

**QUEEN STREET IV CAPITAL LIMITED**  
**Report and Financial Statements**  
**Registered Number: 503580**

**For the period from 13 September 2011 (date of incorporation)**  
**to 31 December 2011**

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# QUEEN STREET IV CAPITAL LIMITED

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## REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD FROM 13 SEPTEMBER 2011 (DATE OF INCORPORATION) TO 31 DECEMBER 2011

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# QUEEN STREET IV CAPITAL LIMITED

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## DIRECTORS AND OTHER INFORMATION

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### BOARD OF DIRECTORS

Stephen Hodgins  
Adrian Masterson

### SECRETARY AND REGISTERED OFFICE

Marsh Management Services (Dublin) Limited  
25-28 Adelaide Road, Dublin 2, Ireland

### AUDITOR

KPMG  
1 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

### SOLICITORS

Matheson Ormsby Prentice  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

### BANKERS

The Bank of New York Mellon  
One Canada Square  
Canary Wharf  
London E14 5AL  
United Kingdom

AIB Bank  
Ashford House  
Tara Street  
Dublin 2  
Ireland

### MANAGERS

Marsh Management Services (Dublin) Limited  
25-28 Adelaide Road,  
Dublin 2  
Ireland

### ESCROW AGENT

Iron Mountain Intellectual Property  
Management Inc.  
2100 Norcross Parkway, Suite 150  
Norcross GA 30071  
U.S.A.

### INDENTURE TRUSTEE

The Bank of New York Mellon  
One Canada Square  
Canary Wharf  
London E14 5AL  
United Kingdom

### CALCULATION AGENT

Air Worldwide Corporation  
131 Dartmouth St  
Boston, MA 02116-5134  
U.S.A.

### COUNTERPARTY

Münchener Rückversicherungs-Gesellschaft  
Aktiengesellschaft in München ("Munich Re")  
SFR5.2  
Königinstr. 107  
80802 Munich  
Germany

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# QUEEN STREET IV CAPITAL LIMITED

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## REPORT OF THE DIRECTORS (CONTINUED)

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The directors submit their report together with the audited financial statements for the period ended 31 December 2011.

### 1. INCORPORATION AND COMMENCEMENT TO TRADE

Queen Street IV Capital Limited (“the Company”) was incorporated in Ireland on 13 September 2011. The Company commenced trading on 27 October 2011.

### 2. RESULTS

The results for the period from date of incorporation to 31 December 2011 are outlined on pages 15 – 18.

### 3. PRINCIPAL ACTIVITIES

The Company is a special purpose vehicle whose principal activity is to place risks associated with US hurricane and European windstorm risk with the capital markets. The US hurricane and European windstorm risks are assumed by the Company under a risk transfer contract with Munich Re. The Company passes these risks on to investors through the issuance of variable rate notes.

On 27 October 2011 the Company issued \$100,000,000 Principal At-Risk Variable Rate Notes due 9 April 2015 (the “Notes”) and the Notes are listed on the Bermuda Stock Exchange.

Noteholders have recourse only to funds in the Collateral Account (subject to the prior interest of the Counterparty in such funds) and the Periodic Payments payable under the Counterparty Contract related to the Notes and have no recourse to funds in any other Collateral Account nor to any Periodic Payments under any Counterparty Contract related to any other Class of Notes. For each Class of Notes, holders of such Notes rank pari passu with all other holders of Notes within the same Class of Notes.

In addition to the windstorm and hurricane perils associated with the risk transfer contract, investors in the notes issued by the Company (“the noteholders”) are exposed to the credit risk of Munich Re (as Risk Transfer Contract Counterparty) and The Bank of New York Mellon (as Indenture Trustee).

### 4. REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Directors expect that present activities will continue subject to the terms of the existing agreement with Munich Re. The scheduled redemption date of the principal at-risk variable rate notes in issue is 9 April 2015. Upon the occurrence of certain conditions Munich Re may elect to require the Company to extend the redemption date for a period of up to 24 months to 9 April 2017 by delivering an Extension Event Notice to the Company.

The funding of the running costs of the Company is provided for by the Counterparty in accordance with the terms the Reimbursement Agreement. The Counterparty provided the Company with an amount of \$607,227 in 2011 to fund the expenses payable by the Company.

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# QUEEN STREET IV CAPITAL LIMITED

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## REPORT OF THE DIRECTORS (CONTINUED)

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### 5. SAFEKEEPING OF INVESTMENTS

On the issue of the notes by the Company, all the proceeds paid to the Company were placed in a collateral account maintained with the Indenture Trustee (The Bank of New York Mellon). All funds in the collateral account are invested into Federated U.S. Treasury Cash Reserves (CUSIP: 60934N682) (the "Initial Investment"), pursuant to the directions set forth in the Authorization and Direction Notice delivered by the Issuer to the Indenture Trustee.

### 6. PRINCIPAL RISKS AND UNCERTAINTIES

The key risks of the Company are set out in note 14 on pages 22 to 25 of these financial statements.

### 7. HOLDING COMPANY

The ultimate controlling parties are Badb Charitable Trust Limited (1 share), Eurydice Charitable Trust (1 share) and Medb Charitable trust (1 share) who hold their shares on behalf of the Trust Shareholders. The shareholders are charitable trusts incorporated under the laws of Ireland as companies limited by guarantee.

### 8. EVENTS SINCE THE PERIOD END

There have been no post balance sheet events which impact on the financial statements at the date of approval of the financial statements.

### 9. DIRECTORS

Stephen Hodgins  
Adrian Masterson

### 10. INTERESTS OF DIRECTORS AND SECRETARY

At the beginning and end of the period the directors and secretary had no interests in the share capital of the Company or the holding company.

### 11. TRANSACTIONS INVOLVING DIRECTORS

During the period the Company incurred fees of \$5,137 relating to the management services provided by Marsh Management Services (Dublin) Limited. Stephen Hodgins is an employee of Marsh Management Services (Dublin) Limited.

### 12. BOOKS AND RECORDS

The directors have appointed Marsh Management Services (Dublin) Limited in order to ensure compliance with the requirements of Section 202 of the Companies Act 1990. The books and records of the Company are maintained at 25-28 Adelaide Road, Dublin 2, Ireland.

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# QUEEN STREET IV CAPITAL LIMITED

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## REPORT OF THE DIRECTORS (CONTINUED)

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### 13. CORPORATE GOVERNANCE STATEMENT

#### *Introduction*

The Company is subject to and complies with Irish Statute comprising the Companies Acts 1963 to 2012 and the Listing Rules of the Bermuda Stock Exchange. The Company does not apply additional requirements in addition to those required by the above. Each of the service providers engaged by the Company is subject to their own corporate governance requirements.

#### *Financial Reporting Process*

The Board of Directors (“the Board”) is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company’s financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing the Administrator, Marsh Management Services (Dublin) Ltd, to maintain the accounting records of the Company. The Administrator is contractually obliged to maintain proper books and records as required by the Corporate Services Agreement. The Administrator is also contractually obliged to prepare for review and approval by the Board the annual report including financial statements intended to give a true and fair view. The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time the Board also examines and evaluates the Administrator’s financial accounting and reporting routines and monitors and evaluates the external auditor’s performance, qualifications and independence. The Administrator has operating responsibility for internal control in relation to the financial reporting process and the Administrator’s report to the Board.

#### *Risk assessment*

The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Company’s financial statements. More specifically,

- The Administrator has a review procedure in place to ensure errors and omissions in the financial statements are identified and corrected.
- Regular training on accounting rules and recommendations is provided to the accountants employed by the Administrator.

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# QUEEN STREET IV CAPITAL LIMITED

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## REPORT OF THE DIRECTORS (CONTINUED)

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### 13. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

#### *Control activities*

The Administrator is contractually obliged to design and maintain control structures to manage the risks which the Board judges to be significant for internal control over financial reporting. These control structures include appropriate division of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for every significant account in the financial statements and the related notes in the Company's annual report.

#### *Monitoring*

The Board has an annual process to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditor.

Given the contractual obligations on the Administrator, the Board has concluded that there is currently no need for the Company to have a separate internal audit function in order for the board to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process.

#### *Capital structure*

No person has a significant direct or indirect holding of securities in the Company. No person has any special rights of control over the Company's share capital.

There are no restrictions on voting rights.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, Irish Statute comprising the Companies Acts, 1963 to 2012 and the Listing Rules of the Bermuda Stock Exchange. The Articles of Association themselves may be amended by special resolution of the shareholders.


#### *Powers of Directors*

The Board is responsible for managing the business affairs of the Company in accordance with the Articles of Association. The Directors may delegate certain functions to the Administrator and other parties, subject to the supervision and direction by the Directors. The Directors have delegated the day to day administration of the Company to the Administrator.

### 14. AUDITOR

The auditor, KPMG, Chartered Accountants, who was appointed during the period, has indicated their willingness to be re-appointed in accordance with Section 160(2) of the Companies Act, 1963.

  
Director

  
Director

Date: 21 September 2012

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# QUEEN STREET IV CAPITAL LIMITED

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

The Company's financial statements are required by law and IFRSs as adopted by the EU, to present fairly the financial position and performance of the Company. The Companies Acts, 1963 to 2012 provide in relation to such financial statements that references in the relevant parts of those Acts to financial statements giving a true and fair view are references to their achieving a fair presentation.

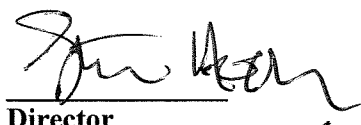
In preparing those financial statements, the Directors are required to: -

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable International Financial Reporting Standards, subject to any material departures being disclosed and explained in the financial statements and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper books of account that 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 Acts, 1963 to 2012. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts 1963 to 2012.

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

Date : 21 September 2012



# **REPORT OF THE INDEPENDENT AUDITOR**

## **TO THE MEMBERS OF QUEEN STREET IV CAPITAL LIMITED.**

We have audited the financial statements of Queen Street IV Capital Limited (“the Company”) from the period of incorporation on 13 September 2011 to 31 December 2011 which comprises the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and related notes. The financial statements have been prepared under the accounting policies as set out on pages 10 to 14.

This report is made solely to the Company’s members as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As set out on page 7 in the Statement of Directors’ Responsibilities, the Company’s Directors are responsible for preparing the Directors’ Report and financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2012. We also report to you whether in our opinion: proper books of account have been kept by the Company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors’ report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors’ remuneration and directors’ transactions is not disclosed and, where practicable, include such information in our report.

We read the other information accompanying the financial statements and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors’ Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

# REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

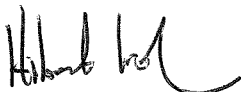
In our opinion the financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, of the state of the Company's affairs as at 31 December 2011 and its profit for the period then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2012 and all Regulations to be construed as one with those Acts.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the Company, as stated in the statement of financial position on page 16, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2011 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.



Hubert Crehan

For and on behalf of:

KPMG

*Chartered Accountants, Statutory Audit Firm*

*1 Harbourmaster Place*

*IFSC*

*Dublin 1*

**Date: 21 September 2012**

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# QUEEN STREET IV CAPITAL LIMITED

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## ACCOUNTING POLICIES

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The significant accounting policies adopted by the Company are as follows: -

*a) Basis of Financial Statements*

**Statement of compliance**

The financial statements have been prepared in accordance with the provisions of the Companies Acts, 1963 to 2012, and all regulations to be construed as one with those Acts.

The financial statements for the period ended 31 December 2011 have been prepared in accordance with the Company's accounting policies under International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Company's accounting policies under IFRS are based on the Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board (IASB) and on International Accounting Standards (IAS) and Standing Interpretations Committee Interpretations approved by the predecessor International Accounting Standards Committee that have been subsequently authorised by the IASB and remain in effect.

**Basis of measurement**

The financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities that are measured at fair value.

**Key accounting estimates and judgements**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

**Functional and presentation currency**

The financial statements are prepared in US dollars (USD) which is the functional currency of the Company. Functional currency is the currency of the primary economic environment in which the entity operates.

*b) Taxation*

Corporation tax is provided on taxable profits at current attributable rates of 25%.

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# QUEEN STREET IV CAPITAL LIMITED

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## ACCOUNTING POLICIES (CONTINUED)

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c) *Foreign Currencies*

The financial statements are prepared in US dollars (US\$). Foreign currency transactions are recorded initially at the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in such currencies are then re-translated at the exchange rates prevailing at the end of the accounting period with resulting profits and losses recorded in the statement of comprehensive income for the period.

d) *Provisions*

A provision is set up whenever the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

e) *Financial instruments*

The financial instruments held by the Company include the following:

- Investment securities;
- Derivatives; and
- Debt securities issued.

*Classification*

A financial asset or financial liability at fair value through profit or loss is a financial asset or liability that is classified as held-for-trading or designated as at fair value through profit or loss.

*- Investment securities*

Investment securities held by the Company include investments in liquidity funds. All investment securities are designated at fair value through profit or loss.

*- Derivatives*

Derivatives include all derivative assets and liabilities that are not classified as trading assets or liabilities. When a derivative is not held for trading and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in the Statement of Comprehensive Income as a component of net income on derivative financial instruments carried at fair value.

Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, and discounted cash flow models and options pricing models as appropriate. Derivatives are included in assets when their fair value is positive and liabilities when their fair value is negative, unless there is the legal ability and intention to settle net.

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# QUEEN STREET IV CAPITAL LIMITED

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## ACCOUNTING POLICIES (CONTINUED)

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e) *Financial instruments (continued)*

*- Derivatives (continued)*

Profits or losses are only recognised on initial recognition of derivatives when there are observable current market transactions or valuation techniques that are based on observable market inputs. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

*- Debt securities issued*

The debt securities issued are initially measured at fair value and are designated as liabilities at fair value through profit or loss when either it eliminates or significantly reduces an accounting mismatch or, they contain an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

*- Financial assets and liabilities that are not at fair value through profit or loss*

Financial assets that are not at fair value through profit or loss and are not quoted in an active market include cash at bank and other assets.

Financial liabilities that are not at fair value through profit or loss include accrued expenses and other payables.

**Recognition**

The Company initially recognises all financial assets and liabilities at fair value on the trade date at which the Company becomes a party to the contractual provisions of the instruments. From trade date, any gains and losses arising from changes in fair value of the financial assets or financial liabilities designated as at fair value through profit or loss are recorded in the profit and loss account.

Transaction costs on financial assets and financial liabilities at fair value through profit and loss are expensed immediately.

**Derecognition**

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

**Offsetting**

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

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# QUEEN STREET IV CAPITAL LIMITED

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## ACCOUNTING POLICIES (CONTINUED)

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e) *Financial instruments (continued)*

*Fair value measurement principles*

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets, where these are available. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Company uses widely recognised valuation models for determining the fair value of derivative financial instruments. For these financial instruments, inputs into models are market observable.

For more complex instruments, the Company uses proprietary models, which usually are developed from recognised valuation models. Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions. When entering into a transaction, the financial instrument is recognised initially at the transaction price, which is the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price. This initial difference, usually an increase, in fair value indicated by valuation techniques is recognised in income depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risk, bid-ask spreads, liquidity risks, as well as other factors. These valuation adjustments are considered to be necessary and appropriate to fairly state financial instruments carried at fair value on the balance sheet.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement e.g. interest rates, volatility, credit spreads, probability of defaults, estimates cash flows etc and therefore, cannot be determined with precision.

*Impairment of assets not at fair value*

Financial assets that are stated at cost or amortised cost are reviewed at each statement of financial position date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the profit and loss account as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the expected recoverable amount of a previously impaired asset increases the earlier impairment loss is reversed through the profit and loss account.

(f) **Net gain/(loss) from investment securities**

Net gain/(loss) from investment securities designated at fair value relates to investments in quoted liquidity funds and includes all realised and unrealised fair value changes, coupon receipts and foreign exchange differences.

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# QUEEN STREET IV CAPITAL LIMITED

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## ACCOUNTING POLICIES (CONTINUED)

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**(g) Net gain/(loss) from derivatives**

Net gain/(loss) from derivatives relates to swaps held for risk management purposes and includes swap income, swap expense, all realised and unrealised fair value changes and foreign exchange differences.

**(h) Net finance gain/(loss) on debt securities**

Net finance gain/(loss) on debt securities issued designated at fair value comprises coupon payments, realised and unrealised fair value changes and foreign exchange differences.

***i) Cash and cash equivalents***

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with a maturity of three months or less at the date of purchase. Cash equivalents are carried at market value.

***j) Segmental reporting***

In the Directors' opinion there are no reportable business segments or geographical segments as the Company's activities are limited to one main business and geographical segment.

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# QUEEN STREET IV CAPITAL LIMITED

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## STATEMENT OF FINANCIAL POSITION

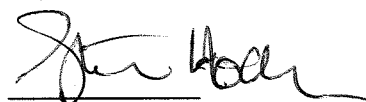
Date of  
Incorporation to  
31 December 2011

	Notes	US\$
Net gain on investment securities	1	744,484
Transaction fee income		500
Net finance loss on debt securities	2	(744,484)
<b>Net income</b>		<b>500</b>
Expense reimbursement		607,227
Operating expenses	3	(607,227)
		-
<b>Profit before tax</b>	4	<b>500</b>
Taxation		(125)
<b>Profit after tax</b>		<b>375</b>
<b>Attributable to:</b>		
Equity holders of the company		-
<b>Total Comprehensive income for the year</b>		<b>375</b>

All items dealt with in arriving at the profit for the period ended 31 December 2011 related to continuing operations.

The accompanying notes from 1 - 17 form an integral part of these financial statements.

Signed:



Director



Director

Date: 21 September 2012



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# QUEEN STREET IV CAPITAL LIMITED

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## STATEMENT OF FINANCIAL POSITION

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		31 December 2011
	Notes	US\$
<b>CURRENT ASSETS</b>		
Investment securities	7	100,000,000
Debtors	9	258,744
Prepayments		-
Cash and cash equivalents	10	<u>26,784</u>
<b>TOTAL CURRENT ASSETS</b>		<u><u>100,285,528</u></u>
<b>EQUITY AND LIABILITIES</b>		
Ordinary Shares	11	4
Retained earnings		<u>375</u>
<b>TOTAL EQUITY</b>		<u><u>379</u></u>
<b>LIABILITIES</b>		
Debt securities issued	12	99,390,000
Trade and other payables	13	55,983
Derivatives	8	610,000
Payable to noteholders		<u>229,166</u>
<b>TOTAL LIABILITIES</b>		<u><u>100,285,149</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>100,285,528</u></u>

The accompanying notes from 1 to 17 form an integral part of these financial statements.

Signed:



Director



Director

Date: 21 September 2012

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## QUEEN STREET IV CAPITAL LIMITED

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### STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2011

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#### 2011

	Share Capital US\$	Retained Earnings US\$	Total Equity US\$
<b>Opening Balance as at 13 September 2011</b>	<u>-</u>	<u>-</u>	<u>-</u>
Shares issued	4		4
Profit for the period	-	375	375
Total Comprehensive Income for the period	<u>4</u>	<u>375</u>	<u>379</u>
<b>Closing Balance as at 31 December 2011</b>	<u><u>4</u></u>	<u><u>375</u></u>	<u><u>379</u></u>

The accompanying notes from 1 to 17 form an integral part of these financial statements.

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# QUEEN STREET IV CAPITAL LIMITED

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## STATEMENT OF CASH FLOWS

Date of Incorporation  
to  
31 December 2011  
US\$

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Net cash inflow from operating activities	26,780
<b>Taxation paid</b>	-
<i>Net cash from operating activities</i>	26,780
<b>Cash flows from investing activities</b>	
Financial assets acquired during the year	(100,000,000)
<b>Net cash used in investing activities</b>	<u>(100,000,000)</u>
<b>Cash flows from financing activities</b>	
Proceeds from issue of share capital	4
Amount received from issuing variable rate notes	<u>100,000,000</u>
<i>Net cash used in financing activities</i>	<u>100,000,000</u>
<b>Net increase in cash</b>	26,784
<b>Cash at beginning of period</b>	<u>-</u>
<b>Cash at end of period</b>	<u><u>26,784</u></u>

The accompanying notes from 1 to 19 form an integral part of these financial statements.

### Reconciliation of operating profit to operating cash flow

	31 December 2011 US\$
Operating profit	375
Interest income	(1,354,484)
Interest expense	1,354,484
Decrease in debtors	(258,744)
Increase in creditors	285,149
Interest income received	1,125,000
Interest expense paid	<u>(1,125,000)</u>
	<u><b>26,780</b></u>

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# QUEEN STREET IV CAPITAL LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

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### 1. NET GAIN ON DERIVATIVES

	<b>2011</b>
	<b>US\$</b>
Interest income	1,354,484
Net loss on fair value of derivatives	<u>(610,000)</u>
	<u>744,484</u>

### 2. NET FINANCE LOSS ON DEBT SECURITIES ISSUED

	<b>2011</b>
	<b>US\$</b>
Interest expense	(1,354,484)
Net gain on financial liabilities designated at fair value through profit or loss	<u>610,000</u>
	<u>(744,484)</u>

### 3. OPERATING EXPENSES

	<b>2011</b>
	<b>US\$</b>
Issuance expenses	550,385
Administration expenses	55,994
Director fees	<u>848</u>
Total operating expenses	<u>607,227</u>

### 4. EMPLOYEES AND REMUNERATION

The Company has no employees and incurred no payroll costs save for those paid in respect of non-executive director fees incurred during 2011. Staff services are provided under a service level agreement with Marsh Management Services (Dublin) Limited

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# QUEEN STREET IV CAPITAL LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 5. AUDITOR'S REMUNERATION

	2011
	US\$
Audit of individual accounts	20,043
Other assurance services	-
Taxation advisory services	6,681
Other non audit services	-
	<u>          -</u>

### 6. TAXATION ON ORDINARY ACTIVITIES

	2011
	US\$
Profit on ordinary activities before taxation	US\$
Corporation tax @ 25%	
Based on results for the year	500
Tax charge for the year	<u>          125</u>

### 7. INVESTMENT SECURITIES

	2011
	US\$
<b>Held as fair value through profit or loss investments</b>	
Financial assets	100,000,000
	<u>          100,000,000</u>

The Company has created a deed of charge and assignment for the Notes with the Indenture Trustee, Counterparty and the Bank of New York Mellon as account bank pursuant to which the Company created security over, inter alia for the Collateral Account, Collateral Payment Account and the Investment Earnings for payment and discharge of the Payment Obligations in favour of the Indenture Trustee for itself, the Counterparty and each Noteholder.

The market value of the financial assets at 31 December 2011 was \$100,000,000, comprising US-T-Bills of \$100,000,000.

### 8. DERIVATIVES

The Company has entered into an ISDA Master Agreement with Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München ("Munich Re"). The value of the swap at 31 December 2011 was (\$610,000)

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# QUEEN STREET IV CAPITAL LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 9. DEBTORS

	<b>2011</b>
	<b>US\$</b>
Counterparty funding – interest payable on Notes	229,167
Counterparty funding – accrued expenses	29,577
	<u>258,744</u>

### 10. CASH AND CASH EQUIVALENTS

	<b>2011</b>
	<b>US\$</b>
Balances at bank	<u>26,784</u>

### 11. CALLED UP SHARE CAPITAL

	<b>2011</b>
	<b>US\$</b>
<b>Authorised</b>	
100,000,000 ordinary shares of €1.00 each	<u>100,000,000</u>
<b>Allotted and called up share capital</b>	
3 ordinary shares of €1.00 each	<u>3</u>

### 12. FINANCIAL LIABILITIES

	<b>2011</b>
	<b>US\$</b>
Principal At-Risk Variable Rate notes maturing April 2014	100,000,000
Derivative	(610,000)
	<u>99,390,000</u>

On 22 March 2011 the Company issued \$100,000,000 Principal At-Risk Variable Rate Notes due 9 April 2014.

Due to the limited recourse nature of the notes the repayment of the principal and accrued interest of the notes is dependent upon funds being available to meet such liabilities as they fall due. If the company has insufficient funds available for the purpose of redeeming the principal outstanding on any class of notes in full or interest thereon, such amounts shall not be payable to the Noteholders - see Note 14.

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# QUEEN STREET IV CAPITAL LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 13. TRADE AND OTHER PAYABLES

	2011
	US\$
Corporation tax	125
Accrued expenses	55,858
	<u>55,983</u>

### 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### **Introduction and overview**

As stated in the Directors' Report, the principal activity of the Company is limited to place hurricane and windstorm risk with the capital markets. The hurricane and windstorm risk is assumed by the Company under a counterparty agreement with Munich Re. The Company has issued variable rate notes in order to obtain funds to support its obligations under the counterparty agreement to make certain payments to the counterparty, Munich Re. Therefore the role of financial assets and financial liabilities is central to the activities of the Company. The financial liabilities provided the funding to purchase the Company's investment in financial assets. Financial assets and liabilities represent the majority of the assets and liabilities of the Company.

The Company has entered into an ISDA Master Agreement, as supplemented by a confirmation and schedule, in respect of the Notes, together constituting a counterparty contract with Munich Re as counterparty pursuant to which the Company will (i) receive, each accrual period, from the Counterparty an amount equal to the interest amounts (excluding the Permitted Investment Yield) due to be paid to the Noteholders under the Notes and (ii) will make certain payments to Munich Re upon the occurrence of any US Hurricane Event or European Windstorm Event.

The strategies used by the Company in achieving its objectives regarding the use of its financial assets and liabilities were set when the Company entered into the transactions. The Company has attempted to match the properties of its financial liabilities to its assets to avoid significant elements of risk generated by mismatches of investment performance against its obligations.

The key risks of the Company are set out in the offering circular and transaction documents entered into in March 2011.

#### **Interest rate risk**

The Company primarily finances its operations through the issue of Notes upon which interest is payable. Under the counterparty agreement the Company receives, each accrual period, from the Counterparty an amount equal to the interest amounts (excluding the Permitted Investment Yield) due to be paid to the Noteholders under the Notes. Accordingly, the Directors believe that there is no net interest rate risk.

#### **Currency rate risk**

All of the Company's material assets and liabilities are denominated in US dollars. Consequently, the Directors believe that there is no material currency risk to the Company.

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# QUEEN STREET IV CAPITAL LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### **Event risk**

The Company has issued variable rate notes in order to obtain funds to support its obligations under the counterparty agreement to make certain payments to the counterparty, Munich Re. As a result of the counterparty contract the Company and holders of the variable rate notes issued by the Company are at risk in the event that a US hurricane or European windstorm occurs during the risk period which has a model loss exceeding the event attachment or the event reset attachment points. The Company will be required to make payments to Munich Re in the event that a US Hurricane and European windstorm has a loss as set forth in a Notice of Loss Payment exceeding the Event Attachment Level or the Event Reset Attachment Level.

If during certain measurement periods for the variable rate notes there are one or more trigger events resulting in principal reductions with respect to the variable rate notes, investors in the variable rate notes could lose all or a portion of their investment. The total variable rate notes in issue at 31 December 2011 was \$100,000,000 (note 12).

#### **Sensitivity analysis**

The company has employed Calculation Agents to perform Sensitivity Analysis for both the US Hurricane Events and Europe Windstorm Events. This Sensitivity Analysis was produced using the default activity rate assumptions in the AIR US Hurricane Model and the Europe Windstorm Index Value. The Calculation Agent performed a sensitivity test on the first-year modeled loss probabilities of Notes to assess the impact of using the historical long-term average rates. The Calculation Agents have also identified and put in place procedures to be followed upon receipt of an event notice.

#### **Credit risk and liquidity risk**

The Issuer's only source of funds for repayment of the Outstanding Principal Amount of the Notes will be the principal amount of Permitted Investments available therefor. Noteholders are exposed to the market risk of the Permitted Investments, which reflect the value of the underlying assets of the relevant money market funds and could materially adversely affect the ability of the Issuer to make payments of principal in full on the Redemption Date. There can be no assurance that there will be no default with respect to payments on the Permitted Investments or mark-to-market declines in the value of Permitted Investments.

The principal portion of the Permitted Investments held in the Collateral Account is intended to secure the obligations of the Issuer to the Counterparty under the Counterparty Contract and is available, first, to pay any amounts owed by the Issuer to the Counterparty under such Counterparty Contract and second, to make payments under the Indenture in respect of the Notes. Accordingly, the Repayment Amount of the Notes is effectively subordinated to any obligations of the Issuer to the Counterparty under the Counterparty Contract. Notwithstanding that the Indenture Trustee and the Noteholders of a Class have the right upon the occurrence of an Event of Default under the Indenture to declare the Notes of such Class to be immediately due and payable and to exercise certain remedial proceedings, payment of the Repayment Amount is effectively subordinated to, as long as the relevant Counterparty Contract is in effect, the rights of the Counterparty under such Counterparty Contract. Neither the Indenture Trustee nor any Holder of a Class of Notes will have access to the



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# QUEEN STREET IV CAPITAL LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### Credit risk and liquidity risk (continued)

Permitted Investments or other assets held in the respective Collateral Account, until the termination of the related Counterparty Contract and after giving effect to the payments of any claims made thereunder.

At 31 December 2011 the total financial assets is \$99,390,000.

The Company's sources of funds for payment of interest on the notes are the payments from the counterparty and the Permitted Investments Yield. The Permitted Investments Yield is paid to Noteholders net of any applicable withholding taxes and fees and no "gross-up" payment or additional amounts are paid to the Noteholders.

#### Operational risk exposure

Operational risks is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel and infrastructure, and from external factors other than credit, markets and liquidity issues such as those arising from legal and regulatory requirements and generally accepted standards to corporate behaviour.

Operational risks arise from all of the Company's operations. The Company was incorporated with the purpose of engaging in those activities outlined in the preceding paragraphs. All management and administration functions are outsourced to Marsh Management Services (Dublin). Limited

#### Fair Value

The following table provides an analysis of the financial instruments at 31 December 2011 that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value adjustments are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# QUEEN STREET IV CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

At 31 December 2011	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
<u>Financial assets at fair value through profit or loss</u>	\$ '000	\$ '000	\$ '000	\$ '000
Financial assets	100,000	-	-	100,000
<b>Total Financial Assets</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>100,000</b>
<b>Financial Liabilities</b>				
<u>Financial liabilities at fair value through profit or loss</u>	\$ '000	\$ '000	\$ '000	\$ '000
Notes in issue	-	-	(99,930)	(99,930)
Derivatives	-	-	(610)	(610)
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>(100,000)</b>	<b>(100,000)</b>

The following table show a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value at 31 Dec 2011:

Financial Assets	At 1 Jan 2011	FV Movement	Redemptions	Issuances	At 31 Dec 2011
<u>Derivative financial instruments</u>	\$'000	\$'000	\$'000	\$'000	€'000
Derivatives	-	(610)	-	-	(610)
<u>Financial liabilities at fair value through profit or loss</u>					
Notes in Issue	-	610	-	(100,000)	(99,930)
<b>Total Level 3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(100,000)</b>	<b>(100,000)</b>

### 15. ULTIMATE PARENT UNDERTAKING

The ultimate controlling parties are Badb Charitable Trust Limited (1 Share), Eurydice Charitable Trust Limited (1 Share) and Medb Charitable Trust Limited (1 Share).

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## QUEEN STREET IV CAPITAL LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 16. RELATED PARTY TRANSACTIONS

The Company had the following transactions involving Directors:

During the year the Company incurred fees of \$5,137 relating to the management services provided by Marsh Management Services (Dublin) Limited. Stephen Hodgins is an employee of Marsh Management Services (Dublin) Limited.

In the ordinary course of their respective businesses, the various entities involved in the Offering such as the Issuer, the Initial Purchasers, the Indenture Trustee, the Calculation Agent and the Counterparty and each of their respective affiliates have engaged, and/or expect to engage in the future, in financial services, insurance and reinsurance, insurance and reinsurance related brokerage, investment banking, general financing and banking and other transactions with such other parties and their respective affiliates, including the provision of certain advisory services. From time to time, any Initial Purchaser or any placement agent may have owned and, in the future may own, equity and/or debt of the Counterparty or its affiliates. The Initial Purchasers may be an affiliate of various entities involved in the Offering. Munich Re Capital Markets GmbH and MEAG KAG are both affiliates of the Counterparty. GC Securities and the Manager are both part of Marsh & McLennan Companies, Inc.

#### 17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 21<sup>st</sup> September 2012