

Registered Number 3626421

MOTTRAM UNDERWRITING LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2016

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MOTTRAM UNDERWRITING LIMITED**DIRECTORS AND ADVISERS****Directors**

M B Sladden
J A Mackay
APCL Corporate Director No.1 Limited
APCL Corporate Director No.2 Limited

Company Secretary

Argenta Secretariat Limited

Registered Office

5th Floor
70 Gracechurch Street
London
EC3V 0XL

Bankers

Metro Bank
One Southampton Row
London
WC1B 5HA

Auditor

PKF Littlejohn LLP
Statutory Auditor
1 Westferry Circus
Canary Wharf
London
E14 4HD

The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 December 2016.

These Financial Statements present results under FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts".

Results and Dividends

The results for the year are set out on pages 9 and 10 of the Financial Statements. No dividends were declared and paid in the year. The Directors do not recommend the payment of a final dividend.

Directors

The Directors of the company are as in the Directors and Advisors section of the accounts. Mr D P Reames resigned as a Director on 24 February 2016. Mr J A Mackay was appointed a Director on 7 April 2016.

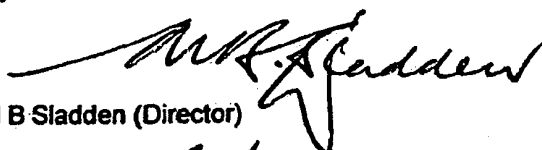
Disclosure of Information to the Auditor

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

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

Auditor

PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

By Order of the Board

M B Sladden (Director)

Date:

28 September 2017

The Directors have pleasure in presenting this Report together with the Financial Statements for the year ended 31 December 2016.

Review of the Business

The principal activity of the Company in the period under review was that of a corporate underwriting member of Lloyd's.

The Financial Statements incorporate the annual accounting results of the syndicates on which the Company participates for the 2014, 2015 and 2016 years of account, as well as any 2013 and prior run-off years.

The annual accounting technical result for the year is a profit of £101,612 (2015 – profit of £210,057).

The lack of any major catastrophe losses has seen the company record a strong annual accounting result.

The 2014 year closed at 31 December 2016 with a profit, net of any calendar year run-off movements of £283,449 (2013 profit - £269,698). The 2015 and 2016 open underwriting account will normally close at 31 December 2017 and 2018.

Future Developments

The Company continues to write insurance business in the Lloyd's insurance market as a corporate underwriting member of Lloyd's. The capacity being underwritten on the 2017 year of account is £2,334,104 an increase of £194,928 (9%) compared to the 2016 year of account.

Key Performance Indicators

The Directors consider the following to be the key performance indicators of the Company:

	2016	2015	Change
US\$ exchange rate to £1	1.24	1.47	(15.6)%
Capacity (youngest underwriting year)	2,139,176	1,953,647	9.5%
Profit after tax	118,281	148,896	(20.6)%
Underwriting profit of latest closed pure year	283,445	269,698	5.1%
as a % of capacity	14.0%	13.4%	5.2%

Other Performance Indicators

As a result of the nature of this Company as a Lloyd's Corporate Member the majority of its activities are carried out by the Syndicates in which it participates. The company is not involved directly in the management of the Syndicate's activities, including employment of Syndicate staff, as these are the responsibility of the relevant Managing Agent. Each Managing Agent will also have responsibility for the environmental activities of each Syndicate, although by their nature insurers do not produce significant environmental emissions. As a result, the Directors of the Company do not consider it appropriate to monitor and report any performance indicators in relation to staff or environmental matters.

Risk Management

As a corporate member of Lloyd's the majority of the risks to this company's future cash flows arise from its participation in the results of Lloyd's syndicates. As detailed in Note 2, these risks are mostly managed by the Managing Agent of the syndicate. This company's role in managing this risk in conjunction with its Members' Agent focuses on selection of syndicate participations, deciding on the level of capacity to underwrite, including bidding for/selling capacity at the Lloyd's auctions, and monitoring performance of the syndicates, which includes visiting with underwriters, managing agents and consultants and keeping abreast of market information. The Company seeks to achieve a balance of risk and reward in the portfolio of syndicates it chooses to support.

By Order of the Board



M B Sladden (Director)

Date: 28th September, 2017

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report of the Directors, the Strategic Report and Financial Statements in accordance with applicable law and regulations.

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

- select suitable Accounting Policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent Auditor's Report to the Shareholders of Mottram Underwriting Limited

We have audited the Financial Statements of Mottram Underwriting Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts".

This report is made solely to the Company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

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

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements 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.

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Report of the Directors.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

NA Coulson

Neil Coulson (Senior statutory auditor)

For and on behalf of PKF Littlejohn LLP

Statutory Auditor

Date: *29 September 2017*

1 Westferry Circus
Canary Wharf
London E14 4HD

MOTTRAM UNDERWRITING LIMITED
PROFIT AND LOSS ACCOUNT
Year Ended 31 December 2016
TECHNICAL ACCOUNT - GENERAL BUSINESS

	Note	2016	2015
Gross Premiums Written	3	1,927,054	1,622,209
Outward reinsurance premiums		(383,017)	(320,513)
Net Premiums Written		1,544,037	1,301,696
Change in the provision for unearned premiums			
Gross provision	5	(79,818)	(47,226)
Reinsurers' share	5	17,040	5,473
Earned Premiums, Net of Reinsurance		1,481,259	1,259,943
Allocated Investment Return Transferred from the Non-Technical Account		38,693	16,314
Claims Paid			
Gross amount		(778,336)	(702,285)
Reinsurers' share		112,965	111,221
Net claims paid		(665,371)	(591,064)
Change in Provision for Claims			
Gross amount	5	(164,014)	119,919
Reinsurers' share	5	78,385	(17,087)
Net change in provision for claims		(85,629)	102,832
Claims Incurred, Net of Reinsurance		(751,000)	(488,232)
Net operating expenses	6	(667,340)	(577,968)
Balance on Technical Account for General Business		£101,612	£210,057

All the amounts above relate to continuing operations.

The Accounting Policies and Notes on pages 15 to 35 form part of these Financial Statements.

MOTTRAM UNDERWRITING LIMITED**PROFIT AND LOSS ACCOUNT**
Year Ended 31 December 2016**NON TECHNICAL ACCOUNT**

	Note	2016	2015
Balance on the General Business Technical Account		101,612	210,057
Investment income	7	58,659	65,370
Unrealised gains on investments	7	17,358	83,358
Investment expenses and charges	7	(20,297)	(16,386)
Unrealised losses on investments	7	(13,771)	(22,916)
Allocated investment return transferred to the general business technical account		(38,693)	(16,314)
Other income		-	-
Profit/(loss) on exchange - syndicate		77,401	15,378
Other charges		(62,902)	(132,207)
Profit/(Loss) on Ordinary Activities before Taxation	8	119,367	186,340
Tax on profit/(loss) on ordinary activities	9	(1,086)	(37,444)
Profit/(Loss) on Ordinary Activities after Taxation	15	£118,281	£148,896

All operations are continuing.

The Company had no recognised gains and losses in the year other than the profit above.

STATEMENT OF COMPREHENSIVE INCOME

	2016	2015
Profit/(Loss) for the financial year	118,281	148,896
Other Comprehensive income:		
Currency translation differences	-	-
	£118,281	£148,896

The Accounting Policies and Notes on pages 15 to 35 form part of these Financial Statements.

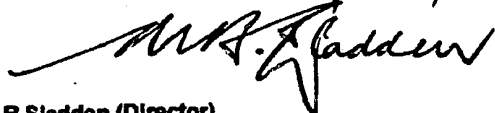
		2016			2015		
	Note	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
ASSETS							
Intangible Assets							
Syndicate participation rights	10	-	45,692	45,692	-	51,592	51,592
Investments							
Financial investments	11	2,282,923	-	2,282,923	2,004,493	278,809	2,283,302
Deposits with ceding undertakings		122	-	122	104	-	104
		<u>2,283,045</u>	<u>-</u>	<u>2,283,045</u>	<u>2,004,597</u>	<u>278,809</u>	<u>2,283,406</u>
Reinsurers' Share of Technical Provisions							
Provision for unearned premiums	5	136,483	-	136,483	106,018	-	106,018
Claims outstanding	5	602,162	-	602,162	449,306	-	449,306
		<u>738,645</u>	<u>-</u>	<u>738,645</u>	<u>555,324</u>	<u>-</u>	<u>555,324</u>
Debtors							
Arising out of direct insurance operations							
Policyholders		47	-	47	19	-	19
Intermediaries		472,667	-	472,667	368,980	-	368,980
Arising out of reinsurance operations		416,061	-	416,061	380,435	-	380,435
Other debtors	12	302,684	9,089	311,773	264,812	-	264,812
	12	<u>1,191,459</u>	<u>9,089</u>	<u>1,200,548</u>	<u>1,014,246</u>	<u>-</u>	<u>1,014,246</u>
Other Assets							
Cash at bank and in hand	13	125,124	578,531	703,655	96,865	192,612	289,477
Other		117,263	-	117,263	89,143	-	89,143
		<u>242,387</u>	<u>578,531</u>	<u>820,918</u>	<u>186,008</u>	<u>192,612</u>	<u>378,620</u>
Prepayments and Accrued Income							
Accrued interest		3,111	-	3,111	1,312	-	1,312
Deferred acquisition costs	5	232,564	-	232,564	182,254	-	182,254
Other prepayments and accrued income		7,892	-	7,892	7,453	-	7,453
		<u>243,567</u>	<u>-</u>	<u>243,567</u>	<u>191,019</u>	<u>-</u>	<u>191,019</u>
Total Assets		<u><u>£4,699,103</u></u>	<u><u>£633,312</u></u>	<u><u>£5,332,415</u></u>	<u><u>£3,951,194</u></u>	<u><u>£523,013</u></u>	<u><u>£4,474,207</u></u>

The Accounting Policies and Notes on pages 15 to 35 form part of these Financial Statements.

		2016			2015		
	Note	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
LIABILITIES AND SHAREHOLDERS' FUNDS							
Capital and Reserves							
Called-up share capital	14	-	5,000	5,000	-	5,000	5,000
Share Premium Account		-	-	-	-	-	-
Profit and Loss Account	15	287,200	454,548	741,748	377,589	245,878	623,467
Total Shareholders' Funds	16	287,200	459,548	746,748	377,589	250,878	628,467
Technical Provisions							
Provision for unearned premiums	5	904,877	-	904,877	720,115	-	720,115
Claims outstanding - gross amount	5	2,790,124	-	2,790,124	2,267,792	-	2,267,792
		3,695,001	-	3,695,001	2,987,907	-	2,987,907
Provisions for Other Risks							
Deferred Taxation	17	-	113,460	113,460	-	142,553	142,553
Deposits Received from Reinsurers							
		220	-	220	162	-	162
Creditors							
Arising out of direct insurance operations		55,915	-	55,915	38,846	-	38,846
Arising out of reinsurance operations		254,450	-	254,450	235,348	-	235,348
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors	18	365,833	35,308	401,141	272,592	113,591	386,183
	18	676,198	35,308	711,506	546,786	113,591	660,377
Accruals and Deferred Income		40,484	24,996	65,480	38,750	15,991	54,741
Total Liabilities		£4,699,103	£633,312	£5,332,415	£3,951,194	£523,013	£4,474,207

Approved by the Board on

28th September, 2017



M B Sladden (Director)

The Accounting Policies and Notes on pages 15 to 35 form part of these Financial Statements.

MOTTRAM UNDERWRITING LIMITED
STATEMENT OF CHANGES IN EQUITY
Year Ended 31 December 2016

	Share capital	Share premium account	Profit and Loss account	Total
At 1 January 2015	5,000	-	474,571	479,571
Profit/(loss) for the financial year			148,896	148,896
Other comprehensive income			-	-
Dividends paid			-	-
Proceeds from issues of shares			-	-
At 31 December 2015	£5,000	£-	£623,467	£628,467
At 1 January 2016	5,000	-	623,467	628,467
Profit/(loss) for the financial year			118,281	118,281
Other comprehensive income			-	-
Dividends paid			-	-
Proceeds from issues of shares			-	-
At 31 December 2016	£5,000	£-	£741,748	£746,748

The Accounting Policies and Notes on pages 15 to 35 form part of these Financial Statements.

MOTTRAM UNDERWRITING LIMITED
CASH FLOW STATEMENT
Year Ended 31 December 2016

	Note	2016	2015
Net Cash from Operating Activities	19	238,411	112,707
Corporation Tax received / (paid)		-	-
Overseas Taxation paid		(571)	(1,369)
Taxation paid		(571)	(1,369)
Net cash generated from operating activities		237,840	111,338
Cash flow from investing activities			
Purchase of syndicate participations rights		(11,308)	(51,575)
Proceeds from sale of syndicate participations rights		-	-
Proceeds from sale of financial assets		281,546	-
Interest received		521	31
Interest paid on related party loan		-	-
Net Cash Inflow/(Outflow) from Investing Activities		270,759	(51,544)
		508,599	59,794
Financing			
Equity Dividends Paid		-	-
Funds (repaid)/lent by the Company to the Shareholders to meet expenses and cash calls		(122,680)	(31,962)
Net Cash (Outflow) from Financing		(122,680)	(31,962)
Net Cash inflow/(outflow) in the year		£385,919	£27,832
Decrease/increase in cash and cash equivalents		385,919	27,832
Cash and cash equivalents at beginning of year		192,612	164,780
Cash and cash equivalents at the end of the year		£578,531	£192,612

The Company has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the Cash Flow Statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from the Syndicates at Lloyd's.

The Accounting Policies and Notes on pages 15 to 35 form part of these Financial Statements.

General information

The Company is a private company limited by shares that was incorporated in England and whose registered office is 5th Floor, 70 Gracechurch Street, London, EC3V 0XL. The Company participates in insurance business as an underwriting member of various syndicates at Lloyd's.

Accounting Policies**Basis of Preparation**

The Financial Statements are prepared under the historical cost basis of accounting modified to include the revaluation of investments, and comply with applicable Accounting Standards.

The Company participates in insurance business as an underwriting member of various Syndicates at Lloyd's.

These Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts", the Companies Act 2006 and Schedule 3 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations, relating to insurance.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Report of the Directors and Strategic Report. In addition, the Report of the Directors and Strategic Report includes the Company's objectives, policies and processes for managing the majority of the risk to the company's future cash flows.

The Company has positive net assets at 31 December 2016 and continues to participate on the 2015 and 2016 underwriting years of account, which will normally close at 31 December 2017 and 2018 respectively, and has continued this participation since the year end on the 2017 year of account. The 2015 and 2016 underwriting years are expected to be profitable. As a consequence, the Directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the company has adequate resources to meet its underwriting and other operational obligations for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

Basis of Accounting

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

Amounts reported in the General Business Technical Account relate to the movements in the calendar year in respect of all relevant years of account of the Syndicates on which the Company participates.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents. Accordingly, these assets and liabilities have been shown separately in the balance sheet as "Syndicate Participation". Other assets and liabilities are shown as "Corporate". The syndicate assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

The information included in these Financial statements in respect of the Syndicates has been supplied by Managing Agents based upon the various accounting policies they have adopted. The following describes the policies they have generally adopted.

General Business**i. Premiums**

Premiums written comprise the total premiums receivable in respect of business inception during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the syndicates on which the Company participates, less an allowance for cancellations. All premiums are shown gross of commission payable to intermediaries and exclude taxes and duties levied on them.

ii. Unearned Premiums

Written premium is earned according to the risk profile of the policy. 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, calculated on a time apportionment basis having regard where appropriate, to the incidence of risk. The specific basis adopted by each syndicate is determined by the relevant managing agent.

iii. Deferred Acquisition Costs

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

iv. Reinsurance Premiums

Reinsurance premium costs are allocated by the Managing Agent of each syndicate to reflect the protection arranged in respect of the business written and earned.

v. Claims Incurred and Reinsurers' Share

Claims incurred comprise claims and settlement expenses (both internal and external) occurring in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and settlement expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount included in respect of IBNR is based on statistical techniques of estimation applied by each syndicate's in house reserving team and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to each syndicate's reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. Each syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly the two most critical assumptions made by each syndicates managing agent as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used including pricing models for recent business are reasonable indicators of the likely level of ultimate claims to be incurred.

v. Claims Incurred and Reinsurers' Share (continued)

The level of uncertainty with regard to the estimations within these provisions generally decreases with time since the underlying contracts were exposed to new risks. In addition the nature of short tail claims such as property where claims are typically notified and settled within a short period of time will normally have less uncertainty after a few years than long tail risks such as some liability business where it may be several years before claims are fully advised and settled. In addition to these factors if there are disputes regarding coverage under policies or changes in the relevant law regarding a claim this may increase the uncertainty in the estimation of the outcomes.

The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses. The provisions for gross claims and related reinsurance recoveries have been assessed on the basis of the information currently available to the directors of each syndicate's managing agent. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used, and the estimates made, are reviewed regularly.

vi. Unexpired Risks Provision

Provisions for unexpired risks are made where the costs of outstanding claims, related expenses and deferred acquisition costs are expected to exceed the unearned premium provision carried forward at the balance sheet date. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return. The provision is made on a syndicate by syndicate basis by the relevant managing agent.

vii. Closed Years of Account

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling costs. Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The company has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

viii. Run-off Years of Account

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

ix. **Net Operating Expenses (including Acquisition Costs)**

Net operating costs include acquisition costs, profit and loss on exchange and other amounts incurred by the syndicates on which the Company participates.

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the Balance Sheet date.

x. **Distribution of Profits and Collection of Losses**

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between syndicates and their members. Lloyd's continues to require membership of syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's

xi. **Financial assets and financial liabilities**

The syndicates investments comprise of debt and equity investments, derivatives, cash and cash equivalents and loans and receivables.

Debtors/creditors arising from insurance/reinsurance operations shown in the Balance Sheet include the totals of all the syndicates outstanding debit and credit transactions as processed by the Lloyd's central facility. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

Recognition

Financial assets and liabilities are recognised when the syndicate becomes party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the syndicate after deducting all of its liabilities.

Initial measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate if interest for a similar debt instrument.

Subsequent measurement

Non-current debt instruments are subsequently measured at amortised cost using the effective interest method.

xi. Financial assets and financial liabilities (continued)

Debt instruments that are classified as payable or receivable within one financial year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

Other debt instruments are measured at fair value through profit or loss.

Derecognition of financial assets and liabilities

Financial assets are derecognized when and only when a) the contractual rights to the cash flow from the financial asset expire or are settled, b) the syndicates transfer to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the syndicates, despite having retained some significant risks and rewards of ownership, have transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognized only when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse in time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the syndicates estimate the fair value by using a valuation technique.

Impairment of financial instruments measured at amortised cost or cost

For financial assets carried at amortised cost, the amount of an impairment is 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, i.e. using the effective interest method.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in profit and loss immediately.

xii. Investment Return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges.

Realised and unrealised gains and losses are measured by reference to the original cost of the investment if purchased in the year, or if held at the beginning of the year by reference to the current value at that date.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting the underwriting business.

xii. Basis of Currency Translation

The functional and presentational currency of the Company is sterling.

Syndicates maintain separate funds in sterling, United States dollars, Canadian dollars and Euros.

Income and expenditure in US dollars, Canadian dollars and Euros is translated at the average rate of exchange for the year. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Assets and liabilities are translated into sterling at the rates of exchange at the Balance Sheet date.

Differences arising on the translation of foreign currency amounts in syndicates are included in the technical account or non-technical account depending on the treatment by the underlying syndicates.

Taxation

The company is taxed on its results including its share of underwriting results declared by the syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. The syndicate results included in these financial statements are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for corporation tax in relation to open years of account. However, full provision is made for deferred tax on underwriting results not subject to current corporation tax.

The taxable results of the syndicates at a syndicate level are calculated by the managing agent and computations submitted to HM Revenue & Customs (HMRC). Any adjustments that may be necessary to the tax provisions established by the Company, as a result of any HMRC enquiry into these computations, will be reflected in the financial statements of subsequent periods.

Deferred Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

Deferred tax assets are recognised to the extent that it is regarded as probable that they will be recovered.

Intangible Assets

Costs incurred by the Company in the Corporation of Lloyd's auctions in order to acquire rights to participate on Syndicates' underwriting years are included within intangible fixed assets and amortised over a 3 year period beginning in the year after the underwriting commences in respect of the purchased Syndicate participation.

Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks, other short-term liquid investments with original maturities of three months or less and cash in hand.

Share capital

Ordinary share capital is classified as equity.

Distributions

Dividend distributions to the Company's shareholders are recognised in the Financial Statements in the period in which the dividends are approved by the shareholders.

1 Key accounting judgements and estimation uncertainties

In applying the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. These judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The 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, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The measurement of the provision for claims outstanding is the most significant judgement involving estimation uncertainty regarding amounts recognised in these Financial Statements in relation to underwriting by the syndicates and this is disclosed further in Note 5.

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Company looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate.

2 Risk management

The syndicate's activities expose it to a variety of financial and non-financial risks. The managing agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. Each year, the managing agent prepares a Lloyd's Capital Return ("LCR") for the syndicate, the purpose of this being to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the syndicate's business, and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the LCR, and, typically, the majority of the total assessed value of the risks concerned is attributable to insurance risk.

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risks arise from the risk that a reinsurer fails to meet their share of a claim. The management of the syndicate's funds is exposed to risks of investment, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks including its ability to continue to trade. However, supervision by Lloyd's provides additional controls over the syndicate's management of risks.

The Company manages the risks faced by the syndicates on which it participates by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate for the following year, with a review of the business plan prepared for each syndicate by its managing agent. In addition, quarterly reports and annual accounts together with any other information made available by the managing agent are monitored and if necessary enquired into. If the Company considers that the risks being run by the syndicate are excessive it will seek confirmation from the managing agent that adequate management of the risk is in place and, if considered appropriate will withdraw support from the next underwriting year. The Company relies on advice provided by the members agent which acts for it, who are specialists in assessing the performance and risk profiles of syndicates. The Company also mitigates its insurance risks by participating across several syndicates as detailed in Note 23.

The analysis below provides details of the financial risks the Company is exposed to from syndicate insurance activities as required by FRS 103. Note 5 provides further analysis of sensitivities to reserving and underwriting risks.

Syndicate risks**i. Liquidity risk**

The syndicates are exposed to daily calls on their available cash resources, principally from claims arising from its insurance business. Liquidity risk arises where cash may not be available to pay obligation when due, or to ensure compliance with the syndicate's obligations under the various trust deeds to which it is party.

The syndicates' aim to manage their liquidity position so that they can fund claims arising from significant catastrophic events, as modelled in their Lloyd's realistic disaster scenarios ("RDS").

ii. Credit risk

Credit ratings to syndicate assets emerging directly from insurance activities, excluding cash at bank, financial investments and insurance debtors, which are neither past due nor impaired are as follows:

	AAA	AA	A	BBB or lower	Not rated	Total
2016						
Deposits with ceding undertakings	-	-	-	-	85	85
Reinsurers share of claims outstanding	10,136	154,524	401,343	11,934	24,225	602,162
Reinsurance debtors	48,255	113,240	181,489	26,261	46,816	416,061
Total	£58,391	£267,764	£582,832	£38,195	£71,126	£1,018,308

2 Risk management (continued)

Syndicate risks (continued)

ii. Credit risk (continued)

	AAA	AA	A	BBB or lower	Not rated	Total
2015						
Deposits with ceding undertakings	-	-	-	-	104	104
Reinsurers share of claims outstanding	9,230	132,019	288,698	4,702	14,657	449,306
Reinsurance debtors	2,661	159,756	215,657	1,449	912	380,435
Total	£11,891	£291,775	£504,355	£6,151	£15,673	£829,845

Syndicate assets emerging directly from insurance activities, excluding cash at bank and financial investments, past their due date or impaired are as follows:

	Neither due nor impaired	Up to three months	Three months to one year	Greater than one year	Financial assets that have been impaired	Total
2016						
Deposits with ceding undertakings	122	-	-	-	-	122
Reinsurers share of claims outstanding	602,163	-	-	-	-	602,163
Reinsurance debtors	300,323	93,718	9,211	25	12,784	416,061
Total	£902,608	£93,718	£9,211	£25	£12,784	£1,018,346

	Neither due nor impaired	Up to three months	Three months to one year	Greater than one year	Financial assets that have been impaired	Total
2015						
Deposits with ceding undertakings	104	-	-	-	-	104
Reinsurers share of claims outstanding	449,456	475	7	-	(632)	449,306
Reinsurance debtors	337,183	37,056	4,826	132	1,238	380,435
Insurance debtors	342,288	15,410	8,704	2,912	(315)	368,999
Total	£1,129,031	£52,941	£13,537	£3,044	£291	£1,198,844

iii. Interest rate and equity price risk

Interest rate risk and equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates and market prices, respectively.

2 Risk management (continued)

Syndicate risks (continued)

iv. Currency risk

The syndicates' main exposure to foreign currency risk arises from insurance business originating overseas, primarily denominated in US dollars. Transactions denominated in US dollars form a significant part of the syndicates' operations. This risk is, in part, mitigated by the syndicates maintaining financial assets denominated in US dollars against its major exposures in that currency.

The table below provides details of syndicate assets and liabilities by currency:

	GBP £	USD converted	EUR converted	CAD converted	Other converted	Total
2016						
Total assets	574,183	3,248,646	262,959	284,640	50,244	4,420,673
Total liabilities	(837,675)	(3,074,141)	(220,945)	(258,385)	(84,751)	(4,475,898)
Surplus/(deficiency) of assets	£(263,492)	£174,505	£42,015	£26,254	£(34,507)	£(55,225)
	GBP £	USD converted	EUR converted	CAD converted	Other converted	Total
2015						
Total assets	738,416	2,810,467	229,171	158,167	14,972	3,951,193
Total liabilities	(856,246)	(2,378,323)	(193,314)	(105,188)	(40,533)	(3,573,604)
Surplus/(deficiency) of assets	£(117,830)	£432,144	£35,857	£52,979	£(25,561)	£377,589

The impact of a 5% change in exchange rates between GBP and other currencies would be £25,128 on the result for the year (2015: £24,771).

Company risks

i. Investment, credit, liquidity and currency risks

The significant risks faced by the Company are with regard to the investment of the available funds within its own custody. The elements of these risks are investment risk, credit risk, liquidity risk, currency risk and interest rate risk. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the Company to meet the claim. In order to minimise investment, credit and liquidity risk the Company's funds are invested in readily realisable short term deposits. The syndicates can distribute their results in Pound Sterling, US Dollars or a combination of the two. The Company is exposed to movements in the US Dollar between the Balance Sheet date and the distribution of the underwriting profits and losses, which is usually in the May following the closure of a year of account. The Company does not use derivative instruments to manage risk and, as such, no hedge accounting is applied.

ii. Regulatory risks

The Company is subject to continuing approval by Lloyd's to be a member of a Lloyd's syndicate. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's. The capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. A variety of factors are taken into account by Lloyd's in setting these requirements including market conditions and syndicate performance and although the process is intended to be fair and reasonable, the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the Company is able to support.

iii. Operational risks

As there are relatively few transactions actually undertaken by the Company there are only limited systems and operational requirements of the Company and therefore operational risks are not considered to be significant. Close involvement of all Directors in the Company's key decision making and the fact that the majority of the Company's operations are conducted by syndicates, provides control over any remaining operational risks.

3 Class of Business

	Gross written premiums	Gross premiums earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
2016						
Direct						
Accident and health	92,331	85,903	(41,808)	(41,505)	(2,186)	404
Motor (third party liability)	10,512	11,771	(6,889)	(4,175)	(371)	336
Motor (other classes)	162,914	153,677	(152,680)	(49,771)	36,787	(11,987)
Marine, aviation and transport	243,615	236,880	(136,758)	(105,962)	(10,007)	(15,847)
Fire and other damage to property	502,934	482,574	(217,982)	(173,162)	(66,910)	24,520
Third party liability	330,500	293,677	(166,965)	(119,600)	(12,365)	(5,253)
Credit and suretyship	25,519	23,471	(11,558)	(7,629)	(2,839)	1,445
Legal expenses	1,658	1,555	(696)	(810)	(7)	42
Other	12,420	13,412	(5,874)	(5,093)	(784)	1,661
Total Direct	1,382,403	1,302,920	(741,210)	(507,707)	(58,682)	(4,679)
Reinsurance Business						
Reinsurance balance	544,651	544,316	(201,140)	(159,633)	(115,945)	67,598
Total Reinsurance	544,651	544,316	(201,140)	(159,633)	(115,945)	67,598
Total	£1,927,054	£1,847,236	£(942,350)	£(667,340)	£(174,627)	£62,919
2015						
Direct						
Accident and health	74,533	71,799	(27,869)	(33,544)	(5,982)	4,404
Motor (third party liability)	12,422	11,108	(8,075)	(3,957)	358	(566)
Motor (other classes)	142,553	132,228	(95,096)	(39,906)	(1,557)	(4,331)
Marine, aviation and transport	218,327	212,676	(71,522)	(97,985)	(25,615)	17,554
Fire and other damage to property	426,986	426,972	(151,156)	(162,810)	(70,204)	42,802
Third party liability	251,524	235,064	(121,669)	(96,616)	(11,076)	5,703
Credit and suretyship	21,454	21,316	(12,615)	(5,371)	(2,559)	771
Legal expenses	2,417	3,820	(1,219)	(1,785)	(3)	813
Other	13,452	13,115	(5,580)	(4,914)	(1,102)	1,519
Total Direct	1,163,668	1,128,098	(494,801)	(446,888)	(117,740)	68,669
Reinsurance Business						
Reinsurance balance	458,541	446,885	(87,565)	(131,080)	(103,166)	125,074
Total Reinsurance	458,541	446,885	(87,565)	(131,080)	(103,166)	125,074
Total	£1,622,209	£1,574,983	£(582,366)	£(577,968)	£(220,906)	£193,743

4 Geographical Analysis

	2016	2015
Direct Gross Premium Written In		
United Kingdom	1,382,403	1,163,668
Other EU Member States	-	-
Rest of the World	-	-
	<u>£1,382,403</u>	<u>£1,163,668</u>

5 Technical Provisions

	Gross	Reinsurance	2016 Net	Gross	Reinsurance	2015 Net
Movement in claims outstanding						
At 1 January	2,267,792	(449,306)	1,818,486	2,264,541	(435,955)	1,828,586
Movement in technical account	164,014	(78,385)	85,629	(119,919)	17,087	(102,832)
Other movements	358,318	(74,471)	283,847	123,170	(30,438)	92,732
	<u>£2,790,124</u>	<u>£(602,162)</u>	<u>£2,187,962</u>	<u>£2,267,792</u>	<u>£(449,306)</u>	<u>£1,818,486</u>

	Gross	Reinsurance	2016 Net	Gross	Reinsurance	2015 Net
Movement in unearned premium						
At 1 January	720,115	(106,018)	614,097	649,051	(91,019)	558,032
Movement in technical account	79,818	(17,040)	62,778	47,226	(5,473)	41,753
Other movements	104,944	(13,425)	91,519	23,838	(9,526)	14,312
	<u>£904,877</u>	<u>£(136,483)</u>	<u>£768,394</u>	<u>£720,115</u>	<u>£(106,018)</u>	<u>£614,097</u>

	2016	2015
Movement in deferred acquisitions costs		
At 1 January	182,254	162,693
Movement in technical account	25,560	16,423
Other movements	24,750	3,138
	<u>£232,564</u>	<u>£182,254</u>

Included within other movements are foreign exchange movements in restating the opening balances and the effect of the 2013 and prior years' technical provisions being reinsured to close into the 2014 year of account (2015: 2012 and prior years' technical provisions being reinsured to close into the 2013 year of account), to the extent where the Company's syndicate participation portfolio has changed between those two years of account.

Assumptions, changes in assumptions and sensitivity

As described in Note 2 the majority of the risks to the Company's future cash flows arise from its participation in the results of Lloyd's syndicates and are mostly managed by the managing agents of the syndicates. The Company's role in managing these risks, in conjunction with the Company's members' agent, is limited to a selection of syndicate participations and monitoring the performance of the syndicates and their managing agents.

The amounts carried by the Company arising from insurance contracts are calculated by the managing agents of the syndicates and derived from accounting information provided by the managing agents and reported upon by the syndicate auditors.

5 Technical Provision (continued)

The key assumptions underlying the amounts carried by the Company arising from insurance contracts are:

- the net premiums written calculated by the managing agent are an accurate assessment of the premiums payable as a result of the risks contractually committed to up to the Balance Sheet date;
- the net unearned premiums calculated by the managing agent are an accurate assessment of the net premiums written that reflect the exposure to risks arising after the Balance Sheet date, including appropriate allowance for anticipated losses in excess of the unearned premium;
- the claims reserves calculated by the managing agents are an accurate assessment of the ultimate liabilities in respect of claims relating to events up to the Balance Sheet date;
- the potential ultimate result of run-off year results has been accurately estimated by the managing agents; and
- the values of investments and other assets and liabilities are correctly stated at their realisable values at the Balance Sheet date.

There have been no changes to these assumptions in 2016.

The amounts carried by the Company arising from insurance contracts are sensitive to various factors as follows:

- a 5% increase/decrease in net earned premium (with all other underwriting elements assumed to change pro-rata with premium) will increase/decrease the Company's pre-tax profit/loss by £74,063 (2015: £62,997);
- a 5% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the Company's pre-tax profit/loss by £139,506 (2015: £113,390);
- a 5% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Company's pre-tax profit/loss by £109,398 (2015: £90,924).

The 5% movement has been selected to give an indication of the possible variations in the assumptions used.

The historical gross and net claims development is as follows:

Gross basis

Underwriting year	After 12 months	After 24 months	After 36 months	Ultimate	Cumulative payments	Total
2011 and prior (including RITC)	873,323	1,251,968	1,778,083	1,778,083	(1,010,586)	767,497
2012	823,139	1,094,017	1,002,067	1,002,067	(783,582)	218,485
2013	553,055	921,271	850,633	850,633	(634,250)	216,383
2014	546,100	886,173	892,638	892,638	(488,379)	404,259
2015	521,433	965,256	-	965,256	(326,014)	639,242
2016	645,912	-	-	645,912	(101,654)	544,258
				£6,134,589	£(3,344,465)	£2,790,124

Net basis

Underwriting year	After 12 months	After 24 months	After 36 months	Ultimate	Cumulative payments	Total
2011 and prior (including RITC)	705,469	1,028,174	1,362,708	1,362,708	(806,186)	556,522
2012	671,572	926,336	838,533	838,533	(667,305)	171,228
2013	473,673	804,445	733,052	733,052	(556,360)	176,692
2014	457,634	758,222	758,592	758,592	(426,939)	331,653
2015	437,900	823,666	-	823,666	(295,742)	527,924
2016	515,211	-	-	515,211	(91,268)	423,943
				£5,031,762	£(2,843,800)	£2,187,962

6 Net Operating Expenses	2016	2015
Acquisition costs	525,140	444,796
Change in deferred acquisition costs	(25,560)	(16,423)
Administrative expenses	167,759	149,750
(Profit)/loss on exchange	1	(155)
	<u>£667,340</u>	<u>£577,968</u>

7 Investment Income	2016	2015
Income from investments	39,428	50,868
Realised gains on investments	18,710	14,471
Bank Deposit Interest	521	31
	<u>58,659</u>	<u>65,370</u>
Investment income	58,659	65,370
Investment management expenses	3,939	3,557
Losses on the realisation of investments	16,358	12,829
	<u>20,297</u>	<u>16,386</u>
Investment expenses and charges	20,297	16,386
Unrealised gains and losses - net	3,587	60,442
	<u>£41,949</u>	<u>£109,426</u>
Total investment return	£41,949	£109,426

Analysed as follows:

	2016			2015		
	Investments at fair value through profit or loss	Investments available for sale	Total	Investments at fair value through profit or loss	Investments available for sale	Total
Realised gains or losses	2,353	-	2,353	1,642	-	1,642
Unrealised gains or losses	3,587	-	3,587	60,442	-	60,442
Other relevant income	-	-	-	-	-	-
	<u>£5,940</u>	<u>£-</u>	<u>£5,940</u>	<u>£62,084</u>	<u>£-</u>	<u>£62,084</u>
Interest and similar income, net of expense			36,010			47,342
Total investment return			<u>£41,950</u>			<u>£109,426</u>

8 Profit/(Loss) on Ordinary Activities before Taxation	2016	2015
This is stated after charging/(crediting):		
	£	£
Fees payable to the company's auditor for:		
- audit of the financial statements	1,945	1,945
- taxation services	1,700	1,700
- other services	1,755	1,755
Directors remuneration	18,000	-
Amortisation of syndicate capacity	17,208	12,594
(Profit)/loss on sale of syndicate capacity	-	-
Exchange (gain) or loss - Non Technical Account	(78,307)	(12,337)
Interest payable on related party loans	-	-
Interest payable - other	-	-
	<u></u>	<u></u>

The Company has no employees.

9 Taxation	2016	2015
Analysis of Charge in Year		
Current tax		
UK Corporation Tax on profits of the year	42,090	-
Adjustments in respect of previous years	-	-
	<u>42,090</u>	<u>-</u>
Double taxation relief	(12,482)	-
	<u>29,608</u>	<u>-</u>
Foreign tax	571	1,369
	<u>30,179</u>	<u>1,369</u>
Deferred tax		
Origination and reversal of timing differences	(29,093)	36,075
Effect of change in tax rate on opening liability or asset	-	-
	<u>(29,093)</u>	<u>36,075</u>
Total deferred tax	<u>(29,093)</u>	<u>36,075</u>
Tax on profit/(loss) on ordinary activities	<u>£1,086</u>	<u>£37,444</u>

Factors Affecting Tax Charge for the Year

The tax assessed for the period is different to the standard rate of corporation tax in the UK. The differences are explained below:

	2016	2015
Profit/(loss) on ordinary activities before tax	<u>£119,367</u>	<u>£186,340</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 20% (2015 - 20%)	23,873	37,268
Effects of:		
Expenses not deductible for tax purposes	-	-
Income not subject to tax	-	(3,330)
Timing differences arising on the taxation of the underwriting results	2,272	26,426
Trading losses carried forward/(utilised)	(44,370)	(9,003)
Foreign tax	(11,911)	1,369
Capital gains on sale of shares	31,222	-
Other timing differences	-	(15,286)
	<u>£1,086</u>	<u>£37,444</u>
Tax charge for year	<u>£1,086</u>	<u>£37,444</u>

Factors that may affect Future Tax Charges

The results of the Company's participation on the 2014, 2015 and 2016 years of account and the calendar year movement on 2013 and prior run-offs, will not be assessed to tax until the year ended 31 December 2017, 2018 and 2019 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account. In addition, tax only Claims Equalisation Reserves (CER) may further affect the timing of the taxation of underwriting profits.

The above charge for foreign taxes has been estimated after making provision for double taxation relief with the UK. However due to the differences of timings and tax rates some foreign taxes may ultimately not be fully recoverable.

10 Intangible Assets

	Syndicate Participation Rights
Cost	
At 1 January 2016	284,356
Additions	11,308
Disposals	-
At 31 December 2016	295,664
Amortisation	
At 1 January 2016	232,764
Charge for the year	17,208
Disposals	-
At 31 December 2016	249,972
Net Book Value	
At 31 December 2016	£45,692
At 31 December 2015	£51,592

11 Investments

The Company uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets

Level 2: inputs other than quoted prices included within Level 1 that are observable (ie. developed using market data), for the asset or liability, either directly or indirectly

Level 3: priced determined using a valuation technique.

Other Financial Investments - Syndicate

	2016		2015	
	Market Value	Cost	Market Value	Cost
Shares and other variable yield securities and units in unit trusts	336,673	318,227	265,970	256,102
Debt securities and other fixed income securities	1,798,817	1,810,978	1,652,703	1,666,648
Participation in investment pools	79,257	72,203	51,147	45,026
Loans secured by mortgage	149	152	240	243
Other Loans	11,591	11,597	-	-
Deposits with credit institutions	20,204	20,204	2,848	2,848
Overseas deposits	34,196	34,196	31,234	30,949
Other	2,036	1,887	351	306
	£2,282,923	£2,269,444	£2,004,493	£2,002,122

Other Financial Investments - Corporate

Shares and other variable yield securities and units in unit trusts	-	-	278,809	109,510
	£-	£-	£278,809	£109,510
Listed investments included within the above	£-	£-	£278,809	£109,510

11 Investments (continued)

Other Financial Investments - Syndicate
2016

	Held at fair value through profit or loss			Total	Amortised Cost	Total
	Level 1	Level 2	Level 3			
Shares and other variable yield securities and units in unit trusts	69,339	267,247	88	336,674	-	336,674
Debt securities and other fixed income securities	338,725	1,460,092	-	1,798,817	-	1,798,817
Participation in investment pools	26,842	26,482	25,932	79,256	-	79,256
Loans and deposits with credit institutions	42,016	23,367	1,162	66,545	-	66,545
Derivatives	1,584	13	-	1,597	-	1,597
Other investments	-	-	34	34	-	34
Held for sale financial assets	-	-	-	-	-	-
Other	-	-	-	-	-	-
Fair Value	£478,506	£1,777,201	£27,216	£2,282,923	£-	£2,282,923

Other Financial Investments - Corporate
2016

	Held at fair value through profit or loss			Total	Amortised Cost	Total
	Level 1	Level 2	Level 3			
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
Fair Value	£-	£-	£-	£-	£-	£-

Other Financial Investments - Syndicate
2015

	Held at fair value through profit or loss			Total	Amortised Cost	Total
	Level 1	Level 2	Level 3			
Shares and other variable yield securities and units in unit trusts	34,433	189,244	42,292	265,969	-	265,969
Debt securities and other fixed income securities	609,956	934,514	108,232	1,652,702	-	1,652,702
Participation in investment pools	11,088	16,010	24,051	51,149	-	51,149
Loans and deposits with credit institutions	24,215	5,925	4,181	34,321	-	34,321
Derivatives	106	-	188	294	-	294
Other investments	-	-	58	58	-	58
Held for sale financial assets	-	-	-	-	-	-
Other	-	-	-	-	-	-
Fair Value	£679,798	£1,145,693	£179,002	£2,004,493	£-	£2,004,493

11 Investments (continued)

Other Financial Investments - Corporate
2015

	Held at fair value through profit or loss				Amortised Cost	
	Level 1	Level 2	Level 3	Total		Total
Shares and other variable yield securities and units in unit trusts	278,809	-	-	278,809	-	278,809
Debt securities and other fixed income securities	-	-	-	-	-	-
Fair Value	£278,809	£-	£-	£278,809	£-	£278,809

12 Debtors

Other debtors analysis:

	2016			2015		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Deferred Tax (Note 15)	-	-	-	-	-	-
Other	302,684	-	302,684	264,812	-	264,812
Related party loan accounts	-	9,089	9,089	-	-	-
	£302,684	£9,089	£311,773	£264,812	£-	£264,812

Other debtors includes £Nil (2015 - £Nil) in respect of cash calls paid to Lloyd's syndicates. This amount will be recoverable when the year of account on whose behalf the call was made is closed at a profit, or will be treated as a payment on account if the year is closed at a loss.

Included in total Debtors of £1,200,548 (2015: £1,014,246) is £197,991 (2015: £111,088) due after more than 1 year.

13 Cash at Bank and in hand

	2016			2015		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Lloyd's deposit	-	293,598	293,598	-	39,949	39,949
Cash at bank and in hand	125,124	284,933	410,057	96,865	152,663	249,528
	£125,124	£578,531	£703,655	£96,865	£192,612	£289,477

The Lloyd's deposit represents monies deposited with the Corporation of Lloyd's (Lloyd's) to support the Company's underwriting activities as described in the Accounting Policies. The Company has entered into a Lloyd's Deposit Trust Deed which gives the Corporation the right to apply these monies in settlement of any claims arising from the participation on the syndicates. These monies can only be released from the provision of this Deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset, or after the expiration of the Company's liabilities in respect of its underwriting.

14 Called-up Share Capital

	2016	2015
	Allotted, Called-up and Fully Paid	Allotted, Called-up and Fully Paid
5,000 Ordinary shares of £1 each	£5,000	£5,000

15 Profit and Loss Account

	2016		
	Syndicate Participation	Corporate	Total
Retained profit/(loss) brought forward	377,589	245,878	623,467
Transfer	(269,402)	269,402	-
Profit/(loss) for the financial year	179,013	(60,732)	118,281
Other recognised gains and losses	-	-	-
	<u>£287,200</u>	<u>£454,548</u>	<u>£741,748</u>
Retained profit/(loss) carried forward			

16 Shareholders' Funds

	2016	2015
Opening shareholders' funds	628,467	479,571
Profit / (loss) for the financial year	118,281	148,896
Transfer of share premium to share capital	-	-
Other recognised gains and losses	-	-
	<u>£746,748</u>	<u>£628,467</u>
Closing shareholders' funds		

17 Provision for Deferred Tax

	2016	2015
Liability/(asset) at start of year	142,553	106,478
Deferred tax charge/(credit) in Profit and Loss Account for year	(29,093)	36,075
	<u>£113,460</u>	<u>£142,553</u>
Liability/(asset) at end of year		

Analysis of Provision for Deferred Taxation

Timing differences arising from the taxation of the underwriting results	54,568	77,559
Claims Equalisation Reserves	58,892	74,390
Other timing differences	-	33,482
Tax losses carried forward	-	(42,878)
	<u>£113,460</u>	<u>£142,553</u>

Deferred tax has been provided at 19% (2015: 20%)

18 Creditors

Other creditors analysis:	2016			2015		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Other creditors	365,833	5,700	371,533	272,592	-	272,592
Corporation Tax	-	29,608	29,608	-	-	-
Related party loan accounts	-	-	-	-	113,591	113,591
	<u>£365,833</u>	<u>£35,308</u>	<u>£401,141</u>	<u>£272,592</u>	<u>£113,591</u>	<u>£386,183</u>

Included in total Creditors of £711,506 (2015: £660,377) is £92,094 (2015: £56,904) payable after more than 1 year.

19 Reconciliation of Operating Profit / (Loss) to Net Cash Inflow / (Outflow) from Operating Activities

	2016	2015
Operating Profit/(Loss)	119,367	186,340
Interest and dividends received - non-technical account	(521)	(16,681)
Realised and unrealised profits and losses on corporate investments	(2,737)	(76,431)
Underwriting result in year	(179,013)	(225,435)
Closed Year result distributable in year	269,402	229,100
Increase / (Decrease) in creditors	14,704	3,220
(Increase) / Decrease in debtors	-	-
(Profit) / Loss on sale of capacity	-	-
Amortisation of syndicate capacity	17,208	12,594
Net cash Inflow / (Outflow) from operating activities	£238,411	£112,707

20 Funds at Lloyd's

In addition to the Funds held in the Lloyd's Deposit (Note 13) the Company's Lloyd's underwriting is supported by a bank guarantee of £678,400 (2015: £678,400).

21 Related Party Transactions

The New Abingdon Trust Limited, a Guernsey based trust and its subsidiary Abingdon Trading Ventures Limited, a company registered in the British Virgin Islands (collectively "Abingdon") have provided Funds at Lloyd's to the company for which it charged £81,408 (2015 - £81,408), and recharged to this company £8,480 (2015 - £6,441) of bank charges, £Nil (2015 - £27,000) of consultancy charges and £Nil (2015 - £7,587) of legal and professional charges incurred in relation to this company's trading. No interest was charged on the loan in 2016 (2015 - £Nil). In 2016 £183,068 (2015 - £154,399) was repaid to Abingdon.

In addition M B Sladden received remuneration of £18,000 (2015 - £Nil).

Included within debtors at 31 December 2016 is £9,089 (2015: included within creditors is £113,591) which is due from Abingdon. These amounts are shown in note 12 and 18 under Related Party loan accounts.

22 Ultimate Controlling Party

The ultimate controlling party of the Company is The New Abingdon Trust Limited, a Guernsey based trust of which Michael Sladden, a director of this company, is an indirect beneficiary.

23 Syndicate Participation

Allocated capacity per underwriting year

Syndicate Managing Agent
No.

		2017	2016	2015	2014
		£	£	£	£
33	Hiscox Syndicates Limited	363,159	315,790	315,790	315,790
218	ERS Syndicate Management Ltd	121,876	91,432	88,893	111,116
510	Tokio Marine Kiln Syndicates Limited	236,771	221,281	171,281	171,281
557	Tokio Marine Kiln Syndicates Limited	50,000	50,000	50,000	50,000
609	Atrium Underwriters Limited	401,425	401,425	376,425	376,425
623	Beazley Furlonge Limited	212,668	179,922	160,645	172,363
958	Canopus Managing Agents Limited	-	-	148,661	140,625
1884	Charles Taylor Managing Agency Ltd	-	100,000	40,000	-
2010	Cathedral Underwriting Limited	196,875	196,875	196,875	225,000
2791	Managing Agency Partners Ltd.	322,020	297,020	272,020	308,208
4444	Canopus Managing Agents Limited	156,697	156,697	-	-
5886	Asta Managing Agency Limited	50,000	-	-	-
6103	Managing Agency Partners Ltd.	17,474	14,225	12,394	30,773
6104	Hiscox Syndicates Limited	71,000	66,794	75,000	75,000
6105	Ark Syndicate Management Limited	-	-	8,461	6,870
6106	Amlin Underwriting Limited	-	-	-	-
6107	Beazley Furlonge Limited	10,127	4,138	-	-
6111	Catlin Underwriting Agency Limited	24,012	43,577	37,202	34,774
7231	Asta Managing Agency Limited	100,000	-	-	-
		<u>£2,334,104</u>	<u>£2,139,176</u>	<u>£1,953,647</u>	<u>£2,018,225</u>