

Company registration number (England and Wales): 07458607

WELLES UW HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

www.humph.co.uk

TUESDAY



A6FSPCRD

A07

26/09/2017

#60

COMPANIES HOUSE

WELLES UW HOLDINGS LIMITED

CONTENTS

	Page
Company information	1
Report of the directors	2
Strategic report	3
Report of the auditors	4
Consolidated income statement	5 - 6
Consolidated statement of comprehensive income	6
Consolidated statement of financial position	7 - 8
Company statement of financial position	9
Consolidated statement of changes in shareholders' equity	10
Company statement of changes in shareholders' equity	11
Consolidated cash flow statement	12
Accounting policies	13 - 21
Notes to the financial statements	22 - 34

WELLES UW HOLDINGS LIMITED

COMPANY INFORMATION

COMPANY PERSONNEL

Directors	Gerald Knox Rosemary Knox
------------------	------------------------------

COMPANY ADDRESSES

Registered office	7-9 The Avenue Eastbourne East Sussex BN21 3YA
--------------------------	---

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

WELLES UW HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 2016.

Directors

The directors who held office at any time during the year are listed below:

Gerald Knox

Rosemary Knox

Statement of directors' responsibilities

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, Humphrey & Co, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditors are aware of that information.

Approved by the Board on 20 September 2017 and signed on its behalf by:

Rosemary Knox
Director



WELLES UW HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors have pleasure in presenting their strategic report for the year ended 31 December 2016.

Results and dividends

The profit for the year after taxation was £735,473 (2015: profit £287,698). Interim dividends of £28,865 (2015: £20,000) were paid during the year. The directors do not recommend the payment of a final dividend.

Principal activities and review of the business

The principal activity of the group in the year under review was to participate in underwriting at Lloyd's on a limited liability basis through its wholly owned subsidiary company. The subsidiary company, Welles Underwriting Limited, has continued to underwrite on the 2017 year on account where the market conditions are considered favourable for a profitable outcome subject to the level of claims experienced.

The result for the year is in respect of the 2016 annual accounting year, which consists of movements in the 2014, 2015 and 2016 years of account as well as any 2013 and prior run-off years. Gross premiums written increased from £4,807,098 to £5,719,288 compared to the previous year and the overall balance on the technical account increased from £158,521 to £169,600 as a result of the level of claims experienced.

The group's total capital and reserves at the year end were £6,905,060 (2015: £6,198,452).

The key business risks and uncertainties affecting the company are considered to relate to insurance risk, investment and currency risk and regulatory risk.

Financial risk management objectives and policies

The group is principally exposed to financial risk through its participation on Lloyd's Syndicates. It has delegated sole management and control of its underwriting through each Syndicate to the Managing Agent of that Syndicate and it looks to the Managing Agents to implement appropriate policies, procedures and internal controls to manage each Syndicate's exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The group is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the group.

Hedge accounting is not used by the group.

Key Performance Indicators

The directors monitor the performance of the group by reference to the following key performance indicators:

	2016	2015
Capacity (youngest underwriting year) (£)	5,883,140	5,602,443
Gross premium written as a % of capacity	97.2 %	85.8 %
Underwriting profit of latest closed year as a % of capacity	5.9 %	5.6 %
Run-off years of account movement (£)	(254,940)	(305,776)
Combined ratio	98.1 %	97.0 %

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

Approved by the Board on 2 September 2017 and signed on its behalf by:



Rosemary Knox
Director

WELLES UW HOLDINGS LIMITED

INDEPENDENT AUDITORS REPORT

TO THE SHAREHOLDERS OF WELLES UW HOLDINGS LIMITED

We have audited the group and parent company financial statements (the financial statements) of Welles UW Holdings Limited for the year ended 31 December 2016 on pages 5 to 34. 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".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Directors' Report and Strategic 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 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 group's and of the parent 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 our audit, the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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 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.



Andrew Robinson (Senior Statutory Auditor)
for and on behalf of Humphrey & Co
Chartered Accountants
Statutory Auditor

Date: 25 September 2017

Humphrey & Co
7-9 The Avenue
Eastbourne
East Sussex

WELLES UW HOLDINGS LIMITED**CONSOLIDATED INCOME STATEMENT - TECHNICAL ACCOUNT (GENERAL BUSINESS)
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £	2015 £
Gross premiums written	5	5,719,288	4,807,098
Outward reinsurance premiums		(985,911)	(886,088)
Net premiums written		4,733,377	3,921,010
Change in the provision for unearned premiums			
Gross provision	7	(176,694)	(71,144)
Reinsurers' share	7	43,564	3,438
Net change in the provision for unearned premiums		(133,130)	(67,706)
Earned premiums net of reinsurance		4,600,247	3,853,304
Allocated investment income	8	86,997	47,875
Claims paid			
Gross amount		(2,568,421)	(2,235,042)
Reinsurers' share		404,173	338,086
Net claims paid		(2,164,248)	(1,896,956)
Change in provision for claims			
Gross amount	7	(897,483)	(293,636)
Reinsurers' share	7	360,156	90,921
Net change in provision for claims		(537,327)	(202,715)
Claims incurred net of reinsurance		(2,701,575)	(2,099,671)
Net operating expenses	9	(1,809,266)	(1,637,175)
Investment expenses and charges	8	(6,803)	(5,812)
Balance on technical account for general business		169,600	158,521

WELLES UW HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT - NON TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015
		Total £	Total £
Balance on the general business technical account		169,600	158,521
Investment income	8	737,126	163,663
Other income	10	(777)	-
Other charges		(76,968)	(46,199)
Profit on ordinary activities before taxation	11	828,981	275,985
Tax on profit on ordinary activities	19	(93,508)	11,713
Profit for the financial year		735,473	287,698

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2016	2015
		£	£
Profit for the financial year		735,473	287,698
Other comprehensive income		-	-
Profit for the financial year		735,473	287,698

All amounts above relate to continuing operations.

WELLES UW HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

ASSETS	Note	Syndicate Assets £	Corporate £	2016 Total £	2015 Total £
Intangible assets					
Syndicate participation rights	13	-	121,608	121,608	60,713
Investments					
Financial investments	14	5,827,766	7,086,817	12,914,583	11,007,531
Deposits with ceding undertakings		2,818	-	2,818	2,545
Total investments		5,830,584	7,086,817	12,917,401	11,010,076
Reinsurers' share of technical provisions					
Provision for unearned premiums	7	383,670	-	383,670	288,415
Claims outstanding	7	1,004,680	-	1,004,680	834,224
Other technical provisions		1,027,802	-	1,027,802	693,993
Total reinsurers' share of technical provisions		2,416,152	-	2,416,152	1,816,632
Debtors					
Arising out of direct insurance operations	15				
Policyholders		89	-	89	58
Intermediaries		1,370,647	-	1,370,647	1,093,467
Arising out of reinsurance operations	15	123,709	-	123,709	118,745
Other debtors	16	1,596,881	-	1,596,881	1,575,834
Total debtors		3,091,326	-	3,091,326	2,788,104
Other assets					
Cash at bank	17	936,912	61,973	998,885	718,949
Other		1,487	-	1,487	2,840
Total other assets		938,399	61,973	1,000,372	721,789
Prepayments and accrued income					
Accrued interest		11,110	-	11,110	4,640
Deferred acquisition costs	7	720,621	-	720,621	580,270
Other prepayments and accrued income		43,834	1,290	45,124	37,045
Total prepayments and accrued income		775,565	1,290	776,855	621,955
Total assets		13,052,026	7,271,688	20,323,714	17,019,269

/continued...

WELLES UW HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued) AS AT 31 DECEMBER 2016

	Note	Syndicate Liabilities £	Corporate £	2016 Total £	2015 Total £
LIABILITIES					
Capital and reserves					
Called-up share capital	18	-	140,000	140,000	140,000
Share premium account		-	1,213,920	1,213,920	1,213,920
Profit and loss account		279,411	5,271,729	5,551,140	4,844,532
Shareholder's funds attributable to equity interests		279,411	6,625,649	6,905,060	6,198,452
Technical provisions					
Provision for unearned premiums	7	2,737,419	-	2,737,419	2,218,775
Claims outstanding - gross amount	7	8,457,017	-	8,457,017	6,957,504
Total technical provisions		11,194,436	-	11,194,436	9,176,279
Provisions for other risks and charges					
Provision for taxation	19	-	192,216	192,216	265,209
Deposits received from reinsurers		101,838	-	101,838	-
Creditors					
Arising out of direct insurance operations		203,916	-	203,916	147,163
Arising out of reinsurance operations		646,024	-	646,024	579,891
Amounts due to credit institutions	21	-	-	-	24,013
Other creditors	20	548,930	453,691	1,002,621	559,174
Total creditors		1,398,870	453,691	1,852,561	1,310,241
Accruals and deferred income					
Other accruals and deferred income		77,471	132	77,603	69,088
Total liabilities		13,052,026	7,271,688	20,323,714	17,019,269

Approved by the Board on *25 September* 2017 and signed on its behalf by:

Rosemary Knox
Director

Rosemary Knox

Company Registration No. 07458607

WELLES UW HOLDINGS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	2016 Total £	2015 Total £
Fixed assets			
Fixed assets and financial investments	14	140,000	131,135
Current assets			
Debtors	16	-	8,865
Cash at bank and in hand		-	-
Financial investments	14	-	-
		-	8,865
Creditors: amounts falling due within one year	20		
Amounts due to associated undertakings		-	-
Shareholders' loan account		-	-
Accruals		-	-
Net current assets/(liabilities)		-	8,865
Total assets less current liabilities		140,000	140,000
Net assets		140,000	140,000
Capital and Reserves			
Called up share capital	18	140,000	140,000
Share premium account		-	-
Revenue reserves		-	-
Total shareholders funds		140,000	140,000

No profit and loss account is presented for Welles UW Holdings Limited, as permitted by section 408 of the Companies Act 2006. The parent company's profit after tax for the financial year was £20,000 (2015 : £28,865).

Approved by the Board on 20 September 2017 and signed on its behalf by:

Rosemary Knox
Director



Company Registration No. 07458607

WELLES UW HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS AT 31 DECEMBER 2016**

	Note	Called up share capital £	Share premium account £	Retained earnings £	Total £
At 1 January 2015		131,135	1,213,920	4,585,699	5,930,754
Profit for the financial year		-	-	287,698	287,698
Other comprehensive income		-	-	-	-
Dividends paid		-	-	(20,000)	(20,000)
Proceeds from the issue of shares		8,865	-	(8,865)	-
At 31 December 2015		140,000	1,213,920	4,844,532	6,198,452
At 1 January 2016		140,000	1,213,920	4,844,532	6,198,452
Profit for the financial year		-	-	735,473	735,473
Other comprehensive income		-	-	-	-
Dividends paid		-	-	(28,865)	(28,865)
Proceeds from the issue of shares		-	-	-	-
At 31 December 2016		140,000	1,213,920	5,551,140	6,905,060

WELLES UW HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2016

	Note	Called up share capital £	Share premium account £	Retained earnings £	Total £
At 1 January 2015		131,135	-	-	131,135
Profit for the financial year		-	-	28,865	28,865
Other comprehensive income		-	-	-	-
Dividends paid		-	-	(20,000)	(20,000)
Proceeds from the issue of shares		8,865	-	(8,865)	-
At 31 December 2015		140,000	-	-	140,000
At 1 January 2016		140,000	-	-	140,000
Profit for the financial year		-	-	20,000	20,000
Other comprehensive income		-	-	-	-
Dividends paid		-	-	(20,000)	(20,000)
Proceeds from the issue of shares		-	-	-	-
At 31 December 2016		140,000	-	-	140,000

WELLES UW HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Cash inflow from operating activities	22	494,133	396,388
Interest received		2,204	696
Interest paid		-	-
UK corporation tax paid/refunded		(27,835)	118,891
Foreign tax paid		(151)	(2,063)
Net cash inflow from operating activities		468,351	513,912
Cash outflow from investing activities			
Purchase of syndicate participation rights		(90,330)	(28,451)
Proceeds from sale of syndicate participation rights		-	-
Purchase of investments		(1,882,857)	(1,910,195)
Proceeds from sale of investments		1,302,885	1,197,746
Dividends received		258,000	247,113
Dividends paid		(28,865)	(20,000)
Net cash outflow from investing activities		(441,167)	(513,787)
Cash inflow from financing			
Funds lent to the group			
by the parent company's shareholders		5,600	-
Issue of share capital		-	-
Net cash inflow from financing		5,600	-
Increase in cash		32,784	125
Net funds at 1 January		29,189	29,064
Increase in cash in the year		32,784	125
Net funds at 31 December		61,973	29,189

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

WELLES UW HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2016

1 General Information

The Company is a private company limited by shares that was incorporated in England and Wales and whose registered office is given on page 1 of these financial statements. The Company participates in insurance business, through its subsidiary companies, as an underwriting member of various syndicates at Lloyd's.

2 Accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts", the Companies Act 2006 and Regulation 6 of Schedule 3 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, relating to insurance.

The directors do not consider any company within the group to be a financial institution under FRS 102.

The financial statements are prepared in Sterling, which is the functional currency of the group. Monetary amounts in these financial statement are rounded to the nearest £.

2.2 Basis of consolidation

The amounts shown in the column to the balance sheet headed 'corporate' consolidate the accounts of Welles UW Holdings Limited and its subsidiary undertakings. The amounts shown in the column to the balance sheet headed 'total' consolidate the accounts of Welles UW Holdings Limited and its subsidiary undertakings and a pro rata share of the assets and liabilities of the syndicates on which they participate.

Merger accounting has been used in accordance with Section 19 of FRS 102. Consequently the consolidated profit and loss account and consolidated balance sheet show the results and position of Welles UW Holdings Limited as though the group has always existed.

The figures in the 2016 column show the results for the year ended 31 December 2016 and the figures in the 2015 column show the results for the year ended 31 December 2015 .

Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the group (its subsidiaries). Control is achieved where the group has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

WELLES UW HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2016

2.3 Going Concern

At the time of approving the accounts the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

2.4 Basis of accounting

The Financial Statements are prepared under the historical cost basis of accounting modified to include the revaluation of certain financial instruments held at fair value, through the income statement.

The technical account has been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums net of re-insurance. Amounts reported in the technical account relate to movements in the period in respect of all relevant years of account of the Syndicates on which the group participates.

Accounting information in respect of the Syndicate participations has been provided by the Syndicate managing agents through an information exchange facility operated by Lloyd's and has been reported on by the Syndicate auditors.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents and are shown separately on the Balance Sheet as "Syndicate Assets" and "Syndicate Liabilities". The assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

In continuing to apply the going concern basis to this group's Financial Statements the following factors have been taken into account: the likely timing of any underwriting and non-underwriting cash flows, any Funds at Lloyd's supporting the group's underwriting and not reflected in the group's Statement of Financial Position and the continued support of the Directors and Shareholders including the potential deferral of balances due to them.

General business

i Premiums

Gross premiums are accounted for in the period in which the risk commences, together with adjustments to premiums written in previous accounting periods. Future premiums relating to risks commencing in the period are based upon estimates made by the Syndicates' management. Other adjustments are accounted for as arising.

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.

WELLES UW HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

v Claims

Provision is made for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date, and for the related cost of settlement. Claims incurred comprise amounts paid or provided in respect of claims occurring during the current year, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year.

The claims provision determined by the managing agent will have been based on information that was currently available at the time. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided and will be reflected in the financial statements for the period in which the adjustment is made.

vi 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.

vii 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.

viii Investments and allocated investment income

In accordance with Lloyd's current accounting practice, investments are stated at market value, including accrued interest at the Balance Sheet date. Investment income is included in the General Business Technical Account reflecting that earned on the investment portfolio managed by the Syndicates. The allocated investment income therefore comprises income received and investment profits and losses arising in the calendar year including appreciation/depreciation and accrued interest consequent upon the revaluation of investments at 31 December. All gains and losses on investments are treated as realised at the Balance Sheet date.

ix Financial assets and financial liabilities

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

WELLES UW HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

ix Financial assets and financial liabilities (continued)

Debtors/creditors arising from insurance/reinsurance operations shown in the Statement of Financial Position include the totals of all the syndicate's 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 cost), except for those financial assets classified as at fair value through the income statement 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 of interest for a similar debt instrument.

Subsequent measurement

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

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 the income statement.

Derecognition of financial assets and liabilities

Financial assets are derecognised when and only when a) the contractual rights of 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 derecognised 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.

WELLES UW HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

ix Financial assets and financial liabilities (continued)

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 the income statement immediately.

x Basis of currency translation

Syndicates maintain separate funds in Sterling, United States and Canadian dollars, and may also do so in certain other currencies. All transactions where separate currencies are maintained are translated into Sterling at the rates of exchange ruling at the financial reporting date. Transactions during the period in other overseas currencies are expressed in Sterling at the rates ruling at the transaction date.

Monetary assets and liabilities, which according to FRS 103 are deemed to include unearned premiums and deferred acquisition costs, are translated into Sterling at the rates of exchange at the financial reporting date.

Any non-monetary items are translated into the functional currency using the rate of exchange prevailing at the time of the transaction. Insurance assets and liabilities (unearned premiums and deferred acquisition costs) have now been translated at period end to the functional currency at the closing rate.

xi Debtors/creditors arising from insurance/reinsurance operations

The amounts shown in the Statement of Financial Position include the totals of all the Syndicates outstanding debit and credit transactions. 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 insurers, reinsurers or intermediaries as appropriate.

xii 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 requirements.

2.5 Reinsurance at corporate level

Where considered applicable by the Directors, the group may purchase additional reinsurance to that purchased through the syndicates. Any such reinsurance premiums and related reinsurance recoveries are treated in the same manner as described for syndicates in Note 2.1 (iv) and (v).

2.6 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The group is taxed on its results including its share of underwriting results declared by the syndicates and these are deemed to accrue 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.

HM Revenue & Customs agrees the taxable results of the syndicates at a syndicate level on the basis of computations submitted by the managing agent. At the date of the approval of these financial statements the syndicate taxable results of years of account closed at this and previous year ends may not be fully agreed with HM Revenue & Customs. Any adjustments that may be necessary to the tax provisions established by the Company, as a result of HM Revenue & Customs agreement of syndicate results, will be reflected in the financial statements of subsequent periods.

WELLES UW HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

2.7 Deferred Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the financial reporting 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 more likely than not that they will be recovered. Deferred tax assets and liabilities have not been discounted.

2.8 Intangible assets

Costs incurred by the group in the Corporation of Lloyd's auctions in order to acquire rights to participate on Syndicates' underwriting years are included within intangible assets and amortised over a 3 year period beginning with the respective year of Syndicate participation. The intangible assets are reviewed for impairment where there are indicators for impairment and any impairment is charged to the income statement for the period.

2.9 Investments

Investments held directly by the group, by trustees of the Premium Trust Fund, or as the Lloyd's Deposit, are stated at fair value.

2.10 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.

3 Key accounting judgements and estimation uncertainties

In applying the group'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 4.

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

The key accounting judgements and sources of estimation uncertainty set out below therefore relate to those made in respect of the group only, and do not include estimates and judgements made in respect of the Syndicates.

i Purchased syndicate capacity

Estimating value in use:

Where an indication of impairment of capacity values exists, the Directors will carry out an impairment review to determine the recoverable amount, which is the higher of fair value less cost to sell and value in use. The value in use calculation requires an estimate of the future cash flows expected to arise from the capacity and a suitable discount rate in order to calculate present value.

Determining the useful life of purchased syndicate capacity:

The assessed useful life of syndicate capacity is 3 years. This is on the basis that this is the life over which the original value of the capacity is used up.

ii Assessing indicators of impairment

In assessing whether there have been any indicators of impairment of assets, the Directors consider both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

WELLES UW HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

iii Recoverability of debtors

The group establishes a provision for debtors that are estimated not to be recoverable. When assessing recoverability, factors such as the ageing of the debtors, past experience of recoverability, and the credit profile of individual groups of customers are all considered.

4 Risk management

This section summarises the financial and insurance risks the group is exposed to either directly at its own corporate level or indirectly via its participation in the Lloyd's syndicates.

Risk background

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 the reinsurer fails to meet their share of a claim. The management of the syndicate's funds is exposed to risks of investments, 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 group 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 group 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 from the next underwriting year. The group 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 group also mitigates its risks by participating across several syndicates.

The Directors do not consider the group to be a financial institution under FRS 102, on the basis that the group itself does not undertake the business of effecting or carrying out insurance contracts. Therefore there is no requirement to discuss financial risks arising from syndicate investment activities. The analysis below provides details of the financial risks the group is exposed to from syndicate insurance activities as required by FRS 103.

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 obligations 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").

WELLES UW HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

ii Credit risk

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

	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
2016						
Deposits with ceding undertakings	-	-	-	-	2,818	2,818
Reinsurers share of claims outstanding	41,470	325,823	1,576,042	14,319	67,677	2,025,331
Reinsurance debtors	9,081	8,178	60,680	2,010	3,279	83,228
Insurance debtors	-	-	-	-	1,214,969	1,214,969
Total	50,551	334,001	1,636,722	16,329	1,288,743	3,326,346
2015	£	£	£	£	£	£
Deposits with ceding undertakings	-	-	-	-	2,545	2,545
Reinsurers share of claims outstanding	32,639	286,023	1,146,680	6,268	36,342	1,507,952
Reinsurance debtors	4,389	15,189	422,541	1,033	4,443	447,595
Insurance debtors	-	-	-	-	1,312,428	1,312,428
Total	37,028	301,212	1,569,221	7,301	1,355,758	3,270,520

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

	Less than 3 months £	Between 3 and 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
2016						
Deposits with ceding undertakings	-	-	-	-	-	-
Reinsurers share of claims outstanding	394	22	25	15	-	456
Reinsurance debtors	35,759	1,269	1,363	617	1,472	40,480
Insurance debtors	72,943	20,784	23,278	40,233	(1,469)	155,769
Total	109,096	22,075	24,666	40,865	3	196,705
2015	£	£	£	£	£	£
Deposits with ceding undertakings	-	-	-	-	-	-
Reinsurers share of claims outstanding	167	87	31	7	(1,909)	(1,617)
Reinsurance debtors	51,145	4,229	3,944	973	1,214	61,505
Insurance debtors	49,012	16,921	19,539	22,819	(1,192)	107,099
Total	100,324	21,237	23,514	23,799	(1,887)	166,987

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.

WELLES UW HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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 tables below provides details of syndicate assets and liabilities by currency:

	GBP £ converted	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
2016						
Total assets	2,945,488	7,708,591	754,620	960,675	682,652	13,052,026
Total liabilities	(4,069,718)	(6,765,128)	(851,916)	(724,086)	(361,767)	(12,772,615)
Surplus/(deficiency) of assets	(1,124,230)	943,463	(97,296)	236,589	320,885	279,411
2015						
Total assets	3,201,917	6,144,147	567,146	572,932	402,268	10,888,410
Total liabilities	(3,684,665)	(5,395,575)	(661,895)	(388,725)	(347,031)	(10,477,891)
Surplus/(deficiency) of assets	(482,748)	748,572	(94,749)	184,207	55,237	410,519

Group risks

i Investment, credit, liquidity and currency risks

The significant risks faced by the group 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 group to meet the claim. In order to minimise investment, credit and liquidity risk the group'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 group is exposed to movements in the US Dollar between the Statement of Financial Position date and the distribution of the underwriting profits and losses, which is usually in the May following the closure of the year of account. The group does not use derivative instruments to manage risk and, as such, no hedge accounting is applied.

ii Regulatory risks

The group 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 group is able to support.

iii Operational risks

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

WELLES UW HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

5 Class of business	Gross written premiums	Gross premiums earned	Gross claims incurred	Operating expenses	Reinsurance balance
	£	£	£	£	£
2016					
Direct					
Accident and health	181,997	179,827	(116,926)	(74,244)	(5,588)
Motor - third party liability	20,264	20,968	(11,825)	(6,786)	(605)
Motor - other classes	466,836	414,099	(430,372)	(121,040)	102,924
Marine, aviation and transport	436,382	461,447	(234,787)	(168,667)	(23,268)
Fire and other damage to property	1,482,931	1,470,921	(786,800)	(484,261)	(168,173)
Third party liability	1,248,257	1,105,750	(1,013,972)	(389,883)	166,851
Credit and suretyship	70,786	58,227	(40,387)	(14,776)	(5,968)
Other	372,404	377,963	(210,963)	(160,493)	(16,504)
Total direct	4,279,857	4,089,202	(2,846,032)	(1,420,150)	49,669
Reinsurance business					
Reinsurance balance	1,439,431	1,453,392	(619,872)	(389,116)	(227,687)
Total	5,719,288	5,542,594	(3,465,904)	(1,809,266)	(178,018)
2015	£	£	£	£	£
Direct					
Accident and health	154,576	147,281	(95,894)	(65,867)	(6,319)
Motor - third party liability	20,543	20,220	(14,943)	(7,256)	1,423
Motor - other classes	364,738	343,721	(237,078)	(103,895)	(7,737)
Marine, aviation and transport	452,364	468,833	(180,329)	(183,780)	(42,821)
Fire and other damage to property	1,283,682	1,249,333	(515,133)	(450,250)	(202,712)
Third party liability	910,913	904,428	(857,745)	(330,474)	32,828
Credit and suretyship	54,624	53,409	(29,756)	(14,248)	(6,576)
Other	311,243	302,295	(180,233)	(128,817)	(21,691)
Total direct	3,552,683	3,489,520	(2,111,111)	(1,284,587)	(253,605)
Reinsurance business					
Reinsurance balance	1,254,415	1,246,434	(417,567)	(352,588)	(200,038)
Total	4,807,098	4,735,954	(2,528,678)	(1,637,175)	(453,643)

Any open year loss provisions, stop loss premiums and stop loss recoveries have been allocated across the classes of business by reference to the gross premiums written.

WELLES UW HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

6 Geographical analysis

	2016 £	2015 £
Direct gross premiums written in:		
United Kingdom	4,088,183	3,135,314
Other EU member states	71,815	55,683
The rest of the world	119,859	361,686
Total	4,279,857	3,552,683

7 Technical provisions

Movement in claims outstanding

	Gross £	Reinsurance £	2016 Net £	Gross £	Reinsurance £	2015 Net £
At 1 January	(6,957,504)	834,224	(6,123,280)	(6,940,767)	777,717	(6,163,050)
Movement in technical account	(897,483)	360,156	(537,327)	(293,636)	90,921	(202,715)
Other movements	(602,030)	(189,700)	(791,730)	276,899	(34,414)	242,485
At 31 December	(8,457,017)	1,004,680	(7,452,337)	(6,957,504)	834,224	(6,123,280)

Movement in unearned premiums

	Gross £	Reinsurance £	2016 Net £	Gross £	Reinsurance £	2015 Net £
At 1 January	(2,218,775)	288,415	(1,930,360)	(2,107,532)	243,334	(1,864,198)
Movement in technical account	(176,694)	43,564	(133,130)	(71,144)	3,438	(67,706)
Other movements	(341,950)	51,691	(290,259)	(40,099)	41,643	1,544
At 31 December	(2,737,419)	383,670	(2,353,749)	(2,218,775)	288,415	(1,930,360)

Movement in deferred acquisition costs

	2016 Net £	2015 Net £
At 1 January	580,270	544,093
Movement in deferred acquisition costs	36,119	41,442
Other movements	104,232	(5,265)
At 31 December	720,621	580,270

Included within other movements are foreign exchange movements in restating the opening balances and the effect of prior years' technical provisions being reinsured to close, to the extent where the company's syndicate participation portfolio has changed between years of account.

WELLES UW HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

7 Technical provisions (continued)

Assumptions, changes in assumptions and sensitivity

The majority of the risks to the group'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 group's role in managing these risks, in conjunction with the group'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 group 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.

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

- i 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 financial reporting date.
- ii 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 financial reporting date, including appropriate allowance for anticipated losses in excess of the unearned premium.
- iii 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 financial reporting date.
- iv The potential ultimate result of run-off year results has been accurately estimated by the managing agents.
- v The values of investments and other assets and liabilities are correctly stated at their realisable values at the financial reporting date.

There have been no changes to these assumptions in 2016.

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

- i A 5% increase/decrease in net earned premium (with claims incurred assumed to change pro-rata with premium) will increase/decrease the group's pre-tax profit/loss by £94,934 (2015: £87,682).
- ii A 5% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the group's pre-tax profit/loss by £422,851 (2015: £347,875).
- iii A 5% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the group's pre-tax profit/loss by £372,617 (2015: £306,164).

Claims development - gross		At end of underwriting year £	After 12 months £	After 24 months £	After 36 months £	Profit/loss on RITC received £
Underwriting pure year						
	2016	1,844,508	-	-	-	-
	2015	1,413,421	2,856,675	-	-	-
	2014	1,529,435	2,891,181	3,145,217	-	-
	2013	1,501,403	2,733,317	2,872,960	2,879,040	-
	2012 and prior years	3,983,243	6,424,501	6,440,939	16,708,459	-

WELLES UW HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

7 Technical provisions (continued)

Claims development - net	At end of underwriting year £	After 12 months £	After 24 months £	After 36 months £	Profit/loss on RITC received £
Underwriting pure year					
2016	1,489,214	-	-	-	-
2015	1,204,340	2,444,170	-	-	-
2014	1,302,929	2,473,175	2,634,973	-	-
2013	1,315,811	2,425,489	2,506,781	2,486,040	-
2012 and prior years	3,299,345	5,380,189	5,347,961	13,437,751	-

8 Investment return

The following return on investments relate to investments held at fair value.

	2016 £	2015 £
Investment income	100,972	60,175
Realised loss on investments	(13,975)	(12,300)
Allocated investment income - technical account	86,997	47,875
Income from other investments (including interest receivable)	260,204	247,809
Realised gain on investments	251,416	172,427
Unrealised gain/(loss) on investments	225,506	(256,573)
Investment income - non-technical account	737,126	163,663
Investment expenses and charges - technical account	(6,803)	(5,812)
Total investment return	817,320	205,726

9 Net operating expenses

	2016 £	2015 £
Acquisition costs	1,450,081	1,200,001
Administrative expenses	499,193	448,502
Profit on exchange	(140,008)	(11,328)
Total	1,809,266	1,637,175

10 Other income

	2016 £	2015 £
(Loss)/Profit on sale of syndicate participation rights	(777)	-
Other	-	-
Total	(777)	-

WELLES UW HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

11 Profit on ordinary activities before taxation

	2016 £	2015 £
This is stated after charging:		
Auditor's remuneration - audit	1,205	1,205
Auditor's remuneration - other	1,918	1,918
Director's remuneration	8,000	6,000
Amortisation of syndicate capacity	28,658	20,758

The average number of persons, including directors, employed during the year was 1 (2015: 1).

12 Auditor's remuneration - other

	2016 £	2015 £
Taxation compliance services	300	400
Other non-audit services	2,850	3,110
	3,150	3,510

13 Group intangible assets

	Syndicate Participation Rights £
Cost	
At 1 January 2016	263,211
Additions	90,330
Disposals	(1,165)
At 31 December 2016	352,376
Amortisation	
At 1 January 2016	202,498
Charge for the year	28,658
Impairment losses	-
Disposals	(388)
At 31 December 2016	230,768
Net book value	
At 31 December 2016	121,608
At 31 December 2015	60,713

WELLES UW HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

14 Investments: financial investments

The group

At market value

		£	Syndicate £	Corporate £	Total £
2016					
Shares and other variable yield securities	- level 1	290,349			
	- level 2	1,150,071			
	- level 3	302	1,440,722	7,086,817	8,527,539
Debt securities and other fixed income securities	- level 1	1,077,141			
	- level 2	3,067,887			
	- level 3	-	4,145,028	-	4,145,028
Participation in investment pools	- level 1	61,883			
	- level 2	30,844			
	- level 3	24,151	116,878	-	116,878
Loans guaranteed by mortgage	- level 1	5,526			
	- level 2	3,636			
	- level 3	169	9,331	-	9,331
Other loans	- level 1	68,588			
	- level 2	45,121			
	- level 3	2,098	115,807	-	115,807
Total			5,827,766	7,086,817	12,914,583

2015					
Shares and other variable yield securities	- level 1	205,453			
	- level 2	842,254			
	- level 3	99,037	1,146,744	6,029,923	7,176,667
Debt securities and other fixed income securities	- level 1	1,564,601			
	- level 2	1,777,837			
	- level 3	364,534	3,706,972	-	3,706,972
Participation in investment pools	- level 1	14,220			
	- level 2	20,541			
	- level 3	22,188	56,949	-	56,949
Loans guaranteed by mortgage	- level 1	9,555			
	- level 2	3,099			
	- level 3	854	13,508	-	13,508
Other loans	- level 1	37,797			
	- level 2	12,259			
	- level 3	3,379	53,435	-	53,435
Total			4,977,608	6,029,923	11,007,531

The corporate investments held include £4,338,818 (2015: £3,664,135) at market value in respect of Lloyd's deposits that are held in accordance with the constraints detailed in note 23.

WELLES UW HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

14 Investments: Financial investments (continued)

The group (continued)

The group 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: prices based on recent transactions in identical assets

Level 3: prices determined using a valuation technique

None of the above investments are valued at amortised cost.

<i>At cost</i>	Syndicate £	Corporate £	2016 Total £	2015 Total £
Shares and other variable yield securities	1,413,150	7,379,026	8,792,176	7,874,111
Debt securities and other fixed income securities	4,172,164	-	4,172,164	3,730,592
Participation in investment pools	110,265	-	110,265	51,227
Loans guaranteed by mortgage	9,353	-	9,353	13,493
Other	115,410	-	115,410	52,911
Total	5,820,342	7,379,026	13,199,368	11,722,334

The company

	2016 £	2015 £
Interests in subsidiaries	140,000	131,135
Interests in associates	-	-
Other fixed asset investments	-	-
Total	140,000	131,135

Investments in subsidiaries

At 31 December 2016 the group and the parent company had interests in the following subsidiaries:

Subsidiaries	Type of shares held	Proportion held (%)	Registered office	Nature of business
Welles Underwriting Limited	Ordinary	100%	5th Floor 40 Gracechurch Street London EC3V 0BT	Corporate member of Lloyds

WELLES UW HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

14 Investments: Financial investments (continued)

The company (continued)

	Investments in subsidiaries £
Cost	
At 1 January 2016	131,135
Additions	-
Disposals	-
At 31 December 2016	131,135
Accumulated impairment	
At 1 January 2016	-
Charge for the year	-
Impairment losses	-
Disposals	-
At 31 December 2016	-
Net book value	
At 31 December 2016	131,135
At 31 December 2015	131,135

Current Asset Investments	2016 £	2015 £
Shares and other variable yield securities	-	-

WELLES UW HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

15 Group debtors arising out of direct insurance and reinsurance operations

	Syndicate £	Corporate £	2016 Total £	2015 Total £
The following amounts are due after one year:				
Direct insurance operations	17,744	-	17,744	6,741
Reinsurance operations	943	-	943	1,108
Total	18,687	-	18,687	7,849

16 Other debtors

	The company		The group			
	2016 Total £	2015 Total £	Syndicate £	Corporate £	2016 Total £	2015 Total £
Deferred tax	-	-	-	-	-	-
Other	-	8,865	1,596,881	-	1,596,881	1,575,834
Total	-	8,865	1,596,881	-	1,596,881	1,575,834

Group corporate other debtors includes £Nil (2015: £Nil) due to the group after more than one year.

Group syndicate other debtors includes £334,105 (2015: £117,591) due to the group after more than one year.

17 Cash at bank

	Syndicate £	Corporate £	2016 Total £	2015 Total £
Lloyd's deposit	493,413	33,576	526,989	325,764
Cash at bank and in hand	443,499	28,397	471,896	393,185
Total	936,912	61,973	998,885	718,949

Any Lloyd's deposit is held in accordance with the constraints detailed in note 23.

WELLES UW HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

18 Share capital

	2016 £	2015 £
<i>Allotted, called up and fully paid</i>		
1,400,000 Ordinary shares of £0.10 each	140,000	140,000

19 Taxation

	2016 £	2015 £
<i>Analysis of charge in year</i>		
<i>Current tax</i>		
UK Corporation Tax on profits of the year	169,644	31,129
Adjustments in respect of prior years	(3,294)	(10,917)
Foreign tax	151	2,063
Total current tax	166,501	22,275
<i>Analysis of charge in year</i>		
<i>Deferred tax</i>		
Origination and reversal of timing differences	(61,877)	(33,988)
Changes in tax rates	(11,116)	-
Adjustment to the estimated recoverable amounts of deferred tax assets arising in prior years	-	-
Other items	-	-
Total deferred tax	(72,993)	(33,988)
Tax on profit on ordinary activities	93,508	(11,713)

WELLES UW HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

19 Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower (2015 - lower) than the standard rate of Corporation Tax in the UK of 20.00%. The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before taxation	828,981	275,985
Profit on ordinary activities before taxation multiplied by the standard rate of Corporation Tax in the UK of 20.00%.	165,796	55,197
<i>Effects of:</i>		
Income/expenses not taxable/allowable	(51,600)	(49,423)
Timing differences arising from the taxation of the underwriting results	-	-
Timing differences arising from the taxation of syndicate participation movements	-	-
Tax losses carried forward	-	-
Adjustments to tax charge in respect of prior periods	(3,294)	(10,917)
Other adjustments	(17,394)	(6,570)
Total tax charge for the year	93,508	(11,713)

Factors that may affect future tax charges

The group has trading losses of £Nil (2015 - £Nil) available for carry forward against future trading profits.

	2016 £	2015 £
<i>Provision for deferred tax</i>		
At 1 January	265,209	299,197
Credit to the profit and loss account	(72,993)	(33,988)
Released or utilised in the year	-	-
At 31 December	192,216	265,209

Full provision has been made for all timing differences apart from the recovery of taxation losses against future trading profits, which cannot be prudently anticipated at this time.

The deferred tax asset not provided for in respect of Corporation Tax losses, and deferred tax losses not yet assessable to Corporation Tax, amounted to £Nil (2015 - £Nil).

WELLES UW HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

20 Other creditors

	The company		The group			
	2016	2015	Syndicate	Corporate	2016	2015
	£	£	£	£	£	£
Other creditors	-	-	548,930	281,732	830,662	528,045
Social security costs	-	-	-	-	-	-
Corporation tax	-	-	-	169,644	169,644	31,129
Shareholders' loan account	-	-	-	2,315	2,315	-
Total	-	-	548,930	453,691	1,002,621	559,174

The above shareholders' loan has been included in the related party transactions note 25.

21 Group financial liabilities

All financial liabilities are measured at amortised cost except for:

	2016	2015
	£	£
Amounts due to credit institutions	-	24,013

This liability has been disclosed at fair value using a valuation technique. The group uses the following hierarchy for determining and disclosing the fair value of financial liabilities by valuation technique:

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

Level 2: prices based on recent transactions in identical liabilities

Level 3: prices determined using a valuation technique

22 Reconciliation of profit before tax to cash inflow from operating activities

	2016	2015
	£	£
Profit before tax	828,981	275,985
Finance costs	-	-
Finance income	(737,126)	(163,663)
Current year result not distributable in year	(169,600)	(158,521)
Prior year result distributable in year	300,708	422,159
Loss on sale of syndicate participation rights	777	-
Increase in creditors	232,962	8,503
Decrease/(Increase) in debtors	8,773	(8,833)
Amortisation and impairment of syndicate participation rights	28,658	20,758
Cash inflow from operating activities	494,133	396,388

WELLES UW HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

23 Fund's at Lloyd's

Cash balances of £33,576 (2015: £3,578) detailed in note 17 and investments of £4,338,818 (2015: £3,664,135) detailed in note 14 are held within the group's Lloyd's deposit. These balances exclude any amounts held via syndicates.

The Lloyd's deposit represents funds deposited with the Corporation of Lloyd's (Lloyd's) to support the company's underwriting activities as described in the accounting policies. The group has entered into a legal agreement with Lloyd's which gives the Corporation the right to apply these funds in settlement of any claims arising from the group's participation on Lloyd's Syndicates. These funds 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 group's liabilities in respect of its underwriting.

In addition to these amounts, the directors also made available to Lloyd's assets amounting to approximately £Nil (2015: £Nil) which are also used by the company to support its Lloyd's underwriting.

24 Controlling party

The directors control the company by virtue of their controlling interest of the issued ordinary share capital.

25 Related party transactions

During the year Mr G Knox, a director and shareholder of the parent company, advanced £3,840 (2015 - £580) to Welles Underwriting Limited, a subsidiary consolidated into the group accounts, and withdrew £555 (2015 - £550). Included within creditors at the year end is £2,315 (2015 - £970 debtor) that is owed by Welles Underwriting Limited to Mr G Knox.