group & Company	
	2013	2012
	£000	£000
Amounts owed by group undertaking	1,274	658
Amounts owed by other group companies	235	0
Amounts owed by intermediaries	9	0
	1,518	658
	1,518	658

The £1,274k (2012: £658k) under the heading 'Amounts owed by group undertaking' refers to the amount owed by AXA General Insurance Hong Kong.

16 Other debtors

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Amount owed by group undertaking	0	84	0	286
Deferred taxation	32	35	0	0
	32	119	0	286
	32	119	0	286

17 Deferred taxation

	2013	2012
	£000	£000
Balance at 1st January	35	33
(Charged)/Credited to the profit and loss account during the year	(3)	2
Balance at 31st December	32	35
Calculation of deferred tax asset:		
Accelerated capital allowances	32	35
	32	35

The directors consider that it is more likely than not that there will be sufficient taxable profit in the future in order to realise the deferred tax asset, and therefore the asset has been recognised in the financial statements.

AXA Art Insurance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2013

18 Tangible assets

The group	Total £000
Cost	
At 1st January 2013	1,177
Additions	63
Disposals	(1)
At 31st December 2013	1,239
Accumulated depreciation	
At 1st January 2013	797
Charge for the year	114
Disposal	0
At 31st December 2013	911
Gain on revaluation	0
Net book value	
At 31st December 2013	328
Cost	
At 1st January 2012	1,157
Additions	30
Disposals	(11)
At 31st December 2012	1,176
Accumulated depreciation	
At 1st January 2012	671
Charge for the year	126
Disposal	0
At 31st December 2012	797
Gain on revaluation	0
Net book value	
At 31st December 2012	379

£54k (2012: £54k) of assets relate to art work valued at fair value at year end.

19 Other assets - other

	2013 £000	2012 £000
Salvage recoverable	386	413

AXA Art Insurance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2013

20 Called up share capital

	2013	2012
	£000	£000
<i>Allotted, called up and fully paid</i>		
10,602,000 (2012: 5,000,000) ordinary shares of £1 each	10,602	5,000

21 Reserves

	Profit and loss account	
	Group	Company
	£000	£000
At 1st January 2013	10,304	10,056
Profit for the financial year	205	145
At 31st December 2013	10,509	10,201

22 Technical provisions and deferred acquisition costs

22(a) Movement during the year

	Provision for unearned premiums	Claims outstanding	Equalisation provision	Total	Deferred acquisition costs
	£000	£000	£000	£000	£000
The group and company					
<i>Gross amount</i>					
At 1st January 2013	14,093	6,780	4,162	25,035	4,067
Movement in the provision	920	(1,441)	349	(172)	445
Exchange revaluation	0	(25)	0	(25)	0
At 31st December 2013	15,013	5,314	4,511	24,838	4,512
<i>Reinsurance amount</i>					
At 1st January 2013	987	1,013	0	2,000	91
Movement in the provision	13	78	0	91	1
Exchange revaluation	0	0	0	0	0
At 31st December 2013	1,000	1,091	0	2,091	92
<i>Net technical provisions</i>					
At 31st December 2013	14,013	4,223	4,511	22,747	4,420
At 31st December 2012	13,106	5,767	4,162	23,035	3,976

AXA Art Insurance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2013

22 Technical provisions and deferred acquisition costs (continued)

22(b) Equalisation provision

As explained in the accounting policy relating to equalisation provisions, an equalisation provision is established in the financial statements. The effect of the provision is to reduce shareholders' funds at 31st December 2013 by £3,462,000 (2012: £3,142,000). The increase in provision during the year had the effect of reducing the balance on the technical account for general business and profit and loss before tax of £349,000 (2012: £357,000).

23 Provisions for other risks and charges

As explained in the accounting policies on page 12, provision is made for tax liabilities arising from the allocation of items of income and expenditure to different periods for taxation and accounting purposes, except where it is probable that a liability will not crystallise.

The provision held within other provisions in 2012 of £267,000 in respect of insurance premium tax related amounts which may be due to foreign tax authorities was reversed in 2013, resulting in no provisions being held.

24 Creditors arising out of direct insurance operations

	Group & Company	
	2013	2012
	£000	£000
Amounts owed to intermediaries	4	3

25 Creditors arising out of reinsurance operations

	Group & Company	
	2013	2012
	£000	£000
Amounts owed to intermediaries	149	586
Amounts owed to group undertakings	1,025	323
	1,174	909

AXA Art Insurance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2013

26 Other creditors including taxation and social security

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Amounts owed to group undertakings	787	197	1,014	197
Social security	69	67	0	0
Corporation tax payable	851	915	795	911
Other	388	384	388	384
	2,095	1,563	2,197	1,492

27 Accruals and deferred income

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Deferred reinsurance commissions	92	91	92	91
Other accruals and deferred income	1,239	1,351	224	212
	1,331	1,442	316	303

28 Leases

The total rentals under operating leases, charged as an expense to the profit and loss account, are disclosed below:

	Group & Company	
	2013 £000	2012 £000
Land and buildings	93	92

Annual commitments under leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which each lease expires.

Obligations under operating leases comprise:

Land and buildings

	Group & Company	
	2013 £000	2012 £000
Expiring in more than five years	93	92

AXA ART Insurance Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2013

29 Events after the balance sheet date

After the balance sheet date AXA Art Insurance Limited was made aware of an item being recovered that related to a claim from 2011. This item will be treated as salvage in 2014, and will be valued at the amount of the original claims payment, £665k.

30 Guarantee

Eagle Star Insurance Company Limited and Nordstern Allgemeine Versicherungs-Aktiengesellschaft severally guarantee as to 50% each the due fulfilment of all policies written by the company up to 7th January 1993. All policies written by the company after this date are guaranteed by AXA Konzern Aktiengesellschaft.

31 Ultimate parent company

The company is a subsidiary undertaking of AXA Art Versicherung Aktiengesellschaft, a company incorporated in Germany.

The smallest group in which the results of the company are included is AXA Konzern Aktiengesellschaft, a company incorporated in Germany. Copies of its financial statements can be obtained from Colonia-Allee 10-20, 51067 Cologne, Germany.

The ultimate parent undertaking and controlling party of the company and the largest group in which the results of the company is included and for which group financial statements are prepared is AXA SA, a company incorporated in France. Copies of its financial statements can be obtained from 16 Avenue Matignon, 75008 Paris, France.