

Company registration number: 8213920

Launde Lu Limited

**Report and financial statements
31 December 2016**

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Launde Lu Limited

Company information

Director

Mr G A Owen

Company Secretary

Argenta Secretariat Limited

Registered Office

5th Floor
70 Gracechurch Street
London
EC3V 0XL

Auditors

Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Accountants

Argenta Tax & Corporate Services Limited
5th Floor
70 Gracechurch Street
London EC3V 0XL

Launde Lu Limited

Strategic Report

The Director submits his Strategic Report for the Company for the year ended 31 December 2016.

Business Review

The Company continues to write insurance business in the Lloyd's insurance market as a Lloyd's corporate capital member.

The financial statements incorporate the annual accounting results of the Syndicates on which the Company participates for the 2014, 2015 and 2016 years of account, as well as any 2013 and prior run-off years. The 2014 year closed at 31 December 2016 with a result of £137,589 (2013 - £113,941). The 2015 and 2016 open underwriting accounts will normally close at 31 December 2017 and 2018 respectively.

Results and Dividends

The results for the year are set out on pages 7 to 8 of the financial statements. Dividends totalling £Nil were paid in the year (2015 - £Nil).

Financial Risk Management Objectives and Policies

The Company 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 Company 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 Company.

Hedge accounting is not used by the Company.

Key Performance Indicators

	2016	2015
Capacity (youngest underwriting year)	£ 924,888	£ 868,337
Gross premium written as a % of capacity	101.4%	94.4%
Underwriting profit of latest closed year:		
as a % of capacity	15.4%	12.7%
Run-off years of account movement	£ -	£ -
Combined ratio	94.2%	85.3%

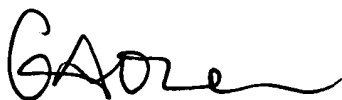
The combined ratio is the ratio of net claims incurred, commissions and expenses to net premiums earned.

Approved by the Board on
and signed on its behalf by:

25/06/2017

G A OWEN

Director



Launde Lu Limited

Report of the Director

The Director submits his Report together with the audited financial statements of the Company for the year ended 31 December 2016.

Principal Activities

The principal activity of the Company is that of trading as a Lloyd's corporate capital member. The Company continues to underwrite for the 2017 year of account.

Statement of Director's Responsibilities

The Director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial period. Under that law the Director has 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 Director must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Director is 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Directors

The Director who served at any time during the year was as follows:

Mr G A Owen

Launde Lu Limited

Report of the Director (continued)

Auditors

Mazars LLP have signified their willingness to act and continue to be appointed as the Company's auditors.

In the case of each person who is a Director at the time this report is approved, the following applies:

- (a) So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on
and signed on its behalf by:

25/06/2017



G A OWEN

Director

Launde Lu Limited

Independent Auditor's report

Independent auditor's report to the member of Launde Lu Limited

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

Respective responsibilities of the Director and auditors

As explained more fully in the Statement of Director's Responsibilities set out on page 3, the Director is 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 (APB's) Ethical Standards for Auditors. This report is made solely to the Company's member 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 member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit/(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.

Opinion on the other matter prescribed by the Companies Act 2006

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

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

Launde Lu Limited

Independent Auditor's report (continued)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Director's 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 our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Amanda Barker (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St. Katharine's Way
London E1W 1DD

7 July 2017

Launde Lu Limited

Profit and loss account

Technical account – general business

For the year ended 31 December 2016

	Note	2016 £	2015 £
Premiums written			
Gross premiums written	1	938,062	820,030
Outward reinsurance premiums	1	(198,744)	(174,634)
Net premiums written		739,318	645,396
Change in the provision for unearned premiums			
Gross provision	1	(21,782)	(23,839)
Reinsurers' share	1	6,406	6,390
Earned premiums, net of reinsurance		723,942	627,947
Allocated investment return transferred from the non-technical account		16,923	8,068
Other technical income, net of reinsurance		-	-
Claims paid			
Gross amount	1	(381,931)	(359,780)
Reinsurers' share	1	59,564	62,841
Net claims paid		(322,367)	(296,939)
Change in provision for claims			
Gross amount	1	(67,340)	46,276
Reinsurers' share	1	22,465	(14,905)
Change in net provision for claims		(44,875)	31,371
Claims incurred, net of reinsurance		(367,242)	(265,568)
Changes in other technical provisions, net of reinsurance		-	1,743
Net operating expenses	1, 2	(314,592)	(270,226)
Other technical charges, net of reinsurance		-	-
Balance on the technical account for general business		59,031	101,964

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

Launde Lu Limited

Profit and loss account

Non - technical account

For the year ended 31 December 2016

	Note	2016 £	2015 £
Balance on technical account for general business		59,031	101,964
Investment income	3	16,982	8,069
Allocated investment return transferred to the general business technical account		(16,923)	(8,068)
Other income		27,362	(7,941)
Other charges		(57,782)	(66,214)
Profit/(loss) on ordinary activities before taxation	4	28,670	27,810
Tax on profit/(loss) on ordinary activities	5	(7,673)	(20,303)
Profit/(loss) for the financial year		20,997	7,507
Other comprehensive income/(expenditure)		8,075	2,893
Total comprehensive income/(expenditure)	10	29,072	10,400

All amounts relate to continuing operations.

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

Launde Lu Limited

Balance sheet As at 31 December 2016

		31 December 2016			31 December 2015		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Assets							
Intangible assets	6	-	47,771	47,771	-	87,542	87,542
Investments							
Financial investments	7	1,001,018	-	1,001,018	887,190	-	887,190
Deposits with ceding undertakings		104	-	104	106	-	106
		1,001,122	-	1,001,122	887,296	-	887,296
Reinsurers' share of technical provisions							
Provision for unearned premiums	8	77,443	-	77,443	60,345	-	60,345
Claims outstanding	8	264,535	-	264,535	225,917	-	225,917
Other technical provisions		-	-	-	1,743	-	1,743
		341,978	-	341,978	288,005	-	288,005
Debtors							
Arising out of direct insurance operations		225,064	-	225,064	179,907	-	179,907
Arising out of reinsurance operations		361,040	-	361,040	274,704	-	274,704
Other debtors	7	103,968	457	104,425	93,734	6,810	100,544
		690,072	457	690,529	548,345	6,810	555,155
Other assets							
Cash at bank and in hand		50,628	46,650	97,278	41,062	7,012	48,074
Other		52,881	-	52,881	41,429	-	41,429
		103,509	46,650	150,159	82,491	7,012	89,503
Prepayments and accrued income							
Accrued interest		1,031	-	1,031	304	-	304
Deferred acquisitions costs	8	123,810	-	123,810	99,117	-	99,117
Other prepayments and accrued income		2,751	-	2,751	2,781	-	2,781
		127,592	-	127,592	102,202	-	102,202
Total assets		2,264,273	94,878	2,359,151	1,908,339	101,364	2,009,703

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

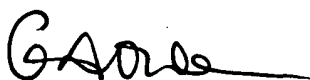
Launde Lu Limited

Balance sheet As at 31 December 2016

		31 December 2016			31 December 2015		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Liabilities and shareholders' funds							
Capital and reserves							
Called up share capital	9	-	100	100	-	100	100
Capital redemption		-	-	-	-	-	-
Capital contribution		-	-	-	-	-	-
Share premium account		-	-	-	-	-	-
Profit and loss account	10	144,325	(154,849)	(10,524)	163,798	(203,394)	(39,596)
Shareholders' funds – attributable to equity interests		144,325	(154,749)	(10,424)	163,798	(203,294)	(39,496)
Technical provisions							
Provision for unearned premiums	8	466,360	-	466,360	382,486	-	382,486
Claims outstanding	8	1,305,590	-	1,305,590	1,096,165	-	1,096,165
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges							
Deferred taxation	11	-	-	-	-	-	-
Other		-	-	-	-	-	-
Deposit received from reinsurers		205	-	205	153	-	153
Creditors							
Arising out of direct insurance operations		28,218	-	28,218	20,869	-	20,869
Arising out of reinsurance operations		166,859	-	166,859	141,183	-	141,183
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors including taxation and social security	7	136,384	231,744	368,128	101,332	279,671	381,003
		2,103,616	231,744	2,335,360	1,742,188	279,671	2,021,859
Accruals and deferred income		16,332	17,883	34,215	2,353	24,987	27,340
Total liabilities		2,264,273	94,878	2,359,151	1,908,339	101,364	2,009,703

Approved and authorised for issue by the Board of Directors on 26/06/2017 and signed on its behalf by:

G A OWEN
Director



Company registration number: 8213920

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

Launde Lu Limited

Statement of changes in equity For the year ended 31 December 2016

	Called up share capital £	Capital redemption reserve £	Share premium account £	Profit and loss account £	Capital contribution reserve £	Total £
Opening balance	100	-	-	(49,996)	-	(49,896)
Profit/(loss) for the year	-	-	-	7,507	-	7,507
Other comprehensive income	-	-	-	2,893	-	2,893
Total comprehensive income	-	-	-	10,400	-	10,400
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
As at 31 December 2015	100	-	-	(39,596)	-	(39,496)
Profit/(loss) for the year	-	-	-	20,997	-	20,997
Other comprehensive income	-	-	-	8,075	-	8,075
Total comprehensive income	-	-	-	29,072	-	29,072
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
As at 31 December 2016	100	-	-	(10,524)	-	(10,424)

Called-up share capital represents the nominal value of shares that have been issued.

Capital redemption reserve records the nominal value of shares repurchased by the Company.

The share premium account records the amount above the nominal value received for shares sold, less transaction costs.

The profit and loss account represents cumulative profits and losses of the Company.

Capital contribution reserve relates to contributions to the equity capital of the Company.

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

Launde Lu Limited

Cash flow statement

For the year ended 31 December 2016

	2016 £	2015 £
Operating activities		
Profit/(loss) on ordinary activities before tax	28,670	30,703
(Profit)/loss attributable to syndicate transactions	27,548	(105,492)
Profit/(loss) - excluding syndicate transactions	56,218	(74,789)
Adjusted for:		
(Increase)/decrease in debtors	-	-
Increase/(decrease) in creditors	(55,031)	30,800
(Profit)/loss on disposal of intangible assets	-	7,940
Amortisation of syndicate capacity	43,770	43,771
Realised/unrealised (gains)/losses on investments	-	-
Investment income	(59)	(1)
Corporation and overseas taxes (paid)/refunded	(1,320)	(711)
Net cash inflow/(outflow) from operating activities	43,578	7,010
Investing activities		
Investment income	59	1
Purchase of syndicate capacity	(3,999)	-
Proceeds from sale of syndicate capacity	-	-
Purchase of financial investments	-	-
Proceeds from sale of financial investments	-	-
Net cash (outflow)/inflow from investing activities	(3,940)	1
Financing activities		
Issue of shares	-	-
Share issue expenses	-	-
Capital contribution/redemption	-	-
Equity dividends paid	-	-
Net cash (outflow)/inflow from financing activities	-	-
Net cash increase/(decrease) in cash and cash equivalents	39,638	7,011
Effect of exchange rates on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	7,012	1
Cash and cash equivalents at the end of the year	46,650	7,012
Consisting of:		
Cash at bank and in hand	46,650	7,012
Cash equivalents	-	-
	46,650	7,012

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

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

Basis of preparation of financial statements

General information

The Company is a limited company incorporated in the United Kingdom.

The financial statements have been presented in Pounds Sterling ("Sterling") as this is the Company's functional currency, being the primary economic environment in which the Company operates.

Basis of preparation

These financial statements have been prepared in accordance with FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland*, FRS103 *Insurance Contracts* and applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI 2008/410"). These financial statements have been prepared under the historical costs convention as modified for certain financial instruments held at fair value.

Recognition of insurance transactions

Preparing financial statements in accordance with SI 2008/410 requires the Company to recognise its proportion of all the transactions undertaken by the Lloyd's Syndicates in which it participates ("the Syndicates") in aggregation with the transactions undertaken by the Company at entity level ("the Corporate").

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

For each such Syndicate, the Company's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Company's profit and loss account. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading "Syndicate"). The Syndicate's assets are held subject to trust deeds for the benefit of the Company's insurance creditors.

The proportion referred to above is calculated by reference to the Company's participation as a percentage of the Syndicate's total capacity.

The Company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate ("the Managing Agent") and it has further undertaken not to interfere with the exercise of such management and control. The Managing Agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised by the Company.

Sources of data

The information used to compile the technical account and the "Syndicate" balance sheet is based on returns prepared for this purpose by the Managing Agents of the Syndicates ("the Returns"). These Returns have been subjected to audit by the Syndicate auditors and are based on the audited Syndicate returns to Lloyd's and the audited annual reports to Syndicate members.

The format of the Returns has been established by Lloyd's and Lloyd's has also been responsible for collating the data at a Syndicate level and analysing it into corporate member level results.

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

Accounting policies

i Going concern

As at 31 December 2016 the Company had net liabilities of £10,424 (2015: £39,496). The director considers the Company to be a going concern and has prepared the financial statements on that basis. The Company is continuing to underwrite at Lloyd's for the 2017 year of account.

ii Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years. Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax. Gross premiums written may include "reinsurance to close" premiums receivable (see vi below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see vi below). Premiums written by a Syndicate may also include the reinsurance of other Syndicates on which the Company participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this inter - Syndicate reinsurance. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

iii Claims incurred

Claims incurred include the costs of claims handling expenses. Recoverable amounts arising out of subrogation or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from prior years differ from the provision at the beginning of the year.

iv Provision for claims outstanding

Claims outstanding comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR). Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision is based on the Returns and reports from the Managing Agents and the Company's licensed adviser or Members' Agent. When appropriate, statistical methods have been applied to past experience of claims frequency and severity.

The two most critical assumptions with regards to claims provisions are that the past is a reasonable predictor of the likely level of claims development, and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The Director considers the provision for gross claims and related reinsurance recoveries, as based on the Returns to be fairly stated. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made.

v Unexpired risk provision

A provision for unexpired risk is made by the underlying Syndicates where claims, related expenses and deferred acquisition costs, likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

Accounting policies (continued)

vi Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's Syndicates. Under it, underwriting members (the reinsured members) who are members of a Syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another Syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that Syndicate and allocated to the closed year in consideration of:

- (1) a premium; and
- (2) either
 - (a) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business); or
 - (b) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharges of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account of the same Syndicate, the Managing Agent has a duty to ensure both sets of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members. To the extent that the Company participates on successive years of account of the same Syndicate and there is a reinsurance to close between those years, the Company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the Company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the Company has assumed a greater proportion of the business of the Syndicate. If the Company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the Company's exposure to risks previously written by the Syndicate. The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims. However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a Syndicate year of account and it is treated for accounts purposes as settling all the Company's outstanding gross liabilities in respect of the business so reinsured.

vii Financial instruments

The Company has chosen to apply the provisions of Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instruments* in full.

The Company holds both basic and non-basic financial instruments. The Company's financial instruments comprise of cash and cash equivalents, trade and other receivables, trade and other payables and investments in a variety of basic and non-basic financial instruments, through both the Corporate and through the Syndicates.

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument.

Basic financial instruments (except for non-puttable ordinary and non-convertible preference shares) are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment in the case of financial assets. Amounts that are receivable/payable within one year are measured at the undiscounted amount of the cash expected to be received/settled.

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

Accounting policies (continued)

vii Financial instruments (continued)

Where a financial instrument constitutes a financing transaction, it is initially measured at the present value of the future payments, discounted at a market rate of interest, and subsequently measured at amortised cost using the effective interest rate method.

All other financial instruments are measured at fair value through profit or loss, except for investments in equity instruments that are not publicly traded, and whose fair value cannot otherwise be measured reliably, which are measured at cost less impairment.

At the end of each reporting year, the Company assesses whether there is objective evidence that any financial asset may be impaired. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised immediately in the profit and loss.

Investment income is initially recorded in the non-technical account. All investment income arising on Syndicate participations is allocated to the technical account.

Interest income is recognised as it accrues using the effective interest rate method.

Dividend income receivable is recognised when the rights to receive the distributions have been established.

viii Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes. Derivates are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

ix Derecognition of financial assets

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- The rights to the cash flows from the asset have expired; or
- The Company retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. In that case, the Company also recognises an associated liability.

x Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if there is a currently enforceable legal right to offset the recognised amounts; and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

Accounting policies (continued)

xi Net operating expenses

Operating expenses are recognised when incurred. They include the Company's share of Syndicate operating expenses, the remuneration payable to Managing Agents (and the Company's Members' Agent/licensed adviser) and the direct costs of membership of Lloyd's.

xii Foreign currencies

Transactions in United States dollars, Canadian dollars and Euros are translated at the rates of exchange ruling at the date the transaction is processed or at an appropriate average rate. Unless otherwise stated, transactions in currencies other than United States dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed. Monetary assets and liabilities are retranslated into Sterling at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities at the balance sheet date are maintained at the rate of exchange ruling when the contract was entered into, except for non-monetary assets and liabilities arising out of insurance contracts which are treated as monetary items in accordance with FRS 103 *Insurance Contracts* ("FRS 103"). Exchange differences arising on translation to the functional currency are dealt with in the profit and loss account.

xiii Intangible assets

Intangible assets include purchased rights to participate on Syndicates. The purchase cost is capitalised and amortised on a straight line basis over the useful life of the rights which is five years.

xiv Insurance contracts – product classification

Insurance contracts are those contracts when the Company (the insurer/reinsurer) has accepted significant insurance risk from another party (the policyholder/reinsured) by agreeing to compensate the policyholder if a specified uncertain future event (the re/insured event) adversely affects the policyholder. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with sections 11 and 12 of FRS102 unless the embedded derivative is itself an insurance contract (i.e. the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

xv Taxation

The Company is taxed on its share of the underwriting results declared by Syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. The Syndicate results included in these financial statements (excluding any losses on open years of account) are only declared for tax purposes in the calendar year following closure of the year of account. HM Revenue & Customs agrees the taxable results of Syndicates at a Syndicate level on the basis of computations submitted by the Managing Agent. At the date of approval of these financial statements, the Syndicate taxable results of this year have not been agreed. Any adjustments that may be necessary to the tax provision as a result of HM Revenue & Customs agreement of Syndicate taxable results will be reflected in the financial statements of subsequent periods.

xvi Deferred taxation

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date, that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

Accounting policies (continued)

xvi Deferred taxation (continued)

Deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

xvii Critical accounting judgements and key sources of estimated uncertainty

In applying the Company's accounting policies, the Director is required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Director's 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 management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Company looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate. The critical accounting judgements and key sources of estimation uncertainty set out below therefore relate to those made by the Director in respect of the Corporate only, and do not include estimates and judgements made in respect of the Syndicates.

Critical accounting judgements

The critical judgements that the Director has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

Assessing indicators of impairment

In assessing whether there have been any indicators of impairment assets, the Director has considered 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.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating value in use

Where an indication of impairment exists the Director 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 the Director to estimate the future cash flows expected to arise from the asset or the cash generating unit and a suitable discount rate in order to calculate present value.

Recoverability of receivables

The Company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the Director considers factors such as the aging of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

Determining the useful life of purchased syndicate capacity

The Director has assessed the useful life of syndicate capacity to be five years. This is on the basis that the Director considers this to be the life over which value is created from the investment made.

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

1. Class of Business

2016	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	42,658	41,324	(20,490)	(19,466)	(898)	470
Motor – third party liability	5,174	5,746	(3,403)	(2,000)	(135)	208
Motor – other classes	18,979	17,639	(12,914)	(6,329)	758	(846)
Marine, aviation and transport	114,843	115,850	(62,653)	(48,727)	(5,428)	(958)
Fire and other damage to property	259,531	258,336	(121,328)	(86,575)	(35,100)	15,333
Third party liability	163,517	147,398	(83,874)	(54,784)	(7,957)	783
Credit and suretyship	14,489	13,106	(7,567)	(4,030)	(1,497)	12
Legal expenses	1,347	1,402	(640)	(738)	-	24
Assistance	-	-	-	-	-	-
Miscellaneous	6,246	6,397	(2,350)	(2,667)	(541)	839
	626,784	607,198	(315,219)	(225,316)	(50,798)	15,865
Reinsurance	311,278	309,082	(134,052)	(89,276)	(59,511)	26,243
Total	938,062	916,280	(449,271)	(314,592)	(110,309)	42,108

2015	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	36,460	35,398	(14,581)	(16,337)	(2,291)	2,189
Motor – third party liability	6,060	5,160	(3,651)	(1,837)	373	45
Motor – other classes	15,738	13,312	(7,492)	(3,283)	(570)	1,967
Marine, aviation and transport	109,347	109,280	(40,712)	(44,624)	(11,002)	12,942
Fire and other damage to property	235,005	234,700	(89,127)	(79,802)	(41,078)	24,693
Third party liability	124,534	114,477	(61,586)	(41,916)	(6,538)	4,437
Credit and suretyship	12,911	12,944	(8,026)	(3,222)	(1,747)	(51)
Legal expenses	1,491	1,938	(784)	(955)	(12)	187
Assistance	-	-	-	-	-	-
Miscellaneous	5,710	5,506	(1,869)	(2,397)	(727)	513
	547,256	532,715	(227,828)	(194,373)	(63,592)	46,922
Reinsurance	272,774	263,476	(85,676)	(75,853)	(56,716)	45,231
Total	820,030	796,191	(313,504)	(270,226)	(120,308)	92,153

All insurance business is underwritten in the United Kingdom in the Lloyd's insurance market. Consequently all insurance contracts are deemed to be concluded in the United Kingdom.

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

2. Net Operating Expenses

	2016 £	2015 £
Acquisition costs	260,769	229,482
Change in deferred acquisition costs	(6,399)	(9,105)
Administrative expenses	53,809	43,194
Reinsurance commissions and profit participations	(29,203)	(26,148)
Personal expenses	35,616	32,803
	<u>314,592</u>	<u>270,226</u>

3. Investment Income

	2016 £	2015 £
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	17,729	15,126
Realised gains and losses	(312)	(1,153)
Unrealised gains and losses	1,068	(4,425)
Other	-	-
	<u>18,485</u>	<u>9,548</u>
Financial instruments held at amortised cost:		
Interest	59	1
Other	-	-
	<u>59</u>	<u>1</u>
Investment management expenses, including interest	(1,562)	(1,480)
	<u>(1,562)</u>	<u>(1,480)</u>
	<u>16,982</u>	<u>8,069</u>

4. Profit/(Loss) on Ordinary Activities before Taxation

	2016 £	2015 £
Operating profit/(loss) is stated after charging:		
Director's remuneration	-	-
Amortisation of syndicate capacity	43,770	43,771
(Profit)/loss on disposal of intangible fixed assets	-	7,940
(Profit)/loss on exchange	(38,454)	(618)

The Company has no employees and no staff costs are met by the Company.

The Director is considered to be the key management personnel of the Company.

The fees payable to the Company's auditor for audit services are included in the fees payable to the Members' Agent.

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

5. Taxation	2016 £	2015 £
Analysis of charge in year		
Current tax:		
UK corporation tax on profit/(loss) of the year	-	-
Adjustment in respect of previous period	-	-
Foreign tax	1,320	711
Total current tax	1,320	711
Deferred tax:		
Origination and reversal of timing differences	6,378	20,263
Change in tax rate	(25)	(671)
Total tax	7,673	20,303
Factors affecting tax charge for period		
The tax assessed for the period is different to the standard rate of corporation tax in the UK of 20.00% (2015 - 20.00%). The differences are explained below:		
Profit/(loss) on ordinary activities before tax	28,670	30,703
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.00%)	5,734	6,141
Effects of:		
Change in deferred tax rate	(25)	(671)
Deferred tax asset previously unrecognised	-	-
Foreign tax	1,056	569
Expenses not deductible for tax purposes	-	-
Other corporation computation adjustments	-	-
Marginal rates of taxation and prior period adjustment	908	14,264
Total tax charge/(credit) for the period	7,673	20,303

The results of the Company's participation on the 2014, 2015 and 2016 years of account and any calendar year movement on 2013 and prior run-offs, will not be assessed to tax until the year ended 31 December 2017, 2018 and 2019 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account.

The current UK corporation tax rate is 20%. The rate will be reduced to 19% from 1 April 2017 and to 17% from 1 April 2020. The effect of these reductions are reflected in the recognised deferred tax liability/(asset).

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

6. Intangible Assets	2016	2015
	£	£
Purchased Syndicate Capacity		
Cost		
At 1 January 2016	218,855	232,089
Additions	3,999	-
Disposals	-	(13,234)
At 31 December 2016	222,854	218,855
Amortisation		
At 1 January 2016	131,313	92,836
Additions	43,770	43,771
Disposals	-	(5,294)
At 31 December 2016	175,083	131,313
Net Book Value		
At 31 December 2016	47,771	87,542
At 31 December 2015	87,542	139,253
7. Financial Instruments and Financial Risk Management		
7.1 Financial Investments		
Other financial investments – Syndicate participation		
	2016	2015
	Market Value	Market Value
	£	£
Shares and other variable yield securities and units in unit trusts	154,245	11,096
Debt securities and other fixed income securities	792,471	732,356
Participation in investment pools	20,620	12,162
Loans with credit institutions	1,221	1,771
Derivative financial instruments	1,359	113
Other investments	2,462	-
Deposits with credit institutions	12,047	16,169
Other	16,593	113,523
	1,001,018	887,190
Other financial investments – Corporate		
Shares and other variable yield securities and units in unit trusts	-	-
Debt securities and other fixed income securities	-	-
Other investments	-	-
	-	-

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.2 Other Debtors

	2016			2015		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts due from group undertakings	-	-	-	-	-	-
Other	103,968	457	104,425	93,734	6,810	100,544
	103,968	457	104,425	93,734	6,810	100,544

7.3 Funds at Lloyd's

The amount of Funds at Lloyd's is represented in the balance sheet as:

	2016			2015		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	46,650	46,650	-	7,012	7,012
Investments	-	-	-	-	-	-
	-	46,650	46,650	-	7,012	7,012

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

7.4 Other Creditors including Taxation and Social Security

	2016			2015		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Corporation tax	-	-	-	-	-	-
Director's loan accounts	-	231,744	231,744	-	279,671	279,671
Third party funds	-	-	-	-	-	-
Other creditors	136,384	-	136,384	101,332	-	101,332
Amount due to group undertakings	-	-	-	-	-	-
	136,384	231,744	368,128	101,332	279,671	381,003

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.5 Classification of Financial Instruments

The tables below set out the Company's financial instruments by classification.

Other financial investments – Syndicate participation

	2016			2015		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
Financial assets						
Investments	1,001,018	-	1,001,018	924,973	-	924,973
Deposits with ceding undertakings	-	104	104	-	106	106
Insurance debtors	-	225,064	225,064	-	179,907	179,907
Reinsurance debtors	-	361,040	361,040	-	274,704	274,704
Other debtors	-	103,968	103,968	-	93,734	93,734
Cash at bank and in hand	-	50,628	50,628	-	41,062	41,062
Other assets	52,881	-	52,881	-	-	-
	1,053,899	740,804	1,794,703	924,973	589,513	1,514,486
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	1,238	-	1,238	-	-	-
Insurance creditors	-	28,218	28,218	-	20,869	20,869
Reinsurance creditors	-	166,859	166,859	-	141,183	141,183
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors	-	-	-	-	-	-
	1,238	195,077	196,315	-	162,052	162,052

Other financial investments – Corporate

	2016			2015		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
Financial assets						
Investments	-	-	-	-	-	-
Other debtors	-	457	457	-	6,810	6,810
Cash at bank and in hand	-	46,650	46,650	-	7,012	7,012
Other assets	-	-	-	-	-	-
	-	47,107	47,107	-	13,822	13,822
Financial liabilities						
Other creditors	-	231,744	231,744	-	279,671	279,671
	-	231,744	231,744	-	279,671	279,671

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.5 Classification of Financial Instruments (continued)

The table below sets out details of the Company's derivative financial instruments.

	2016		2015	
	Notional amount £	Fair value £	Notional amount £	Fair value £
Foreign exchange forward contracts	53,562	1,091	(29,999)	8
Interest rate future contracts	53,195	253	(27,344)	47
Foreign exchange options	-	-	-	-
Equity options	-	-	850	19
Foreign exchange contract for difference	16,688	(209)	1,710	37
Other	1,256	224	-	-
	<u>124,701</u>	<u>1,359</u>	<u>(54,783)</u>	<u>111</u>

7.6 Financial Instruments held at fair value through profit or loss

The assets and liabilities carried at fair value through profit or loss have been categorised between the three levels of the fair value hierarchy that reflects the observability and significance of inputs used when establishing the fair value. The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level (a) in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis.

Level (b) in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. Instead the price of a recent transaction for an identical asset or liability is used, provided that there has not been a significant change in economic circumstances or a significant lapse of time since the recent transaction.

Level (c) in the fair value hierarchy consists of those types of assets and liabilities for which fair values cannot be obtained directly from quoted market prices in active markets or in a recent transaction. These assets and liabilities are measured using a valuation technique to estimate what the transaction price would have been in an arm's length transaction.

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Instruments held at fair value through profit or loss (continued)

The tables below set out Company's financial instruments held at fair value through profit or loss by level of hierarchy.

Other financial investments – Syndicate participation

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2016						
Financial assets						
Shares and other variable yield securities and units in unit trusts	18,720	135,525	-	154,245	-	154,245
Debt securities and other fixed income securities	195,424	597,047	-	792,471	-	792,471
Participation in investment pools	9,689	6,032	4,899	20,620	-	20,620
Loans and deposits with credit institutions	12,038	3,317	375	15,730	-	15,730
Overseas deposits	39,779	28,014	1,668	69,461	-	69,461
Derivatives	1,351	8	-	1,359	-	1,359
Other investments	-	-	13	13	-	13
Financial assets classified as held for sale	-	-	-	-	-	-
	277,001	769,943	6,955	1,053,899	-	1,053,899
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	1,015	223	-	1,238	-	1,238
Financial liabilities classified as held for sale	-	-	-	-	-	-
	1,015	223	-	1,238	-	1,238

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Instruments held at fair value through profit or loss (continued)

Other financial investments – Syndicate participation (continued)

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2015						
Financial assets						
Shares and other variable yield securities and units in unit trusts	17,771	96,957	9,892	124,620	-	124,620
Debt securities and other fixed income securities	287,417	380,886	64,053	732,356	-	732,356
Participation in investment pools	3,812	3,770	4,581	12,163	-	12,163
Loans and deposits with credit institutions	(3,511)	(2,064)	5,638	63	-	63
Overseas deposits	43,061	11,024	1,552	55,637	-	55,637
Derivatives	61	-	52	113	-	113
Other investments	-	-	22	22	-	22
Financial assets classified as held for sale	-	-	-	-	-	-
	348,611	490,573	85,790	924,974	-	924,974
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	128	-	-	128	-	128
Financial liabilities classified as held for sale	-	-	-	-	-	-
	128	-	-	128	-	128

Other financial investments – Corporate

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2016						
Financial assets						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	-	-	-	-	-	-

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Instruments held at fair value through profit or loss (continued)

Other financial investments – Corporate (continued)

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2015						
Financial assets						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	-	-	-	-	-	-

7.7 Financial Risk Management

The Company is a financial institution and therefore provides the following disclosures in respect of the financial instruments it holds.

The Company is exposed to the following financial risks in the course of its operating and financing activities:

- Credit risk
- Liquidity risk
- Interest rate risk
- Equity price risk; and
- Foreign exchange risk

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Company looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate, including those in respect of financial risk management. The following qualitative risk management disclosures made by the Director therefore relate to the Corporate only. The quantitative disclosures are made in respect of both the Corporate and the Syndicates.

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Credit risk

Credit risk is the risk that a counterparty to the Company's financial instruments will cause a loss to the Company through failure to perform its obligations. The key areas of exposure to credit risk for the Company result through its reinsurance programme, investments, bank deposits and policyholder receivables.

The Company manages credit risk at the Corporate level by ensuring that investments and cash and cash equivalent deposits are placed only with highly rated credit institutions. At the Corporate level the Company did not hold any collateral as security against its receivables, or have any other credit enhancements at the reporting dates.

The carrying amount of the Company's financial assets represents the Company's maximum exposure to credit risk.

The tables below show the credit quality of financial assets that are neither past due nor impaired.

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
2016						
Shares and other variable yield securities and units in unit trusts	29,703	7,637	18,244	9,966	88,695	154,245
Debt securities and other fixed income securities	216,102	243,519	216,165	100,217	16,468	792,471
Participation in investment pools	4,248	8,942	2,766	159	4,505	20,620
Loans secured with credit institutions	1,183	2,125	-	-	375	3,683
Deposits with credit institutions	-	654	2,819	-	8,574	12,047
Overseas deposits	27,270	11,608	6,676	7,158	16,749	69,461
Derivative investments	-	261	984	106	8	1,359
Other investments	-	-	-	-	13	13
Deposits with ceding undertakings	-	-	-	-	104	104
Reinsurers share of claims outstanding	7,346	70,196	170,383	5,669	10,941	264,535
Reinsurance debtors	3,097	7,795	7,870	1,054	1,434	21,250
Cash at bank and in hand	-	16,231	30,198	4,199	-	50,628
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	288,949	368,968	456,105	128,528	147,866	1,390,416

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
2015						
Shares and other variable yield securities and units in unit trusts	27,871	4,531	14,439	6,743	71,036	124,620
Debt securities and other fixed income securities	222,983	259,058	158,609	83,450	8,257	732,357
Participation in investment pools	3,236	2,494	701	54	5,677	12,162
Loans secured with credit institutions	1,535	46	190	-	-	1,771
Deposits with credit institutions	-	141	1,127	-	-	1,268
Overseas deposits	34,041	9,948	8,451	3,067	62	55,569
Derivative investments	34	-	5	19	54	112
Other investments	-	-	-	-	22	22
Deposits with ceding undertakings	-	-	-	-	106	106
Reinsurers share of claims outstanding	7,720	71,956	135,950	2,362	7,149	225,137
Reinsurance debtors	1,305	188,270	14,414	435	218	204,642
Cash at bank and in hand	20,043	1,308	14,643	5,068	-	41,062
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	318,768	537,752	348,529	101,198	92,581	1,398,828

The tables below show the ageing and impairment of financial assets by class of instruments.

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
2016						
Shares and other variable yield securities and units in unit trusts	154,245	-	-	-	-	154,245
Debt securities and other fixed income securities	792,471	-	-	-	-	792,471
Participation in investment pools	20,620	-	-	-	-	20,620
Loans secured with credit institutions	3,683	-	-	-	-	3,683
Deposits with credit institutions	12,047	-	-	-	-	12,047
Overseas deposits	69,461	-	-	-	-	69,461
Derivative investments	1,359	-	-	-	-	1,359
Other investments	13	-	-	-	-	13
Deposits with ceding undertakings	104	-	-	-	-	104
Reinsurers share of claims outstanding	264,536	-	-	-	-	264,535
Reinsurance debtors	16,469	4,041	283	14	443	21,250
Cash at bank and in hand	50,628	-	-	-	-	50,628
Insurance debtors	206,456	8,664	3,146	6,798	-	225,064
Other debtors	629,095	408	65	134	-	629,702
	2,221,187	13,113	3,494	6,946	443	2,245,182

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Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
2015						
Shares and other variable yield securities and units in unit trusts	124,619	-	-	-	-	124,619
Debt securities and other fixed income securities	732,356	-	-	-	-	732,356
Participation in investment pools	12,162	-	-	-	-	12,162
Loans secured with credit institutions	1,771	-	-	-	-	1,771
Deposits with credit institutions	1,268	-	-	-	-	1,268
Overseas deposits	55,569	-	-	-	-	55,569
Derivative investments	113	-	-	-	-	113
Other investments	22	-	-	-	-	22
Deposits with ceding undertakings	106	-	-	-	-	106
Reinsurers share of claims outstanding	225,137	1,048	2	1	(271)	225,917
Reinsurance debtors	204,643	8,059	1,429	151	368	214,650
Cash at bank and in hand	41,062	-	-	-	-	41,062
Insurance debtors	206,164	8,669	2,263	3,232	(147)	220,181
Other debtors	52,314	-	-	85	-	52,399
	1,657,306	17,776	3,694	3,469	(50)	1,682,195

At the Corporate level the Company is not exposed to significant credit risk. Consequently a sensitivity analysis for credit risk has not been presented for the Corporate.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

At the Corporate level the Company manages liquidity by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date of which the Company can be required to pay.

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
2016						
Derivative financial instruments	-	1,238	-	-	-	1,238
Deposits received from reinsurers	-	205	-	-	-	205
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	460,418	521,120	176,504	147,548	1,305,590
Creditors	41,809	164,033	56,805	6,352	1,128	270,127
Other	-	-	-	-	-	-
	41,809	625,894	577,925	182,856	148,676	1,577,160

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
2015						
Derivative financial instruments	-	107	75	-	-	182
Deposits received from reinsurers	-	153	-	-	-	153
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	377,107	401,313	174,307	143,439	1,096,166
Creditors	28,376	115,343	47,033	1,589	-	192,341
Other	417	-	-	-	-	417
	28,793	492,710	448,421	175,896	143,439	1,289,259

At the Corporate level the Company is not exposed to significant liquidity risk. Consequently a maturity profile has not been presented for the Corporate.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Company is exposed to the risk of interest rate fluctuations in respect of cash and cash equivalents and other interest bearing securities.

At the Corporate level the Company manages interest rate risk by maintaining an appropriate mix between fixed and floating rate financial instruments.

The table below shows the impact of changes in interest rates on the profit or loss for the period and on the equity of the Company.

Syndicate participation	2016 £	2015 £
Impact of 50 basis point increase on profit or loss	(8,755)	(6,517)
Impact of 50 basis point decrease on profit or loss	8,627	6,093
Impact of 50 basis point increase on equity	(8,755)	(6,779)
Impact of 50 basis point decrease on equity	8,627	6,359

At the Corporate level the Company is not exposed to significant cash flow interest rate risk as all of the financial instruments attract fixed rates of interest. Consequently a sensitivity analysis for interest rate risk has not been presented for the Corporate.

Equity price risk

Equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices.

The Company is exposed to equity price risk in respect of its equity investments.

At the Corporate level the Company manages equity price risk by maintaining an appropriate mix between equity and debt financial instruments, and by spreading the risk on equity investments across a portfolio of investments.

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

The table below shows the impact of changes in equity prices on the profit or loss for the period and on the equity of the Company.

Syndicate participation

	2016 £	2015 £
Impact on profit or loss of 5% increase in Stock Market Prices	2,299	1,508
Impact on profit or loss of 5% decrease in Stock Market Prices	(2,299)	(1,510)
Impact on equity of 5% increase in Stock Market Prices	2,299	1,508
Impact on equity of 5% decrease in Stock Market Prices	(2,299)	(1,510)

At the Corporate level the Company is not exposed to significant cash flow equity price risk. Consequently a sensitivity analysis for equity price risk has not been presented for the Corporate.

Currency risk

The Company holds both assets and liabilities denominated in currencies other than Sterling, its functional currency. It is therefore exposed to currency risk as the value of the foreign currency assets and liabilities will fluctuate in line with changes in foreign exchange rates.

At the Corporate level the Company manages currency risk by ensuring that exchange rate exposures are managed within approved policy parameters.

The table below considers financial assets and financial liabilities denominated in the currencies of the Company's principal foreign exchange exposures in aggregate.

Net assets and liabilities

	Syndicate Participation £	2016 Corporate £	Syndicate Participation £	2015 Corporate £
Sterling	(124,115)	(237,918)	(65,358)	(297,848)
United States Dollar	155,492	35,398	160,362	7,012
Euro	49,828	-	18,695	-
Canadian Dollar	53,585	-	31,196	-
Australian Dollar	8,758	-	2,625	-
Japanese Yen	(2,535)	-	(2,111)	-
Other	975	-	(4,949)	-

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

The Company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate and it has further undertaken not to interfere with the exercise of such management and control. The managing agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised. As such, disclosures in respect of the assumptions and judgements made, and the objectives, policies and processes for managing currency risk arising from assets and liabilities are only presented for the Corporate in these financial statements.

The Company's assets are primarily Funds at Lloyd's to support its underwriting. These are held in various currencies but are all either listed investments or cash. As such, any exchange movement would be accounted for in the profit and loss.

	Corporate Profit and loss			
	31 December 2016		31 December 2015	
	Increase	Decrease	Increase	Decrease
	£	£	£	£
Effect of sterling exchange movement by 10%				
United States Dollar	3,218	(3,933)	637	(779)
Euro	-	-	-	-
Canadian Dollar	-	-	-	-
Australian Dollar	-	-	-	-
Japanese Yen	-	-	-	-
Other	-	-	-	-

7.8 Capital Management

Lloyd's capital setting process

In order to meet Lloyd's requirements, each Syndicate is required to calculate its Standard Capital Requirement ("SCR") for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR "to ultimate"). The Syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each Syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

Each Syndicate member is liable for its own share of underwriting liabilities on the Syndicate on which it participates but not other members' shares.

Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR "to ultimate".

Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, the ECA. The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2016 was 35% of the member's SCR "to ultimate".

Effective 1 January 2016, Lloyd's is subject to the Solvency II capital regime and the Solvency I figures are no longer applicable from that date. Although the capital regime has changed, this has not significantly impacted the solvency capital requirement of the Syndicate, since this has been previously calculated using Solvency II principles.

The Funds at Lloyd's represent the capital which allows the Company to participate on the Syndicates. Refer to Note 7.3 for further information.

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

8. Insurance Contracts

The following reconciliation shows the movement in the provision for claims outstanding during the year.

	2016			2015		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	1,096,165	225,917	870,248	447,369	75,298	372,071
Movements in the year	67,340	22,465	44,875	(46,039)	(14,905)	(31,134)
Exchange differences	142,085	16,153	125,932	694,835	165,524	529,311
At 31 December	1,305,590	264,535	1,041,055	1,096,165	225,917	870,248

The following reconciliation shows the movement in the provision for unearned premium during the year.

	2016			2015		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	382,486	60,345	322,141	349,143	37,077	312,066
Movements in the year	21,782	6,406	15,376	23,839	6,390	17,449
Exchange differences	62,092	10,692	51,400	9,504	16,878	(7,374)
At 31 December	466,360	77,443	388,917	382,486	60,345	322,141

The following reconciliation shows the movement in deferred acquisition costs during the year.

	2016 £	2015 £
At 1 January	99,117	92,370
Movements in the year	6,399	9,105
Exchange differences	18,294	(2,358)
At 31 December	123,810	99,117

8.1 Risks arising from Insurance Contracts

The Company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate and it has further undertaken not to interfere with the exercise of such management and control. The managing agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised. As such, disclosures in respect of the assumptions and judgements made, and the objectives, policies and processes for managing risk arising from insurance contracts, are not presented in these financial statements.

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

9. Called-up Share Capital

Issued and fully paid

	At 1 January	Issued during the year	Redeemed during the year	At 31 December
Par value per share				
Ordinary £1 shares	100	-	-	100
Total	100	-	-	100

The Ordinary £1 shares each hold one voting right. There are no restrictions on the distribution of dividends and the repayments of capital.

10. Profit and Loss Account

	2016			2015		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Retained profit/(loss) brought forward	163,798	(203,394)	(39,596)	58,306	(108,302)	(49,996)
Reallocate distribution	(113,941)	113,941	-	-	-	-
Profit/(loss) for the financial year	94,468	(65,396)	29,072	105,492	(95,092)	10,400
Equity dividends	-	-	-	-	-	-
Retained profit/(loss) carried forward	144,325	(154,849)	(10,524)	163,798	(203,394)	(39,596)

Launde Lu Limited

Notes to the Financial Statements For the year ended 31 December 2016

11. Deferred Tax

					2016
	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £	Total £
At 1 January	32,405	(37,414)	-	(1,801)	(6,810)
Movement in the year	(4,639)	10,909	-	83	6,353
At 31 December	27,766	(26,505)	-	(1,718)	(457)

					2015
	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £	Total £
At 1 January	12,301	(38,703)	-	-	(26,402)
Movement in the year	20,104	1,289	-	(1,801)	19,592
At 31 December	32,405	(37,414)	-	(1,801)	(6,810)

The unused tax losses carried forward at the Balance Sheet date are £137,807. Unused tax losses are expected to be recoverable against the future profits of the Company and have no expiry date.

The deferred tax balance consists of timing differences relating to the taxation of underwriting results. Deferred tax assets are shown within other debtors (Note 7.2).

12. Related Party Disclosure

During the year the Director made loans to and from the Company. At the Balance Sheet date the amount due (to)/from the Company was £231,744 (2015: £279,671).

Any related party loans and balances do not attract interest and are repayable on demand.

13. Ultimate Controlling Party

The Company is controlled by Mr G A Owen who holds 100% of the issued £100 ordinary share capital.