Company registration number (England and Wales): 7783521

BALLYLYNCH CAPITAL LIMITED

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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BALLYLYNCH CAPITAL LIMITED

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BALLYLYNCH CAPITAL LIMITED

COMPANY INFORMATION

COMPANY PERSONNEL

Directors	Mr T H Henry Mr M J Argyle

COMPANY ADDRESSES

Registered office	3 Castlegate Grantham Lincolnshire NG31 6SF
Auditors	Humphrey & Co Audit Services Ltd 7 - 9 The Avenue Eastbourne East Sussex BN21 3YA

BALLYLYNCH CAPITAL LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their strategic report for the year ended 31 December 2017.

Review of the business
The principal activity of the group is carrying on the trade of underwriting at Lloyd's of London and providing the Funds at Lloyd's required to support the group's underwriting activities.

The result for the year is in respect of the 2017 annual accounting year, which consists of movements in the 2015, 2016 and 2017 years of account as well as any 2014 and prior run-off years.

Gross premiums written increased from £4,393,881 to £4,921,902 compared to the previous year and the overall balance in the technical account decreased from £347,352 to £333,234 deficit as a result of the level of claims experienced.

The group has continued to underwrite on the 2018 underwriting account where the market conditions are considered favourable for a profitable outcome subject to the level of claims experienced.

The key business risks and uncertainties affecting the group 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 Agent to implement appropriate policies, procedures and internal controls to manage each Syndicates' 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 income statement 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:

	2017	2016
Capacity	£4,958,519	£4,700,910
Gross premium written as a % of capacity	99.26%	93.47%
Combined ratio	111.41%	92.20%

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

Approved by the Board on 27 September 2018 and signed on its behalf by :

Mr M J Argyle
Director

BALLYLYNCH CAPITAL LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 2017.

Results and dividends
The loss for the year after taxation was £520,978 (2016: profit £58,092). Interim dividends of £Nil (2016: £Nil) were paid during the year. The directors do not recommend the payment of a final dividend.

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

Mr T H Henry
Mr M J Argyle

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

Company law requires the directors to prepare financial statements for each financial 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 have satisfied themselves 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 year. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group'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.

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

Auditors
Humphrey & Co resigned as auditors after the year end and Humphrey & Co Audit Services Ltd were appointed in their place.

Statement of disclosure to auditors
So far as the directors are aware, there is no relevant audit information of which the company's or 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 27 September 2018 and signed on its behalf by :



Mr M J Argyle
Director

BALLYLYNCH CAPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BALLYLYNCH CAPITAL LIMITED

Opinion

We have audited the financial statements of Ballylynch Capital Limited (the 'group') for the year ended 31 December 2017 set out on pages 6 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2017 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters 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 Strategic Report and the Directors' 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 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.

Responsibilities of the directors

As explained more fully in the set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

This report is made solely to the group'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 group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the group's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

Date: 27 September 2018

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

BALLYLYNCH CAPITAL LIMITED

CONSOLIDATED INCOME STATEMENT - TECHNICAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Gross premiums written	5	4,921,902	4,393,881
Outward reinsurance premiums		(1,112,789)	(866,887)
Net premiums written		3,809,113	3,526,994
Change in the provision for unearned premiums			
Gross provision		(99,007)	(67,768)
Reinsurers' share		46,108	43,641
Net change in the provision for unearned premiums		(52,899)	(24,127)
Earned premiums net of reinsurance		3,756,214	3,502,867
Allocated investment income	8	103,898	81,115
Claims paid			
Gross amount		(2,575,122)	(1,890,456)
Reinsurers' share		385,983	285,926
Net claims paid		(2,189,139)	(1,604,530)
Change in provision for claims			
Gross amount		(1,272,580)	(718,403)
Reinsurers' share		795,090	372,518
Net change in provision for claims		(477,490)	(345,885)
Claims incurred net of reinsurance		(2,666,629)	(1,950,415)
Net operating expenses	9	(1,518,215)	(1,279,337)
Investment expenses and charges	8	(8,502)	(6,878)
Balance on technical account for general business		(333,234)	347,352

BALLYLYNCH CAPITAL LIMITED

CONSOLIDATED INCOME STATEMENT - NON TECHNICAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Balance on the general business technical account		**(333,234)**	347,352
Investment income	8	**2,700**	2,568
Other income	10	**5,370**	-
Other charges		**(270,589)**	(100,109)
(Loss)/Profit on ordinary activities before taxation	11	**(595,753)**	249,811
Tax on (loss)/profit on ordinary activities	20	**74,775**	(191,719)
(Loss)/Profit for the financial year		**(520,978)**	58,092
Non-controlling interest - technical		-	-
Non-controlling interest - non-technical		-	-
Retained (loss)/profit for the group		**(520,978)**	58,092

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Retained (loss)/profit for the group		**(520,978)**	58,092
Other comprehensive income:		-	-
(loss)/profit for the financial year		**(520,978)**	58,092

All amounts above relate to continuing operations.

BALLYLYNCH CAPITAL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

Company registration number (England and Wales): 7783521

ASSETS	Note	Syndicate Assets £	Corporate £	2017 Total £	2016 Total £
Fixed assets					
Tangible assets	12	-	-	-	-
Intangible assets					
Intangible assets	13	-	235,504	**235,504**	166,971
Investments					
Financial investments	14	4,793,988	-	**4,793,988**	5,131,627
Deposits with ceding undertakings		414	-	**414**	447
Total investments		4,794,402	-	**4,794,402**	5,132,074
Reinsurers' share of technical provisions					
Provision for unearned premiums	7	351,870	-	**351,870**	334,454
Claims outstanding	7	1,100,225	-	**1,100,225**	725,450
Other technical provisions		1,215,267	-	**1,215,267**	822,102
Total reinsurers' share of technical provisions		2,667,362	-	**2,667,362**	1,882,006
Debtors					
Arising out of direct insurance operations	15				
Policyholders		129	-	**129**	81
Intermediaries		935,714	-	**935,714**	987,103
Arising out of reinsurance operations	15	105,065	-	**105,065**	73,733
Other debtors	16	1,045,813	-	**1,045,813**	1,225,252
Total debtors		2,086,721	-	**2,086,721**	2,286,169
Other assets					
Cash at bank	17	798,952	484,183	**1,283,135**	1,877,719
Other		1,334	-	**1,334**	1,259
Total other assets		800,286	484,183	**1,284,469**	1,878,978
Prepayments and accrued income					
Accrued interest		12,041	-	**12,041**	10,768
Deferred acquisition costs	7	558,367	-	**558,367**	530,884
Other prepayments and accrued income		28,439	-	**28,439**	27,094
Total prepayments and accrued income		598,847	-	**598,847**	568,746
Total assets		10,947,618	719,687	**11,667,305**	11,914,944

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BALLYLYNCH CAPITAL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2017

Company registration number (England and Wales): 7783521

	Note	Syndicate Liabilities £	Corporate £	2017 Total £	2016 Total £
LIABILITIES					
Capital and reserves					
Called-up share capital	18	-	100	**100**	100
Profit and loss account	19	(299,157)	(234,271)	**(533,428)**	(12,450)
Shareholder's funds attributable to equity interests		(299,157)	(234,171)	**(533,328)**	(12,350)
Technical provisions					
Provision for unearned premiums	7	2,064,131	-	**2,064,131**	2,101,881
Claims outstanding - gross amount	7	7,945,907	-	**7,945,907**	6,689,548
Total technical provisions		10,010,038	-	**10,010,038**	8,791,429
Provisions for other risks and charges					
Provision for taxation	20	-	265,000	**265,000**	375,000
Deposits received from reinsurers		56,724	-	**56,724**	78,177
Creditors					
Arising out of direct insurance operations		138,535	-	**138,535**	114,947
Arising out of reinsurance operations		617,120	-	**617,120**	526,900
Amounts due to credit institutions		-	-	**-**	-
Other creditors	21	313,686	670,345	**984,031**	1,947,296
Total creditors		1,069,341	670,345	**1,739,686**	2,589,143
Accruals and deferred income					
Other accruals and deferred income		110,672	18,513	**129,185**	93,545
Total liabilities		10,947,618	719,687	**11,667,305**	11,914,944

Approved by the Board on 27 September 2018 and signed on its behalf by :

Mr M J Argyle
Director

BALLYLYNCH CAPITAL LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

Company registration number (England and Wales): 7783521

ASSETS	Note	Syndicate Assets	Corporate	2017 Total	2016 Total
		£	£	£	£
Fixed assets					
Tangible fixed assets	12	-	-	-	-
Investments					
Financial investments	14	-	850,837	**850,837**	1,556,425
Deposits with ceding undertakings		-	-	-	-
Total investments		-	850,837	**850,837**	1,556,425
Reinsurers' share of technical provisions					
Provision for unearned premiums		-	-	-	-
Claims outstanding		-	-	-	-
Other technical provisions		-	-	-	-
Total reinsurers' share of technical provisions		-	-	-	-
Debtors					
Arising out of direct insurance operations					
Policyholders		-	-	-	-
Intermediaries		-	-	-	-
Arising out of reinsurance operations		-	-	-	-
Other debtors	16	-	-	-	-
Total debtors		-	-	-	-
Other assets					
Cash at bank	17	-	454,359	**454,359**	1,106,524
Other		-	-	-	-
Total other assets		-	454,359	**454,359**	1,106,524
Prepayments and accrued income					
Accrued interest		-	-	-	-
Deferred acquisition costs		-	-	-	-
Other prepayments and accrued income		-	-	-	-
Total prepayments and accrued income		-	-	-	-
Total assets		-	1,305,196	**1,305,196**	2,662,949

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BALLYLYNCH CAPITAL LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2017

Company registration number (England and Wales): 7783521

	Note	Syndicate Liabilities £	Corporate £	2017 Total £	2016 Total £
LIABILITIES					
Capital and reserves					
Called-up share capital	18	-	100	100	100
Profit and loss account		-	449,030	449,030	916,227
Shareholder's funds attributable to equity interests		-	449,130	449,130	916,327
Technical provisions					
Provision for unearned premiums		-	-	-	-
Claims outstanding - gross amount		-	-	-	-
Total technical provisions		-	-	-	-
Provisions for other risks and charges					
Provision for taxation	20	-	265,000	265,000	375,000
Deposits received from reinsurers		-	-	-	-
Creditors					
Arising out of direct insurance operations		-	-	-	-
Arising out of reinsurance operations		-	-	-	-
Amounts due to credit institutions		-	-	-	-
Other creditors	21	-	572,553	572,553	1,368,122
Total creditors		-	572,553	572,553	1,368,122
Accruals and deferred income					
Other accruals and deferred income		-	18,513	18,513	3,500
Total liabilities		-	1,305,196	1,305,196	2,662,949

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £467,197 (2016: £238,864 profit).

Approved by the Board on 27 September 2018 and signed on its behalf by :

Mr M J Argyle
Director

BALLYLYNCH CAPITAL LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Company registration number (England and Wales): 7783521

AS AT 31 DECEMBER 2017

Group	Called up share capital	Share premium account	Retained earnings	Total
	£	£	£	£
At 1 January 2016	100	-	(70,542)	(70,442)
Profit/(loss) for the financial year	-	-	58,092	58,092
Other comprehensive income	-	-	-	-
Dividends paid	-	-	-	-
Proceeds from issue of shares	-	-	-	-
At 31 December 2016	100	-	(12,450)	(12,350)
At 1 January 2017	100	-	(12,450)	(12,350)
Profit/(loss) for the financial year	-	-	(520,978)	(520,978)
Other comprehensive income	-	-	-	-
Dividends paid	-	-	-	-
Proceeds from issue of shares	-	-	-	-
At 31 December 2017	100	-	(533,428)	(533,328)

Company	Called up share capital	Share premium account	Retained earnings	Total Equity
	£	£	£	£
At 1 January 2016	100	-	677,363	677,463
Profit/(loss) for the financial year	-	-	238,864	238,864
Other comprehensive income	-	-	-	-
Dividends paid	-	-	-	-
Proceeds from issue of shares	-	-	-	-
At 31 December 2016	100	-	916,227	916,327
At 1 January 2017	100	-	916,227	916,327
Profit/(loss) for the financial year	-	-	(467,197)	(467,197)
Other comprehensive income	-	-	-	-
Dividends paid	-	-	-	-
Proceeds from issue of shares	-	-	-	-
At 31 December 2017	100	-	449,030	449,130

BALLYLYNCH CAPITAL LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Cash (outflow) from operating activities	22	**(464,120)**	462,119
Interest received		**2,700**	2,568
Interest paid		**(30,660)**	-
Foreign tax paid		**(1,225)**	(719)
Net cash (outflow) from operating activities		**(493,305)**	463,968
Cash (outflow) from investing activities			
Purchase of intangible assets		**(167,416)**	-
Proceeds from sale of syndicate participation rights		**5,370**	-
Purchase of investments		**-**	(26,488)
Net cash (outflow) from investing activities		**(162,046)**	(26,488)
Cash inflow from financing activities			
Funds lent to the company by the company's shareholders		**-**	259,710
Issue of share capital		**-**	-
Net cash inflow from financing activities		**-**	259,710
(Decrease) in cash		**(655,351)**	697,190
Net funds at 1 January		**1,139,534**	442,344
(Decrease) in cash in the year		**(655,351)**	697,190
Net funds at 31 December		**484,183**	1,139,534

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

1 General Information

The Company is a private company limited by shares that was incorporated in England and whose registered office is given on page one of these financial statements. The group participates in insurance business 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 the Group to be a financial institution under FRS 102.

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 company 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 Statement of Financial Position 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.

Basis of consolidation

The group financial statements consolidate the financial statements of Ballylynch Capital Limited and all its subsidiary undertakings for the year ended 31 December 2017.

The consolidated financial statements are based on the financial statements of subsidiary undertakings which are coterminous with those of the parent company.

Acquisitions of companies or LLPs that are consolidated are accounted for using the purchase method, by allocating their acquisition cost to the acquired identifiable assets and liabilities (including contingent liabilities) at the time of acquisition. Where the acquisition cost exceeds the net fair value of the acquired assets and liabilities, the difference is recognised as goodwill.

All expenses, income, debtors, creditors and provisions from transactions between consolidated companies are eliminated.

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 statement of financial position 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**
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 financial reporting 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 financial reporting 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.

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.

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. FRS 103 states that insurance assets and liabilities (unearned premiums and deferred acquisition costs) are required to be treated as monetary items. These assets and liabilities have 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 insureds, 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.

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.

2.2 **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).

2.3 **Taxation**
The Company is taxed on its results including its share of underwriting results declared by the syndicates. 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.

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 at previous year ends may not have 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.

2.4 **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.

2.5 **Goodwill**
In accordance with FRS 102, goodwill arising on the acquisition of subsidiary undertakings is capitalised as an intangible asset and amortised against profit over its useful life of 5 years.

2.6 **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 5 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.

2.7 **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.

2.8 **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 5 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.

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 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 and financial investments, which are neither past due nor impaired are as follows:

2017

	AAA	AA	A	BBB or lower	Not rated	Total
	£	£	£	£	£	£
Deposits with ceding undertakings	-	-	-	-	414	414
Reinsurers share of claims	21,892	352,135	1,727,635	11,878	201,952	2,315,492
Reinsurance debtors	-	8,057	47,735	212	24,860	80,864
Insurance debtors	-	-	-	-	828,065	828,065
	21,892	360,192	1,775,370	12,090	1,055,291	3,224,835

2016

	AAA	AA	A	BBB or lower	Not rated	Total
	£	£	£	£	£	£
Deposits with ceding undertakings	-	-	-	-	446	446
Reinsurers share of claims	42,009	256,668	1,150,877	23,106	74,892	1,547,552
Reinsurance debtors	11,626	8,431	26,964	2,770	5,340	55,131
Insurance debtors	-	-	-	-	873,294	873,294
	53,635	265,099	1,177,841	25,876	953,972	2,476,423

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

2017

	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
	£	£	£	£	£	£
Deposits with ceding undertakings	-	-	-	-	-	-
Reinsurers share of claims	-	-	-	-	(703)	(703)
Reinsurance debtors	16,729	5,457	1,275	779	(40)	24,200
Insurance debtors	40,727	13,648	21,950	32,096	(641)	107,780
	57,456	19,105	23,225	32,875	(1,384)	131,277

2016

	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
	£	£	£	£	£	£
Deposits with ceding undertakings	-	-	-	-	-	-
Reinsurers share of claims	-	-	-	-	-	-
Reinsurance debtors	16,367	695	403	865	273	18,603
Insurance debtors	52,779	12,593	18,667	30,852	(1,000)	113,891
	69,146	13,288	19,070	31,717	(727)	132,494

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.

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:

2017	GBP £	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
Total assets	2,298,434	6,563,832	783,809	954,010	347,533	**10,947,618**
Total liabilities	(3,171,343)	(6,575,711)	(686,625)	(646,835)	(166,261)	**(11,246,775)**
Surplus/(deficiency) of assets	**(872,909)**	**(11,879)**	**97,184**	**307,175**	**181,272**	**(299,157)**

2016	GBP £	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
Total assets	2,308,079	6,301,109	636,240	878,605	484,406	**10,608,439**
Total liabilities	(2,989,079)	(5,485,817)	(585,373)	(612,276)	(409,674)	**(10,082,219)**
Surplus/(deficiency) of assets	**(681,000)**	**815,292**	**50,867**	**266,329**	**74,732**	**526,220**

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 financial reporting 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.

5 Class of business

2017	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Operating expenses £	Reinsurance balance £
Direct					
Accident and health	201,980	201,968	(110,307)	(87,471)	(6,537)
Motor - third party liability	14,270	16,679	(13,408)	(5,525)	411
Motor - other classes	371,321	389,315	(311,082)	(110,713)	1,231
Marine, aviation and transport	370,395	375,050	(172,930)	(144,819)	(36,076)
Fire and other damage to property	1,257,007	1,265,258	(1,221,986)	(412,917)	99,114
Third party liability	1,324,060	1,245,359	(595,235)	(445,105)	(109,596)
Credit and suretyship	89,403	93,541	(64,611)	(33,478)	1,010
Other	20,217	20,916	(13,100)	(8,732)	(581)
Total direct	3,648,653	3,608,086	(2,502,659)	(1,248,760)	(51,024)
Reinsurance business					
Reinsurance balance	1,273,249	1,214,809	(1,345,043)	(269,455)	165,416
Total	4,921,902	4,822,895	(3,847,702)	(1,518,215)	114,392

2016	£	£	£	£	£
Direct					
Accident and health	196,796	195,370	(107,999)	(78,537)	(4,177)
Motor - third party liability	17,875	18,439	(11,310)	(5,470)	(171)
Motor - other classes	358,256	345,815	(361,234)	(96,564)	89,585
Marine, aviation and transport	340,787	363,021	(186,349)	(127,059)	(13,674)
Fire and other damage to property	1,204,536	1,198,367	(602,140)	(354,408)	(152,359)
Third party liability	1,137,881	1,024,989	(859,838)	(333,353)	143,209
Credit and suretyship	59,375	61,702	(37,881)	(15,706)	(6,688)
Other	21,971	24,156	(13,060)	(8,588)	(487)
Total direct	3,337,477	3,231,859	(2,179,811)	(1,019,685)	55,238
Reinsurance business					
Reinsurance balance	1,056,404	1,094,254	(429,048)	(259,652)	(220,040)
Total	4,393,881	4,326,113	(2,608,859)	(1,279,337)	(164,802)

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.

6 Geographical analysis

	2017	2016
	£	£
Direct gross premiums written in:		
United Kingdom	**3,542,986**	3,240,555
Other EU member states	**28,039**	35,812
The rest of the world	**77,628**	61,110
Total	**3,648,653**	3,337,477

7 Technical provisions

Movement in claims outstanding

	Gross	Reinsurance	2017 Net	Gross	Reinsurance	2016 Net
	£	£	£	£	£	£
At 1 January	(6,689,548)	725,450	(5,964,098)	(5,504,065)	589,597	(4,914,468)
Movement in technical account	(1,272,580)	795,090	(477,490)	(718,403)	372,518	(345,885)
Other movements	16,221	(420,315)	(404,094)	(467,080)	(236,665)	(703,745)
At 31 December	(7,945,907)	1,100,225	(6,845,682)	(6,689,548)	725,450	(5,964,098)

Movement in unearned premiums

	Gross	Reinsurance	2017 Net	Gross	Reinsurance	2016 Net
	£	£	£	£	£	£
At 1 January	(2,101,881)	334,454	(1,767,427)	(1,810,588)	253,874	(1,556,714)
Movement in technical account	(99,007)	46,108	(52,899)	(67,768)	43,641	(24,127)
Other movements	136,757	(28,692)	108,065	(223,525)	36,939	(186,586)
At 31 December	(2,064,131)	351,870	(1,712,261)	(2,101,881)	334,454	(1,767,427)

Movement in deferred acquisition costs

	2017 Net	2016 Net
	£	£
At 1 January	530,884	446,492
Movement in deferred acquisition costs	35,655	16,918
Other movements	(8,172)	67,474
At 31 December	558,367	530,884

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 Group's syndicate participation portfolio has changed between years of account.

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 2017.

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 £54,479 (2016: £77,623).

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 £397,295 (2016: £334,477).

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 £342,284 (2016: £298,205).

Claims development - Gross	At the end of underwriting year	After 12 months	After 24 months	After 36 months	Profit/loss on RITC received
Underwriting pure year	£	£	£	£	£
2017	2,619,920	-	-	-	-
2016	1,416,436	2,855,327	-	-	-
2015	1,114,077	2,217,340	2,297,177	-	-
2014	1,197,303	2,136,141	2,314,434	2,199,060	-
2013 and prior years	4,365,051	6,954,858	7,012,897	20,854,779	-

7 Technical provisions (continued)

Claims development - Net	At the end of underwriting year	After 12 months	After 24 months	After 36 months	Profit/loss on RITC received
Underwriting pure year	£	£	£	£	£
2017	1,662,524	-	-	-	-
2016	1,088,392	2,202,566	-	-	-
2015	956,464	1,891,495	1,998,421	-	-
2014	1,012,527	1,843,154	1,953,820	1,852,325	-
2013 and prior years	3,641,618	5,961,502	5,937,635	17,220,719	-

8 Investment return

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

	2017	2016
	£	£
Investment income	92,780	85,906
Realised gain/(loss) on investments	11,118	(4,791)
Allocated investment income - technical account	103,898	81,115
Income from other investments (including interest receivable)	2,700	2,568
Realised gain from other investments	-	-
Unrealised gain from other investments	-	-
Investment income - non-technical account	2,700	2,568
Investment expenses and charges - technical account	(8,502)	(6,878)
Total investment return	98,096	76,805

9 Net operating expenses

	2017	2016
	£	£
Acquisition costs	1,116,558	1,026,310
Administrative expenses	401,353	416,786
Loss/(Profit) on exchange	304	(163,759)
Total	1,518,215	1,279,337

10 Other income	2017	2016
	£	£
Profit on sale of syndicate participation rights	5,370	-
Other	-	-
Total	5,370	-

11 (Loss)/Profit on ordinary activities before taxation	2017	2016
	£	£
This is stated after charging:		
Auditor's remuneration - audit	1,145	1,145
Wages and salaries	18,143	16,000
Amortisation of syndicate capacity	98,885	221,039

The average number of persons, including directors, employed during the year was 3 (2016: 3).

12 Group and Company Tangible assets	Motor vehicles & equipment	Freehold Property	Total
	£	£	£
Cost			
At 1 January 2017	-	-	-
Additions	-	-	-
Disposals	-	-	-
At 31 December 2017	-	-	-
Depreciation			
At 1 January 2017	-	-	-
Charge for the period	-	-	-
Impairment losses	-	-	-
Disposals	-	-	-
At 31 December 2017	-	-	-
Net book value			
At 31 December 2017	-	-	-
At 31 December 2016	-	-	-

13 Group intangible assets	Syndicate Participation Rights £	Goodwill £	2017 Total £
Cost			
At 1 January 2017	1,267,731	-	1,267,731
Additions	167,418	-	167,418
Disposals	(13,684)	-	(13,684)
At 31 December 2017	**1,421,465**	**-**	**1,421,465**
Amortisation			
At 1 January 2017	1,100,760	-	1,100,760
Charge for the period	98,885	-	98,885
Impairment losses	-	-	-
Disposals	(13,684)	-	(13,684)
At 31 December 2017	**1,185,961**	**-**	**1,185,961**
Net book value			
At 31 December 2017	**235,504**	**-**	**235,504**
At 31 December 2016	166,971	-	166,971

14 Investments: Financial investments					2017
			Syndicate	Corporate	Total
At market value		£	£	£	£
Shares and other variable yield securities	- level 1	116,809			
	- level 2	665,484			
	- level 3	18,262	800,555	-	**800,555**
Debt securities and other fixed income securities	- level 1	917,947			
	- level 2	2,855,065			
	- level 3	-	3,773,012	-	**3,773,012**
Participation in investment pools	- level 1	82,457			
	- level 2	25,083			
	- level 3	40,305	147,845	-	**147,845**
Loans guaranteed by mortgage	- level 1	35			
	- level 2	82			
	- level 3	4	121	-	**121**
Other	- level 1	19,740			
	- level 2	50,473			
	- level 3	2,242	72,455	-	**72,455**
Total			4,793,988	-	**4,793,988**

14 Investments: Financial investments (continued)

			Syndicate	Corporate	2016 Total
At market value		£	£	£	£
Shares and other variable yield securities	- level 1	115,728			
	- level 2	787,085			
	- level 3	224	903,037	-	**903,037**
Debt securities and other fixed income securities	- level 1	797,932			
	- level 2	3,183,753			
	- level 3	-	3,981,685	-	**3,981,685**
Participation in investment pools	- level 1	59,482			
	- level 2	28,030			
	- level 3	50,622	138,134	-	**138,134**
Loans guaranteed by mortgage	- level 1	62			
	- level 2	112			
	- level 3	7	181	-	**181**
Other	- level 1	37,261			
	- level 2	67,307			
	- level 3	4,022	108,590	-	**108,590**
Total			5,131,627	-	**5,131,627**

The corporate investments held include £Nil (2016: £Nil) at market value in respect of Lloyd's deposits that are held in accordance with the constraints detailed in note 23.

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.

	Syndicate	Corporate	2017 Total	2016 Total
	£	£	£	£
At cost				
Shares and other variable yield securities	816,200	-	**816,200**	870,534
Debt securities and other fixed income securities	3,798,455	-	**3,798,455**	3,992,599
Participation in investment pools	134,344	-	**134,344**	124,338
Loans guaranteed by mortgage	124	-	**124**	185
Other	66,228	-	**66,228**	104,919
Total	4,815,351	-	**4,815,351**	5,092,575

14 Investments: Financial investments (continued)

The company element of financial investments at market value is £Nil (2016: £Nil). The company has the following unlisted investments:

	Unlisted Investments £
Cost	
At 1 January 2017	1,556,425
Additions	-
Disposals	-
Other movements	(705,586)
At 31 December 2017	**850,839**
Impairment	
At 1 January 2017	-
Impairment in the period	-
Disposals	-
At 31 December 2017	-
Net book value	
At 31 December 2017	**850,839**
At 31 December 2016	1,556,425

The Unlisted Investments is a 100% subsidiary and represents the company's share in Fidentia 191 LLP. The subsidiary is an insurance underwriter through Lloyd's of London and it's registered office is 3 Castlegate, Grantham, Lincolnshire NG31 6SF.

15 Group debtors arising out of direct insurance and reinsurance operations

	Syndicate £	Corporate £	2017 Total £	2016 Total £
The following amounts are due after one year:				
Direct insurance operations	18,169	-	**18,169**	28,683
Reinsurance operations	6,347	-	**6,347**	1,882
Total	24,516	-	**24,516**	30,565

16 Group other debtors

	Syndicate £	Corporate £	2017 Total £	2016 Total £
Deferred tax	-	-	-	-
Other	1,045,813	-	**1,045,813**	1,225,252
Total	1,045,813	-	**1,045,813**	1,225,252

Corporate other debtors includes £Nil (2016: £Nil) due to the group after more than one year.
Syndicate other debtors includes £239,985 (2016: £241,483) due to the group after more than one year.
Company other debtors total £Nil (2016: £Nil)

17 Cash at bank

	Syndicate £	Corporate £	2017 Total £	2016 Total £
Lloyd's deposit	392,218	453,719	**845,937**	867,025
Cash at bank and in hand	406,734	30,464	**437,198**	1,010,694
Total	798,952	484,183	**1,283,135**	1,877,719

Any Lloyd's deposit is held in accordance with the constraints detailed in note 23.
Company cash at bank totals £454,359 (2016: £1,106,524).

18 Group and company share capital

	2017 £	2016 £
Allotted, issued and fully paid		
100 Ordinary shares of £1.00	100	100

19 Group statement of movements on reserves

	Revaluation reserve £	Share premium account £	Profit and loss account £
At 1 January 2017	-	-	(12,450)
Premium on shares issued during the period	-	-	-
Revaluation during the period	-	-	-
Loss during the period	-	-	(520,978)
Dividends	-	-	-
At 31 December 2017	-	-	(533,428)

20 Taxation

	2017 £	2016 £
Analysis of charge in period		
Current tax		
UK Corporation Tax on profits of the period	34,000	-
Adjustments in respect of prior years	-	-
Foreign tax	1,225	719
Total current tax	35,225	719
Analysis of charge in period		
Deferred tax		
Origination and reversal of timing differences	(110,000)	191,000
Changes in tax rates	-	-
Other items	-	-
Total deferred tax	(110,000)	191,000
Tax on (loss)/profit on ordinary activities	(74,775)	191,719

20 Taxation (continued)

	2017 £	2016 £
Factors affecting tax charge for the period		
The tax assessed for the period is different than the standard rate of Corporation Tax in the UK of 19.25%. The differences are explained below:		
(Loss)/Profit on ordinary activities before taxation	(595,753)	249,811
(Loss)/Profit on ordinary activities before taxation multiplied by the standard rate of Corporation Tax in the UK of 19.25%.	(114,682)	49,962
Effects of:		
(Income)/Expenses not (taxable)/deductible	3,323	(14,293)
Timing differences arising from the taxation of the underwriting results	188,745	70,553
Timing differences arising from the taxation of syndicate participation movements	3,738	(28,152)
Utilisation of tax losses	(15,883)	(78,070)
Adjustments to tax charge in respect of prior periods	-	-
Other adjustments	(30,016)	719
Deferred tax movements	(110,000)	191,000
Total tax charge for the year	(74,775)	191,719

Factors that may affect future tax charges

The group has trading losses of £Nil (2016: £77,629) available for carry forward against future trading profits.

	2017 £	2016 £
Provision for deferred tax		
At 1 January	375,000	184,000
(Credit)/Charge to the profit and loss account	(110,000)	191,000
Released or utilised in the period	-	-
At 31 December	265,000	375,000

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 (2016: £Nil).

21 Other creditors

	Syndicate £	Corporate £	2017 £	2016 £
Other creditors	313,686	169,328	483,014	1,294,166
Corporation tax	-	34,000	34,000	-
Shareholders' loan account	-	467,017	467,017	653,130
Total	313,686	670,345	984,031	1,947,296

Company other creditors total £572,553 (2016: £1,368,122).

22 Reconciliation of (loss)/profit before tax to net cash (outflow)/inflow from operating activities

	2017 £	2016 £
(Loss)/profit before tax	(595,753)	249,811
Finance costs	30,660	-
Finance income	(2,700)	(2,568)
Prior year result distributable in year	492,143	518,983
(Profit)/loss on sale of syndicate participation rights	(5,370)	43
Decrease in creditors	(481,985)	(525,189)
Amortisation and impairment of syndicate participation rights	98,885	221,039
Net cash (outflow)/inflow from operating activities	(464,120)	462,119

Note that the current year technical loss of £333,234, which has not been distributed in the period, is included within the increase in debtors line above.

23 Funds at Lloyd's

Cash balances of £453,719 (2016: £483,871) detailed in note 17 and investments of £Nil (2016: £Nil) detailed in note 14 are held within the company's Lloyd's deposit. These balances exclude any amounts held via the 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 company 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 company'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 company's liabilities in respect of its underwriting.

In addition to these amounts, the shareholders of the group have also made available to Lloyd's assets amounting to approximately £Nil (2016: £Nil) which are also used by the group to support its Lloyd's underwriting.

The group's Lloyd's underwriting is also supported by a guarantee of £2,885,260 (2016: £1,866,260) from Barclays Bank PLC.

24 Related party transactions

Transactions with the company and group:
During the period, a net loan repayment of £186,113 (2016: £14,146) was paid by the company to a shareholder. At the financial reporting date, £467,017 (2016: £653,130) is due to the shareholder.

During the period, a net loan repayment of £321,885 (2016: £276,219) was paid by the company to a director. At the financial reporting date, £71,535 (2016: £393,420) is due to the director.

During the period, a net loan repayment of £321,572 (2016: £Nil) was paid by the company to the wife of a director. During the period, the wife of a director loaned the company £Nil (2016: £321,572). At the financial reporting date, £Nil (2016: £321,572) is due to the wife of a director.

25 Ultimate controlling party

The ultimate controlling party is Mrs C Henry.