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**LIMITED LIABILITY PARTNERSHIP**

**The D B Clark LLP**

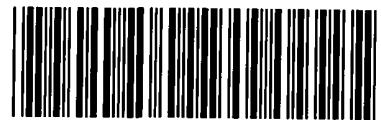
**Financial Statements**

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◆ **For the year ended 31 December 2016** ◆

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COMPANIES HOUSE

**Registered Number: OC321908**

# The D B Clark LLP

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## **The D B Clark LLP**

### **General Information**

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#### **DESIGNATED MEMBERS**

Argenta Continuity Limited  
Argenta LLP Services Limited

#### **MEMBERS' AGENT**

(Regulated by the Financial Conduct Authority)  
Argenta Private Capital Limited

#### **AUDITORS**

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

#### **REGISTERED NUMBER**

OC321908

#### **REGISTERED OFFICE**

5<sup>th</sup> Floor  
70 Gracechurch Street  
London  
EC3V 0XL

#### **ACCOUNTANTS**

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

## **The D B Clark LLP**

### **Strategic Report For the year ended 31 December 2016**

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The Members present their Strategic report for the year ended 31 December 2016.

#### **BUSINESS REVIEW**

The Limited Liability Partnership has ceased to write insurance business in the Lloyd's insurance market as a limited liability underwriting member of Lloyd's.

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

#### **RESULTS**

The result for the year is shown in the profit and loss account.

#### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Limited Liability Partnership 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 Limited Liability Partnership 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 Limited Liability Partnership.

Hedge accounting is not used by the Limited Liability Partnership.

Approved by the Members on 16 June 2017 and signed on their behalf by:



**D C BOWLES**  
**ARGENTA LLP SERVICES LIMITED**  
Designated Member

## **The D B Clark LLP**

### **Members' Report For the year ended 31 December 2016**

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The Members present their report together with the financial statements for the year ended 31 December 2016.

#### **STATEMENT OF MEMBERS' RESPONSIBILITIES**

Legislation applicable to Limited Liability Partnerships requires the Members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period.

In preparing those financial statements, the Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure 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 Partnership will continue in business.

The Members are responsible for ensuring that proper and up to date books of account are maintained in accordance with generally accepted accounting principles, and disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Limited Liability Partnership Regulations. They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **ACTIVITIES**

The principal activity of the Limited Liability Partnership in the year under review was that of a limited liability underwriting member of Lloyd's in run – off.

#### **DESIGNATED MEMBERS**

The Designated Members during the period were as follows:

Argenta Continuity Limited  
Argenta LLP Services Limited

#### **MEMBERS' INTERESTS**

The net profit of the Limited Liability Partnership for the financial year is allocated to each Member in accordance with their respective profit shares for the relevant year(s) of account.

The net loss of the Limited Liability Partnership for the financial year is allocated to each Member in accordance with their respective yearly shares for the relevant year(s) of account.

**The D B Clark LLP**

**Members' Report (continued)**  
**For the year ended 31 December 2016**

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**AUDITORS**

Mazars LLP have signified their willingness to act and continue to be appointed as the auditors to the Limited Liability Partnership.

Approved by the Members on 16 June 2017 and signed on their behalf by:



**D C BOWLES**  
**ARGENTA LLP SERVICES LIMITED**  
Designated Member

## **The D B Clark LLP**

### **Independent Auditor's Report To the Members of The D B Clark LLP For the year ended 31 December 2016**

We have audited the financial statements of The D B Clark LLP for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Members' Interests, 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 Members and auditors**

As explained more fully in the Statement of Members' Responsibilities set out on page 4, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the Limited Liability Partnership's Members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to Limited Liability Partnerships by the Limited Liability Partnership (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the 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 Limited Liability Partnership and the Limited Liability Partnership's Members as a body 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](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on the financial statements**

In our opinion on the financial statements:

- give a true and fair view of the state of the Limited Liability Partnership's affairs as at 31 December 2016 and of its result 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 as applied to Limited Liability Partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to Limited Liability Partnerships 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
- 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

20 June 2017

## The D B Clark LLP

### Profit & Loss Account – Technical Account For the year ended 31 December 2016

|                                                                        | Note | 2016<br>£ | 2015<br>£ |
|------------------------------------------------------------------------|------|-----------|-----------|
| <b>Earned premiums, net of reinsurance</b>                             |      |           |           |
| <b>Gross premiums written</b>                                          |      |           |           |
| Continuing operations                                                  | 1    | 3,165     | 86,917    |
| Outward reinsurance premiums                                           | 1    | (2,529)   | (7,981)   |
| <b>Net premiums written</b>                                            |      | 636       | 78,936    |
| <b>Change in the provision for Unearned premiums</b>                   |      |           |           |
| Gross provision                                                        | 1    | 45,813    | 274,783   |
| Reinsurers' share                                                      | 1    | (5,136)   | (37,606)  |
| <b>Earned premiums, net of reinsurance</b>                             |      | 41,313    | 316,113   |
| Allocated investment return transferred from the non-technical account |      | 11,858    | 8,012     |
| Other technical income, net of reinsurance                             |      | 1         | 9         |
| <b>Claims incurred net of reinsurance</b>                              |      |           |           |
| <b>Claims paid</b>                                                     |      |           |           |
| Gross amount                                                           | 1    | (220,706) | (297,291) |
| Reinsurers' share                                                      | 1    | 29,479    | 68,328    |
| <b>Net claims paid</b>                                                 |      | (191,227) | (228,963) |
| <b>Change in provision for claims</b>                                  |      |           |           |
| Gross amount                                                           | 1    | 250,737   | 192,877   |
| Reinsurers' share                                                      | 1    | (29,696)  | (58,303)  |
| <b>Net change in provisions for claims</b>                             |      | 221,041   | 134,574   |
| <b>Claims incurred, net of reinsurance</b>                             |      | 29,814    | (94,389)  |
| Changes in other technical provisions, net of reinsurance              |      | -         | -         |
| Net operating expenses                                                 | 1, 2 | (33,270)  | (126,735) |
| Other technical charges, net of reinsurance                            |      | -         | -         |
| <b>Balance on the technical account for general business</b>           |      | 49,716    | 103,010   |

The accounting policies and notes on pages 13 to 32 form part of these financial statements.

## The D B Clark LLP

### Profit & Loss Account – Non Technical Account For the year ended 31 December 2016

|                                                                                       | Note | 2016<br>£ | 2015<br>£ |
|---------------------------------------------------------------------------------------|------|-----------|-----------|
| <b>Balance on general business technical account</b>                                  |      | 49,716    | 103,010   |
| Investment income                                                                     | 3    | 11,876    | 8,030     |
| Allocated investment return transferred to the technical account                      |      | (11,858)  | (8,012)   |
| Other income                                                                          |      | 19,461    | -         |
| Other charges                                                                         |      | (8,217)   | (26,563)  |
| Profit/(loss) for the financial period before Members' remuneration and profit shares | 4    | 60,978    | 76,465    |
| Members' remuneration charged as an expense                                           | 5    | -         | -         |
| <b>Profit/(loss) for the financial period available for division among Members</b>    |      | 60,978    | 76,465    |
| Other comprehensive income/(expenditure)                                              |      | 7,970     | 3,951     |
| <b>Total comprehensive income/(expenditure)</b>                                       |      | 68,948    | 80,416    |

All items derive from discontinued activities.

The accounting policies and notes on pages 13 to 32 form part of these financial statements.

## The D B Clark LLP

### Balance sheet As at 31 December 2016

|                                                  |      | 31 December 2016                |                  |            | 31 December 2015                |                  |            |
|--------------------------------------------------|------|---------------------------------|------------------|------------|---------------------------------|------------------|------------|
|                                                  | Note | Syndicate<br>Participation<br>£ | Partnership<br>£ | Total<br>£ | Syndicate<br>Participation<br>£ | Partnership<br>£ | Total<br>£ |
| <b>Assets</b>                                    |      |                                 |                  |            |                                 |                  |            |
| <b>Intangible assets</b>                         | 6    | -                               | -                | -          | -                               | -                | -          |
| <b>Investments</b>                               |      |                                 |                  |            |                                 |                  |            |
| Financial investments                            | 7    | 565,494                         | -                | 565,494    | 699,973                         | -                | 699,973    |
| Deposits with ceding undertakings                |      | 12                              | -                | 12         | 10                              | -                | 10         |
|                                                  |      | 565,506                         | -                | 565,506    | 699,983                         | -                | 699,983    |
| <b>Reinsurers' share of technical provisions</b> |      |                                 |                  |            |                                 |                  |            |
| Provision for unearned premiums                  | 8    | 1,598                           | -                | 1,598      | 5,994                           | -                | 5,994      |
| Claims outstanding                               | 8    | 141,578                         | -                | 141,578    | 150,396                         | -                | 150,396    |
| Other technical provisions                       |      | -                               | -                | -          | -                               | -                | -          |
|                                                  |      | 143,176                         | -                | 143,176    | 156,390                         | -                | 156,390    |
| <b>Debtors</b>                                   |      |                                 |                  |            |                                 |                  |            |
| Arising out of direct insurance operations       |      | 9,860                           | -                | 9,860      | 36,471                          | -                | 36,471     |
| Arising out of reinsurance operations            |      | 132,826                         | -                | 132,826    | 223,857                         | -                | 223,857    |
| Other debtors                                    | 7    | 80,100                          | -                | 80,100     | 61,308                          | -                | 61,308     |
|                                                  |      | 222,786                         | -                | 222,786    | 321,636                         | -                | 321,636    |
| <b>Other assets</b>                              |      |                                 |                  |            |                                 |                  |            |
| Cash at bank and in hand                         |      | 29,726                          | 40,585           | 70,311     | 32,560                          | 102,304          | 134,864    |
| Other                                            |      | 46,860                          | -                | 46,860     | 48,187                          | -                | 48,187     |
|                                                  |      | 76,586                          | 40,585           | 117,171    | 80,747                          | 102,304          | 183,051    |
| <b>Prepayments and accrued income</b>            |      |                                 |                  |            |                                 |                  |            |
| Accrued interest                                 |      | 579                             | -                | 579        | 671                             | -                | 671        |
| Deferred acquisitions costs                      | 8    | 2,250                           | -                | 2,250      | 14,685                          | -                | 14,685     |
| Other prepayments and accrued income             |      | 399                             | -                | 399        | 1,960                           | -                | 1,960      |
|                                                  |      | 3,228                           | -                | 3,228      | 17,316                          | -                | 17,316     |
| <b>Total assets</b>                              |      | 1,011,282                       | 40,585           | 1,051,867  | 1,276,072                       | 102,304          | 1,378,376  |

The accounting policies and notes on pages 13 to 32 form part of these financial statements.

# The D B Clark LLP

## Balance sheet As at 31 December 2016

|                                                        | Note | 31 December 2016                |                  |            | 31 December 2015                |                  |            |
|--------------------------------------------------------|------|---------------------------------|------------------|------------|---------------------------------|------------------|------------|
|                                                        |      | Syndicate<br>Participation<br>£ | Partnership<br>£ | Total<br>£ | Syndicate<br>Participation<br>£ | Partnership<br>£ | Total<br>£ |
| <b>Liabilities and Members' interests</b>              |      |                                 |                  |            |                                 |                  |            |
| <b>Loans and other debts due to Members</b>            |      |                                 |                  |            |                                 |                  |            |
| Syndicate profit and loss                              |      | 129,915                         | -                | 129,915    | 177,923                         | -                | 177,923    |
| Corporate profit and loss - syndicate capacity         |      | -                               | 15,714           | 15,714     | -                               | 15,714           | 15,714     |
| Corporate profit and loss - other                      |      | -                               | 8,800            | 8,800      | -                               | 62,640           | 62,640     |
|                                                        |      | 129,915                         | 24,514           | 154,429    | 177,923                         | 78,354           | 256,277    |
| <b>Technical provisions</b>                            |      |                                 |                  |            |                                 |                  |            |
| Provision for unearned premiums                        | 8    | 6,635                           | -                | 6,635      | 48,205                          | -                | 48,205     |
| Claims outstanding                                     | 8    | 712,799                         | -                | 712,799    | 859,321                         | -                | 859,321    |
| Other technical provisions                             |      | -                               | -                | -          | -                               | -                | -          |
| <b>Provisions for other risks and charges</b>          |      | -                               | -                | -          | -                               | -                | -          |
| <b>Deposit received from reinsurers</b>                |      | 122                             | -                | 122        | 112                             | -                | 112        |
| <b>Creditors</b>                                       |      |                                 |                  |            |                                 |                  |            |
| Arising out of direct insurance operations             |      | 13,589                          | -                | 13,589     | 27,398                          | -                | 27,398     |
| Arising out of reinsurance operations                  |      | 54,284                          | -                | 54,284     | 74,876                          | -                | 74,876     |
| Amounts owed to credit institutions                    |      | -                               | -                | -          | 279                             | -                | 279        |
| Other creditors including taxation and social security |      | 88,112                          | -                | 88,112     | 85,966                          | -                | 85,966     |
|                                                        |      | 875,541                         | -                | 875,541    | 1,096,157                       | -                | 1,096,157  |
| <b>Accruals and deferred income</b>                    |      | 5,826                           | 16,071           | 21,897     | 1,992                           | 23,950           | 25,942     |
| <b>Total liabilities</b>                               |      | 1,011,282                       | 40,585           | 1,051,867  | 1,276,072                       | 102,304          | 1,378,376  |

The financial statements were approved by the Members of the Limited Liability Partnership and signed on its behalf by:



**D C BOWLES**  
**ARGENTA LLP SERVICES LIMITED**  
16 June 2017

Registered Number: OC321908

The accounting policies and notes on pages 13 to 32 form part of these financial statements.

## The D B Clark LLP

### Reconciliation of Members' Interests For the year ended 31 December 2016

|                                                                             | Syndicate<br>profit and loss<br>allocated to<br>Members<br>£ | Liabilities                                         |            | Total<br>£ |
|-----------------------------------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------|------------|------------|
|                                                                             |                                                              | Partnership profit and loss<br>allocated to Members |            |            |
|                                                                             |                                                              | Syndicate<br>capacity<br>£                          | Other<br>£ |            |
| Members' interests at<br>1 January 2015                                     | 187,950                                                      | 15,714                                              | (25,564)   | 178,100    |
| Allocated profits/(losses) 2013 year of account                             | 54,462                                                       | -                                                   | -          | 54,462     |
| Allocated profits/(losses) 2014 year of account                             | 53,179                                                       | -                                                   | -          | 53,179     |
| Allocated profits/(losses) 2015 year of account                             | -                                                            | -                                                   | (27,225)   | (27,225)   |
| Members' interests after profit/(loss) for the year                         | 295,591                                                      | 15,714                                              | (52,789)   | 258,516    |
| Reallocate distribution<br>Introduced by Members                            | (117,668)                                                    | -                                                   | 117,668    | -          |
| Repayment of debt (including Members' capital<br>classified as a liability) | -                                                            | -                                                   | (2,239)    | (2,239)    |
| Other movements                                                             | -                                                            | -                                                   | -          | -          |
| Members' interests at<br>31 December 2015                                   | 177,923                                                      | 15,714                                              | 62,640     | 256,277    |
| Allocated profits/(losses) 2014 year of account                             | 77,147                                                       | -                                                   | -          | 77,147     |
| Allocated profits/(losses) 2015 year of account                             | -                                                            | -                                                   | -          | -          |
| Allocated profits/(losses) 2016 year of account                             | -                                                            | -                                                   | (8,199)    | (8,199)    |
| Members' interests after profit/(loss) for the year                         | 255,070                                                      | 15,714                                              | 54,441     | 325,225    |
| Reallocate distribution<br>Introduced by Members                            | (125,155)                                                    | -                                                   | 125,155    | -          |
| Repayment of debt (including Members' capital<br>classified as a liability) | -                                                            | -                                                   | (170,796)  | (170,796)  |
| Other movements                                                             | -                                                            | -                                                   | -          | -          |
| Members' interests at<br>31 December 2016                                   | 129,915                                                      | 15,714                                              | 8,800      | 154,429    |

The accounting policies and notes on pages 13 to 32 form part of these financial statements.

## The D B Clark LLP

### Cash Flow Statement For the year ended 31 December 2016

|                                                           | 2016<br>£ | 2015<br>£ |
|-----------------------------------------------------------|-----------|-----------|
| <b>Operating activities</b>                               |           |           |
| Profit/(loss) on ordinary activities before tax           | 60,978    | 80,416    |
| (Profit)/loss attributable to syndicate transactions      | (69,176)  | (107,641) |
| Profit/(loss) excluding syndicate transactions            | (8,198)   | (27,225)  |
| Adjustment for:                                           |           |           |
| (Increase)/decrease in debtors                            | -         | -         |
| Increase/(decrease) in creditors                          | (7,879)   | 3,729     |
| (Profit)/loss on disposal of intangible assets            | -         | -         |
| Amortisation of syndicate capacity                        | -         | -         |
| Realised/unrealised (gains)/losses on investments         | -         | -         |
| Investment income                                         | (18)      | (18)      |
| Net cash inflow/(outflow) from operating activities       | (16,095)  | (23,514)  |
| <b>Investing activities</b>                               |           |           |
| Investment income                                         | 18        | 18        |
| Purchase of syndicate capacity                            | -         | -         |
| Proceeds from sale of syndicate capacity                  | -         | -         |
| Net cash inflow/(outflow) from investing activities       | 18        | 18        |
| <b>Financing activities</b>                               |           |           |
| Repayment of debt to Members                              | (45,642)  | -         |
| Capital introduced by Members                             | -         | 115,429   |
| Net cash inflow/(outflow) from financing activities       | (45,642)  | 115,429   |
| Net cash increase/(decrease) in cash and cash equivalents | (61,719)  | 91,933    |
| Effect of exchange rates on cash and cash equivalents     | -         | -         |
| Cash and cash equivalents at the beginning of the year    | 102,304   | 10,371    |
| Cash and cash equivalents at the end of the year          | 40,585    | 102,304   |
| Consisting of:                                            |           |           |
| Cash at bank and in hand                                  | 40,585    | 102,304   |
| Cash equivalents                                          | -         | -         |
|                                                           | 40,585    | 102,304   |

The Limited Liability Partnership 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 Limited Liability Partnership funds, which includes transfers to and from the syndicates at Lloyd's.

The accounting policies and notes on pages 13 to 32 form part of these financial statements.

## The D B Clark LLP

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

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#### General information

The Partnership is a Limited Liability Partnership incorporated in the United Kingdom.

The financial statements have been presented in Pounds Sterling ("Sterling") as this is the Limited Liability Partnership's functional currency, being the primary economic environment in which the Limited Liability Partnership 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* ("FRS 102");
- FRS 103 *Insurance Contracts*;
- The requirements of the Statement of Recommended Practice *Accounting by Limited Liability Partnerships* ("LLP SORP"); 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") as modified by the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 ("SI 2008/1913").

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 Limited Liability Partnership 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 Limited Liability Partnership at entity level ("the Partnership").

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 or loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

Amounts reported in the general business technical account relate to movements in the period in respect of all relevant years of account of the syndicates on which the Limited Liability Partnership participates.

For each such Syndicate, the Limited Liability Partnership's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Limited Liability Partnership'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 Limited Liability Partnership's insurance creditors.

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

The Limited Liability Partnership 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 Limited Liability Partnership.

#### 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.

## **The D B Clark LLP**

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

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#### **Accounting policies**

##### **i. Going concern**

The members do not consider the Limited Liability Partnership to be a going concern and have prepared the financial statements on a break up basis.

##### **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 Partnership 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 Limited Liability Partnership'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 regard 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 Members consider 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.

## The D B Clark LLP

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

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#### 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 Limited Liability Partnership participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the Limited Liability Partnership has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the Limited Liability Partnership 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 Limited Liability Partnership has assumed a greater proportion of the business of the Syndicate. If the Limited Liability Partnership 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 Limited Liability Partnership'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 Limited Liability Partnership's outstanding gross liabilities in respect of the business so reinsured.

## The D B Clark LLP

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

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#### Accounting policies (continued)

##### vii. Financial instruments

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

The Limited Liability Partnership holds both basic and non-basic financial instruments. The Limited Liability Partnership'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 Limited Liability Partnership and through the Syndicates.

Financial assets and liabilities are recognised when the Limited Liability Partnership 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.

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.

At the end of each reporting year, the Limited Liability Partnership 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 Limited Liability Partnership 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 profit or 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. Net operating expenses

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

##### ix. 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.

## The D B Clark LLP

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

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#### Accounting policies (continued)

##### x. 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.

##### xi. Members' participation rights

Members' participation rights are the rights of a Member against the Limited Liability Partnership that arise under the Members' Agreement.

Members' participation rights in the earnings or assets of the Limited Liability Partnership are analysed between those that are, from the Limited Liability Partnership's perspective, either a financial liability or equity, in accordance with Section 22 *Liabilities and Equity*. A Member's participation right results in a liability where there is a contractual obligation on the part of the Limited Liability Partnership to deliver cash, or other financial assets, to the Member.

Amounts subscribed or otherwise contributed by Members, for instance Members' capital, are classified as equity where the Limited Liability Partnership has an unconditional right to avoid delivering cash or other assets to the Member (i.e. the right to any payment or repayment is discretionary on the part of the Limited Liability Partnership). If the Limited Liability Partnership does not have such an unconditional right, such amounts are classified as liabilities.

The net profit of the Limited Liability Partnership for the financial year is allocated to each Member in accordance with their respective profit shares for the relevant year(s) of account.

The net loss of the Limited Liability Partnership for the financial year is allocated to each Member in accordance with their respective yearly shares for the relevant year(s) of account.

Loans and other debts due to Members rank *pari passu* with other unsecured creditors on the winding up of a partnership.

##### xii. Taxation

Income tax payable on the Limited Liability Partnership's profits is solely the personal liability of the Members and consequently is not dealt with in these financial statements.

##### xiii. Critical accounting judgements and key sources of estimation uncertainty

In applying the Limited Liability Partnership's accounting policies, the Members are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Members' 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 Limited Liability Partnership 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 Members in respect of the Partnership only, and do not include estimates and judgements made in respect of the Syndicates.

## The D B Clark LLP

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

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#### Accounting policies (continued)

#### xiii Critical accounting judgements and key sources of estimation uncertainty (continued)

##### Critical accounting judgements

The critical judgements that the Members have made in the process of applying the Limited Liability Partnership'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 Members have 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 Members 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 Members 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 Limited Liability Partnership establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the Members consider 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 Members have assessed the useful life of syndicate capacity to be five years. This is on the basis that the Members consider this to be the life over which value is created from the investment made.

# The D B Clark LLP

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

### 1. Class of Business

| 2016                              | Gross<br>Premiums<br>Written<br>£ | Gross<br>Premiums<br>Earned<br>£ | Gross<br>Claims<br>Incurred<br>£ | Net<br>Operating<br>Expenses<br>£ | Reinsurance<br>Balance<br>£ | Total<br>£ |
|-----------------------------------|-----------------------------------|----------------------------------|----------------------------------|-----------------------------------|-----------------------------|------------|
| <b>Direct Insurance</b>           |                                   |                                  |                                  |                                   |                             |            |
| Accident and health               | 306                               | 2,320                            | (256)                            | (1,585)                           | 68                          | 547        |
| Motor – third party liability     | 113                               | 411                              | (291)                            | (123)                             | 15                          | 12         |
| Motor – other classes             | 722                               | 2,562                            | (1,578)                          | (1,099)                           | 632                         | 517        |
| Marine, aviation and transport    | (1,539)                           | 2,196                            | 5,571                            | (3,692)                           | 1,017                       | 5,092      |
| Fire and other damage to property | 859                               | 11,732                           | 12,692                           | (7,418)                           | (1,060)                     | 15,946     |
| Third party liability             | 5,004                             | 21,701                           | 1,991                            | (11,584)                          | (4,658)                     | 7,450      |
| Credit and suretyship             | 200                               | 1,371                            | (1,206)                          | (584)                             | 348                         | (71)       |
| Legal expenses                    | (388)                             | (293)                            | (112)                            | 96                                | 27                          | (282)      |
| Assistance                        | -                                 | -                                | -                                | -                                 | -                           | -          |
| Miscellaneous                     | (58)                              | 1,176                            | 558                              | (512)                             | (214)                       | 1,008      |
|                                   | 5,219                             | 43,176                           | 17,369                           | (26,501)                          | (3,825)                     | 30,219     |
| <b>Reinsurance</b>                | (2,054)                           | 5,802                            | 12,662                           | (6,769)                           | (4,057)                     | 7,638      |
| <b>Total</b>                      | 3,165                             | 48,978                           | 30,031                           | (33,270)                          | (7,882)                     | 37,857     |

| 2015                              | Gross<br>Premiums<br>Written<br>£ | Gross<br>Premiums<br>Earned<br>£ | Gross<br>Claims<br>Incurred<br>£ | Net<br>Operating<br>Expenses<br>£ | Reinsurance<br>Balance<br>£ | Total<br>£ |
|-----------------------------------|-----------------------------------|----------------------------------|----------------------------------|-----------------------------------|-----------------------------|------------|
| <b>Direct Insurance</b>           |                                   |                                  |                                  |                                   |                             |            |
| Accident and health               | 4,666                             | 15,825                           | (5,706)                          | (6,803)                           | (1,298)                     | 2,018      |
| Motor – third party liability     | 1,147                             | 1,752                            | (712)                            | (568)                             | 37                          | 509        |
| Motor – other classes             | 6,208                             | 8,345                            | (6,757)                          | (2,342)                           | 339                         | (415)      |
| Marine, aviation and transport    | 5,433                             | 41,191                           | (1,943)                          | (16,299)                          | (6,590)                     | 16,359     |
| Fire and other damage to property | 24,737                            | 100,256                          | (27,019)                         | (33,193)                          | (14,310)                    | 25,734     |
| Third party liability             | 34,570                            | 93,918                           | (47,120)                         | (30,072)                          | 450                         | 17,176     |
| Credit and suretyship             | 656                               | 5,248                            | (1,841)                          | (1,070)                           | (900)                       | 1,437      |
| Legal expenses                    | 605                               | 1,634                            | (402)                            | (794)                             | 3                           | 441        |
| Assistance                        | -                                 | -                                | -                                | -                                 | -                           | -          |
| Miscellaneous                     | 693                               | 3,213                            | (685)                            | (1,183)                           | (590)                       | 755        |
|                                   | 78,715                            | 271,382                          | (92,185)                         | (92,324)                          | (22,859)                    | 64,014     |
| <b>Reinsurance</b>                | 8,202                             | 90,318                           | (12,229)                         | (34,411)                          | (12,703)                    | 30,975     |
| <b>Total</b>                      | 86,917                            | 361,700                          | (104,414)                        | (126,735)                         | (35,562)                    | 94,989     |

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.

# The D B Clark LLP

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

### 2. Net Operating Expenses

|                                                   | 2016<br>£     | 2015<br>£      |
|---------------------------------------------------|---------------|----------------|
| Acquisition costs                                 | 2,620         | 35,252         |
| Change in deferred acquisition costs              | 14,224        | 73,682         |
| Administrative expenses                           | 4,109         | 8,162          |
| Reinsurance commissions and profit participations | (828)         | (9,081)        |
| Personal expenses                                 | 13,145        | 18,720         |
|                                                   | <u>33,270</u> | <u>126,735</u> |

### 3. Investment Income

|                                                                  | 2016<br>£     | 2015<br>£      |
|------------------------------------------------------------------|---------------|----------------|
| Financial instruments held at fair value through profit or loss: |               |                |
| Interest and dividend income                                     | 12,277        | 14,062         |
| Realised gains and losses                                        | 115           | (1,019)        |
| Unrealised gains and losses                                      | 378           | (3,962)        |
| Other                                                            | -             | -              |
|                                                                  | <u>12,770</u> | <u>9,081</u>   |
| Financial instruments held at amortised cost:                    |               |                |
| Interest                                                         | 18            | 18             |
| Other                                                            | -             | -              |
|                                                                  | <u>18</u>     | <u>18</u>      |
| Investment management expenses, including interest               | (912)         | (1,069)        |
|                                                                  | <u>(912)</u>  | <u>(1,069)</u> |
| Total                                                            | <u>11,876</u> | <u>8,030</u>   |

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

|                                                      | 2016<br>£ | 2015<br>£ |
|------------------------------------------------------|-----------|-----------|
| Operating profit/(loss) is stated after charging:    |           |           |
| Amortisation of syndicate capacity                   | -         | -         |
| (Profit)/loss on disposal of intangible fixed assets | -         | -         |
| (Profit)/loss on exchange                            | (30,503)  | (4,880)   |

The Limited Liability Partnership has no employees.

The fees payable to the Limited Liability Partnership's auditors for audit services are included in the fees payable to the Members' Agent.

## The D B Clark LLP

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

#### 5. Members' Remuneration

The key management personnel of the Limited Liability Partnership are considered to be the Members. The Members are not employees of the Limited Liability Partnership, and consequently the total remuneration of the Members' consists of the allocated profit/(loss) for the year.

The average number of Members during the year was 3.

| 6. Intangible Assets                | 2016<br>£ | 2015<br>£ |
|-------------------------------------|-----------|-----------|
| <b>Purchased Syndicate Capacity</b> |           |           |
| <b>Cost</b>                         |           |           |
| At 1 January 2016                   | -         | -         |
| Additions                           | -         | -         |
| Disposals                           | -         | -         |
| At 31 December 2016                 | -         | -         |
| <b>Amortisation</b>                 |           |           |
| At 1 January 2016                   | -         | -         |
| Additions                           | -         | -         |
| Disposals                           | -         | -         |
| At 31 December 2016                 | -         | -         |
| <b>Net Book Value</b>               |           |           |
| At 31 December 2016                 | -         | -         |
| At 31 December 2015                 | -         | -         |

#### 7. Financial Instruments and Financial Risk Management

##### 7.1 Financial Investments

##### Other financial investments – Syndicate participation

|                                                                     | 2016<br>Market<br>Value<br>£ | 2015<br>Market<br>Value<br>£ |
|---------------------------------------------------------------------|------------------------------|------------------------------|
| Shares and other variable yield securities and units in unit trusts | 72,376                       | 5,834                        |
| Debt securities and other fixed income securities                   | 458,473                      | 609,651                      |
| Participation in investment pools                                   | 13,673                       | 9,685                        |
| Loans with credit institutions                                      | 29                           | 64                           |
| Derivative financial instruments                                    | 1,714                        | 429                          |
| Other investments                                                   | 2,304                        | -                            |
| Deposits with credit institutions                                   | 5,196                        | 15,604                       |
| Other                                                               | 11,729                       | 58,706                       |
|                                                                     | <u>565,494</u>               | <u>699,973</u>               |

## The D B Clark LLP

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

#### 7. Financial Instruments and Financial Risk Management (continued)

##### 7.2 Classification of Financial Instruments

The tables below set out the Limited Liability Partnership's financial instruments by classification.

##### Other financial investments – Syndicate participation

|                                        | 2016                                            |                              |            | 2015                                            |                              |            |
|----------------------------------------|-------------------------------------------------|------------------------------|------------|-------------------------------------------------|------------------------------|------------|
|                                        | At fair value<br>through profit<br>or loss<br>£ | At<br>amortised<br>cost<br>£ | Total<br>£ | At fair value<br>through profit<br>or loss<br>£ | At<br>amortised<br>cost<br>£ | Total<br>£ |
| <b>Financial assets</b>                |                                                 |                              |            |                                                 |                              |            |
| Investments                            | 565,494                                         | -                            | 565,494    | 744,876                                         | -                            | 744,876    |
| Deposits with ceding<br>undertakings   | -                                               | 12                           | 12         | -                                               | 10                           | 10         |
| Insurance debtors                      | -                                               | 9,860                        | 9,860      | -                                               | 36,471                       | 36,471     |
| Reinsurance debtors                    | -                                               | 132,826                      | 132,826    | -                                               | 223,857                      | 223,857    |
| Other debtors                          | -                                               | 80,100                       | 80,100     | -                                               | 61,308                       | 61,308     |
| Cash at bank and in hand               | -                                               | 29,726                       | 29,726     | -                                               | 32,560                       | 32,560     |
| Other assets                           | 46,860                                          | -                            | 46,860     | -                                               | -                            | -          |
|                                        | 612,354                                         | 252,524                      | 864,878    | 744,876                                         | 354,206                      | 1,099,082  |
| <b>Financial liabilities</b>           |                                                 |                              |            |                                                 |                              |            |
| Borrowings                             | -                                               | -                            | -          | -                                               | -                            | -          |
| Derivative financial<br>instruments    | 606                                             | -                            | 606        | -                                               | -                            | -          |
| Insurance creditors                    | -                                               | 13,589                       | 13,589     | -                                               | 27,398                       | 27,398     |
| Reinsurance creditors                  | -                                               | 54,284                       | 54,284     | -                                               | -                            | -          |
| Amounts owed to credit<br>institutions | -                                               | -                            | -          | -                                               | -                            | -          |
| Other creditors                        | -                                               | -                            | -          | -                                               | -                            | -          |
|                                        | 606                                             | 67,873                       | 68,479     | -                                               | 27,398                       | 27,398     |

##### Other financial investments – Partnership

|                              | 2016                                            |                              |            | 2015                                            |                              |            |
|------------------------------|-------------------------------------------------|------------------------------|------------|-------------------------------------------------|------------------------------|------------|
|                              | At fair value<br>through profit<br>or loss<br>£ | At<br>amortised<br>cost<br>£ | Total<br>£ | At fair value<br>through profit<br>or loss<br>£ | At<br>amortised<br>cost<br>£ | Total<br>£ |
| <b>Financial assets</b>      |                                                 |                              |            |                                                 |                              |            |
| Investments                  | -                                               | -                            | -          | -                                               | -                            | -          |
| Other debtors                | -                                               | -                            | -          | -                                               | -                            | -          |
| Cash at bank and in hand     | -                                               | 40,585                       | 40,585     | -                                               | 102,304                      | 102,304    |
| Other assets                 | -                                               | -                            | -          | -                                               | -                            | -          |
|                              | -                                               | 40,585                       | 40,585     | -                                               | 102,304                      | 102,304    |
| <b>Financial liabilities</b> |                                                 |                              |            |                                                 |                              |            |
| Other creditors              | -                                               | -                            | -          | -                                               | -                            | -          |
|                              | -                                               | -                            | -          | -                                               | -                            | -          |

## The D B Clark LLP

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

#### 7. Financial Instruments and Financial Risk Management (continued)

##### 7.2 Classification of Financial Instruments (continued)

The table below sets out details of the Limited Liability Partnership's derivative financial instruments.

|                                          | 2016                 |                 | 2015                 |                 |
|------------------------------------------|----------------------|-----------------|----------------------|-----------------|
|                                          | Notional amount<br>£ | Fair value<br>£ | Notional amount<br>£ | Fair value<br>£ |
| Foreign exchange forward contracts       | 56,133               | 1,584           | (6,508)              | 394             |
| Interest rate future contracts           | 23,578               | 128             | (19,033)             | 31              |
| Foreign exchange options                 | -                    | -               | -                    | -               |
| Equity options                           | -                    | -               | -                    | -               |
| Foreign exchange contract for difference | -                    | -               | 199                  | 4               |
| Other                                    | -                    | 2               | -                    | -               |
|                                          | 79,711               | 1,714           | (25,342)             | 429             |

##### 7.3 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.

# The D B Clark LLP

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

### 7. Financial Instruments and Financial Risk Management (continued)

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

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

#### Other financial investments – Syndicate participation

|                                                                           | Level (a)<br>£ | Level (b)<br>£ | Level (c)<br>£ | Fair value<br>total<br>£ | Held at<br>amortised<br>cost<br>£ | Total<br>£ |
|---------------------------------------------------------------------------|----------------|----------------|----------------|--------------------------|-----------------------------------|------------|
| <b>2016</b>                                                               |                |                |                |                          |                                   |            |
| <b>Financial assets</b>                                                   |                |                |                |                          |                                   |            |
| Shares and other variable<br>yield securities and units<br>in unit trusts | 4,313          | 68,063         | -              | 72,376                   | -                                 | 72,376     |
| Debt securities and other<br>fixed income securities                      | 81,626         | 376,847        | -              | 458,473                  | -                                 | 458,473    |
| Participation in<br>investment pools                                      | 6,936          | 2,387          | 4,350          | 13,673                   | -                                 | 13,673     |
| Loans and deposits with<br>credit institutions                            | 5,189          | 2,154          | 186            | 7,529                    | -                                 | 7,529      |
| Overseas deposits                                                         | 22,439         | 34,348         | 1,787          | 58,574                   | -                                 | 58,574     |
| Derivatives                                                               | 662            | 1,052          | -              | 1,714                    | -                                 | 1,714      |
| Other investments                                                         | -              | -              | 15             | 15                       | -                                 | 15         |
| Financial assets classified<br>as held for sale                           | -              | -              | -              | -                        | -                                 | -          |
|                                                                           | 121,165        | 484,851        | 6,338          | 612,354                  | -                                 | 612,354    |
| <b>Financial liabilities</b>                                              |                |                |                |                          |                                   |            |
| Borrowings                                                                | -              | -              | -              | -                        | -                                 | -          |
| Derivative liabilities                                                    | 503            | 103            | -              | 606                      | -                                 | 606        |
| Financial liabilities<br>classified as held for sale                      | -              | -              | -              | -                        | -                                 | -          |
|                                                                           | 503            | 103            | -              | 606                      | -                                 | 606        |

## The D B Clark LLP

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

#### 7. Financial Instruments and Financial Risk Management (continued)

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

##### Other financial investments – Syndicate participation (continued)

|                                                                           | Level (a)<br>£ | Level (b)<br>£ | Level (c)<br>£ | Fair value<br>total<br>£ | Held at<br>amortised<br>cost<br>£ | Total<br>£ |
|---------------------------------------------------------------------------|----------------|----------------|----------------|--------------------------|-----------------------------------|------------|
| <b>2015</b>                                                               |                |                |                |                          |                                   |            |
| <b>Financial assets</b>                                                   |                |                |                |                          |                                   |            |
| Shares and other variable<br>yield securities and units<br>in unit trusts | 1,118          | 61,679         | 1,743          | 64,540                   | -                                 | 64,540     |
| Debt securities and other<br>fixed income securities                      | 197,365        | 283,053        | 129,233        | 609,651                  | -                                 | 609,651    |
| Participation in<br>investment pools                                      | 2,584          | 1,688          | 5,413          | 9,685                    | -                                 | 9,685      |
| Loans and deposits with<br>credit institutions                            | 44,425         | 10,223         | 5,898          | 60,546                   | -                                 | 60,546     |
| Overseas deposits                                                         | 33,075         | 27,361         | 2,000          | 62,436                   | -                                 | 62,436     |
| Derivatives                                                               | 40             | -              | 389            | 429                      | -                                 | 429        |
| Other investments                                                         | -              | -              | 25             | 25                       | -                                 | 25         |
| Financial assets classified<br>as held for sale                           | -              | -              | -              | -                        | -                                 | -          |
|                                                                           | 278,607        | 384,004        | 144,701        | 807,312                  | -                                 | 807,312    |
| <b>Financial liabilities</b>                                              |                |                |                |                          |                                   |            |
| Borrowings                                                                | -              | -              | -              | -                        | -                                 | -          |
| Derivative liabilities                                                    | 86             | -              | 635            | 721                      | -                                 | 721        |
| Financial liabilities<br>classified as held for sale                      | -              | -              | -              | -                        | -                                 | -          |
|                                                                           | 86             | -              | 635            | 721                      | -                                 | 721        |

At the Partnership level the Limited Liability Partnership does not hold any financial investments. Consequently investment tables have not been presented for the Partnership.

#### 7.4 Financial Risk Management

The Limited Liability Partnership is a financial institution and therefore provides the following disclosures in respect of the financial instruments it holds. The Limited Liability Partnership holds only cash and cash equivalents in respect of financial instruments.

The Limited Liability Partnership 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 Limited Liability Partnership 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 Members therefore relate to the Partnership only. The quantitative disclosures are made in respect of both the Partnership and the Syndicates.

## The D B Clark LLP

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

#### 7. Financial Instruments and Financial Risk Management (continued)

##### 7.4 Financial Risk Management (continued)

###### Credit risk

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

The Limited Liability Partnership manages credit risk at the Limited Liability Partnership level by ensuring that investments and cash and cash equivalent deposits are placed only with highly rated credit institutions.

The carrying amount of the Limited Liability Partnership's financial assets represents the Limited Liability Partnership'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<br>£ | AA<br>£ | A<br>£  | BBB or lower<br>£ | Not rated<br>£ | Total<br>£ |
|---------------------------------------------------------------------|----------|---------|---------|-------------------|----------------|------------|
| <b>2016</b>                                                         |          |         |         |                   |                |            |
| Shares and other variable yield securities and units in unit trusts | 7,791    | 3,180   | 13,739  | 3,953             | 43,713         | 72,376     |
| Debt securities and other fixed income securities                   | 104,422  | 148,829 | 148,328 | 51,528            | 5,366          | 458,473    |
| Participation in investment pools                                   | 4,092    | 4,613   | 968     | -                 | 4,000          | 13,673     |
| Loans secured with credit institutions                              | -        | 2,147   | -       | -                 | 186            | 2,333      |
| Deposits with credit institutions                                   | -        | -       | 944     | -                 | 4,252          | 5,196      |
| Overseas deposits                                                   | 26,192   | 14,155  | 3,079   | 4,676             | 10,472         | 58,574     |
| Derivative investments                                              | -        | 129     | 487     | 46                | 1,052          | 1,714      |
| Other investments                                                   | -        | -       | -       | -                 | 15             | 15         |
| Deposits with ceding undertakings                                   | -        | -       | -       | -                 | 12             | 12         |
| Reinsurers share of claims outstanding                              | 2,450    | 46,938  | 85,964  | 1,618             | 4,608          | 141,578    |
| Reinsurance debtors                                                 | 991      | 3,974   | 4,025   | 439               | 365            | 9,794      |
| Cash at bank and in hand                                            | -        | 8,065   | 19,375  | 2,286             | -              | 29,726     |
| Insurance debtors                                                   | -        | -       | -       | -                 | -              | -          |
| Other debtors                                                       | -        | -       | -       | -                 | -              | -          |
|                                                                     | 145,938  | 232,030 | 276,909 | 64,546            | 74,041         | 793,464    |

# The D B Clark LLP

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

### 7. Financial Instruments and Financial Risk Management (continued)

#### 7.4 Financial Risk Management (continued)

| Syndicate participation                                             | AAA<br>£ | AA<br>£ | A<br>£  | BBB or lower<br>£ | Not rated<br>£ | Total<br>£ |
|---------------------------------------------------------------------|----------|---------|---------|-------------------|----------------|------------|
| <b>2015</b>                                                         |          |         |         |                   |                |            |
| Shares and other variable yield securities and units in unit trusts | 6,902    | 2,662   | 14,799  | 1                 | 40,176         | 64,540     |
| Debt securities and other fixed income securities                   | 174,882  | 208,957 | 162,226 | 58,006            | 5,580          | 609,651    |
| Participation in investment pools                                   | 392      | 2,100   | 484     | -                 | 6,708          | 9,684      |
| Loans secured with credit institutions                              | -        | 49      | 15      | -                 | -              | 64         |
| Deposits with credit institutions                                   | -        | -       | 855     | -                 | -              | 855        |
| Overseas deposits                                                   | 38,094   | 13,000  | 7,701   | 3,490             | 79             | 62,364     |
| Derivative investments                                              | 26       | -       | 4       | 9                 | 389            | 428        |
| Other investments                                                   | -        | -       | -       | -                 | 25             | 25         |
| Deposits with ceding undertakings                                   | -        | -       | -       | -                 | 10             | 10         |
| Reinsurers share of claims outstanding                              | 4,964    | 56,222  | 80,916  | 1,100             | 6,602          | 149,804    |
| Reinsurance debtors                                                 | 880      | 130,920 | 26,161  | 290               | 180            | 158,431    |
| Cash at bank and in hand                                            | 13,763   | 774     | 14,731  | 3,291             | -              | 32,559     |
| Insurance debtors                                                   | -        | -       | -       | -                 | -              | -          |
| Other debtors                                                       | -        | -       | -       | -                 | -              | -          |
|                                                                     | 239,903  | 414,684 | 307,892 | 66,187            | 59,749         | 1,088,415  |

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

| Syndicate participation                                             | Neither due<br>nor impaired<br>£ | Less than<br>6 months<br>£ | Between<br>6 months and<br>1 year<br>£ | Greater than<br>1 year<br>£ | Impaired<br>£ | Total past due<br>or impaired<br>£ |
|---------------------------------------------------------------------|----------------------------------|----------------------------|----------------------------------------|-----------------------------|---------------|------------------------------------|
| <b>2016</b>                                                         |                                  |                            |                                        |                             |               |                                    |
| Shares and other variable yield securities and units in unit trusts | 72,376                           | -                          | -                                      | -                           | -             | 72,376                             |
| Debt securities and other fixed income securities                   | 458,473                          | -                          | -                                      | -                           | -             | 458,473                            |
| Participation in investment pools                                   | 13,673                           | -                          | -                                      | -                           | -             | 13,673                             |
| Loans secured with credit institutions                              | 2,333                            | -                          | -                                      | -                           | -             | 2,333                              |
| Deposits with credit institutions                                   | 5,196                            | -                          | -                                      | -                           | -             | 5,196                              |
| Overseas deposits                                                   | 58,574                           | -                          | -                                      | -                           | -             | 58,574                             |
| Derivative investments                                              | 1,714                            | -                          | -                                      | -                           | -             | 1,714                              |
| Other investments                                                   | 15                               | -                          | -                                      | -                           | -             | 15                                 |
| Deposits with ceding undertakings                                   | 12                               | -                          | -                                      | -                           | -             | 12                                 |
| Reinsurers share of claims outstanding                              | 141,578                          | -                          | -                                      | -                           | -             | 141,578                            |
| Reinsurance debtors                                                 | 7,676                            | 1,273                      | 186                                    | 389                         | 270           | 9,794                              |
| Cash at bank and in hand                                            | 29,726                           | -                          | -                                      | -                           | -             | 29,726                             |
| Insurance debtors                                                   | 7,774                            | 26                         | 116                                    | 1,944                       | -             | 9,860                              |
| Other debtors                                                       | 202,086                          | -                          | 4                                      | 146                         | -             | 202,236                            |
|                                                                     | 1,001,206                        | 1,299                      | 306                                    | 2,479                       | 270           | 1,005,560                          |

## The D B Clark LLP

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

#### 7. Financial Instruments and Financial Risk Management (continued)

##### 7.4 Financial Risk Management (continued)

| Syndicate participation                                                   | Neither due<br>nor impaired<br>£ | Less than<br>6 months<br>£ | Between<br>6 months and<br>1 year<br>£ | Greater than<br>1 year<br>£ | Impaired<br>£ | Total past due<br>or impaired<br>£ |
|---------------------------------------------------------------------------|----------------------------------|----------------------------|----------------------------------------|-----------------------------|---------------|------------------------------------|
| <b>2015</b>                                                               |                                  |                            |                                        |                             |               |                                    |
| Shares and other variable<br>yield securities and units<br>in unit trusts | 64,539                           | -                          | -                                      | -                           | -             | 64,539                             |
| Debt securities and other<br>fixed income securities                      | 609,651                          | -                          | -                                      | -                           | -             | 609,651                            |
| Participation in<br>investment pools                                      | 9,685                            | -                          | -                                      | -                           | -             | 9,685                              |
| Loans secured with credit<br>institutions                                 | 64                               | -                          | -                                      | -                           | -             | 64                                 |
| Deposits with credit<br>institutions                                      | 855                              | -                          | -                                      | -                           | -             | 855                                |
| Overseas deposits                                                         | 62,364                           | -                          | -                                      | -                           | -             | 62,364                             |
| Derivative investments                                                    | 429                              | -                          | -                                      | -                           | -             | 429                                |
| Other investments                                                         | 25                               | -                          | -                                      | -                           | -             | 25                                 |
| Deposits with ceding<br>undertakings                                      | 10                               | -                          | -                                      | -                           | -             | 10                                 |
| Reinsurers share of<br>claims outstanding                                 | 149,804                          | 590                        | 2                                      | -                           | -             | 150,396                            |
| Reinsurance debtors                                                       | 158,432                          | 18,387                     | 1,333                                  | 299                         | 265           | 178,716                            |
| Cash at bank and in hand                                                  | 32,560                           | -                          | -                                      | -                           | -             | 32,560                             |
| Insurance debtors                                                         | 54,796                           | 504                        | 526                                    | 2,426                       | -             | 58,252                             |
| Other debtors                                                             | 22,700                           | -                          | -                                      | 114                         | -             | 22,814                             |
|                                                                           | <b>1,165,914</b>                 | <b>19,481</b>              | <b>1,861</b>                           | <b>2,839</b>                | <b>265</b>    | <b>1,190,360</b>                   |

At the Partnership level the Limited Liability Partnership is not exposed to significant credit risk. Consequently a sensitivity analysis for credit risk has not been presented for the Partnership.

#### Liquidity risk

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

The following tables detail the Limited Liability Partnership'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 Partnership can be required to pay.

| Syndicate participation                   | No stated<br>maturity<br>£ | Less than 1<br>year<br>£ | 1 to 3 years<br>£ | 3 to 5 years<br>£ | Greater than<br>5 years<br>£ | Total<br>£     |
|-------------------------------------------|----------------------------|--------------------------|-------------------|-------------------|------------------------------|----------------|
| <b>2016</b>                               |                            |                          |                   |                   |                              |                |
| Derivative financial<br>instruments       | -                          | 606                      | -                 | -                 | -                            | 606            |
| Deposits received from<br>reinsurers      | -                          | 122                      | -                 | -                 | -                            | 122            |
| Provisions for other risks<br>and charges | -                          | -                        | -                 | -                 | -                            | -              |
| Claims outstanding                        | -                          | 275,221                  | 230,980           | 106,529           | 100,069                      | 712,799        |
| Creditors                                 | 23,181                     | 91,971                   | 2,973             | 2,054             | 171                          | 120,350        |
| Other                                     | -                          | -                        | -                 | -                 | -                            | -              |
|                                           | <b>23,181</b>              | <b>367,920</b>           | <b>233,953</b>    | <b>108,583</b>    | <b>100,240</b>               | <b>833,877</b> |

## The D B Clark LLP

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

#### 7. Financial Instruments and Financial Risk Management (continued)

##### 7.4 Financial Risk Management (continued)

| Syndicate participation                | No stated maturity<br>£ | Less than 1 year<br>£ | 1 to 3 years<br>£ | 3 to 5 years<br>£ | Greater than 5 years<br>£ | Total<br>£ |
|----------------------------------------|-------------------------|-----------------------|-------------------|-------------------|---------------------------|------------|
| <b>2015</b>                            |                         |                       |                   |                   |                           |            |
| Derivative financial instruments       | -                       | 667                   | 53                | -                 | -                         | 720        |
| Deposits received from reinsurers      | -                       | 112                   | -                 | -                 | -                         | 112        |
| Provisions for other risks and charges | -                       | -                     | -                 | -                 | -                         | -          |
| Claims outstanding                     | -                       | 287,432               | 306,529           | 136,431           | 121,892                   | 852,284    |
| Creditors                              | 21,218                  | 96,301                | 29,143            | 1,193             | -                         | 147,855    |
| Other                                  | 226                     | -                     | -                 | -                 | -                         | 226        |
|                                        | 21,444                  | 384,512               | 335,725           | 137,624           | 121,892                   | 1,001,197  |

At the Partnership level the Limited Liability Partnership is not exposed to significant liquidity risk. Consequently a maturity profile has not been presented for the Partnership.

#### 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 Limited Liability Partnership is exposed to the risk of interest rate fluctuations in respect of cash and cash equivalents and other interest bearing securities.

At the Partnership level the Limited Liability Partnership 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 Limited Liability Partnership.

| Syndicate participation                             | 2016<br>£ | 2015<br>£ |
|-----------------------------------------------------|-----------|-----------|
| Impact of 50 basis point increase on profit or loss | (5,993)   | (5,684)   |
| Impact of 50 basis point decrease on profit or loss | 5,887     | 5,434     |
| Impact of 50 basis point increase on equity         | (5,993)   | (5,937)   |
| Impact of 50 basis point decrease on equity         | 5,887     | 5,691     |

At the Partnership level the Limited Liability Partnership 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 Partnership.

#### 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 Limited Liability Partnership is exposed to equity price risk in respect of its equity investments.

# The D B Clark LLP

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

### 7. Financial Instruments and Financial Risk Management (continued)

#### 7.4 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 Limited Liability Partnership.

#### Syndicate participation

|                                                                | 2016<br>£ | 2015<br>£ |
|----------------------------------------------------------------|-----------|-----------|
| Impact on profit or loss of 5% increase in Stock Market Prices | 1,351     | 1,177     |
| Impact on profit or loss of 5% decrease in Stock Market Prices | (1,351)   | (1,177)   |
| Impact on equity of 5% increase in Stock Market Prices         | 1,351     | 1,177     |
| Impact on equity of 5% decrease in Stock Market Prices         | (1,351)   | (1,177)   |

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

#### Currency risk

The Limited Liability Partnership 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 Partnership level the Limited Liability Partnership 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 Limited Liability Partnership's principal foreign exchange exposures in aggregate.

#### Net assets and liabilities

|                      | 2016                            |                  | 2015                            |                  |
|----------------------|---------------------------------|------------------|---------------------------------|------------------|
|                      | Syndicate<br>Participation<br>£ | Partnership<br>£ | Syndicate<br>Participation<br>£ | Partnership<br>£ |
| Sterling             | (103,627)                       | 24,514           | (79,888)                        | (957)            |
| United States Dollar | 141,234                         | -                | 167,205                         | 79,311           |
| Euro                 | 17,230                          | -                | 12,900                          | -                |
| Canadian Dollar      | 56,929                          | -                | 45,994                          | -                |
| Australian Dollar    | 9,333                           | -                | 5,646                           | -                |
| Japanese Yen         | (2,002)                         | -                | (1,777)                         | -                |
| Other                | 169                             | -                | (1,394)                         | -                |

## The D B Clark LLP

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

#### 7. Financial Instruments and Financial Risk Management (continued)

##### 7.4 Financial Risk Management (continued)

The Limited Liability Partnership 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 Partnership in these financial statements.

The Limited Liability Partnership's assets are held in various currencies but are all cash. As such, any exchange movement would be accounted for in the profit and loss.

|                                             | Partnership Profit and loss |          |                  |          |
|---------------------------------------------|-----------------------------|----------|------------------|----------|
|                                             | 31 December 2016            |          | 31 December 2015 |          |
|                                             | Increase                    | Decrease | Increase         | Decrease |
|                                             | £                           | £        | £                | £        |
| Effect of sterling exchange movement by 10% |                             |          |                  |          |
| United States Dollar                        | -                           | -        | 7,210            | (8,812)  |
| Euro                                        | -                           | -        | -                | -        |
| Canadian Dollar                             | -                           | -        | -                | -        |
| Australian Dollar                           | -                           | -        | -                | -        |
| Japanese Yen                                | -                           | -        | -                | -        |
| Other                                       | -                           | -        | -                | -        |

##### 7.5 Capital Management

The total Members' interests represent the capital which allows the Limited Liability Partnership to participate on the Syndicates.

#### 8. Insurance Contracts

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

|                       | 2016                 |                        |           | 2015                 |                        |           |
|-----------------------|----------------------|------------------------|-----------|----------------------|------------------------|-----------|
|                       | Gross provision<br>£ | Reinsurance asset<br>£ | Net<br>£  | Gross provision<br>£ | Reinsurance asset<br>£ | Net<br>£  |
| At 1 January          | 859,321              | 150,396                | 708,925   | 1,033,276            | 205,139                | 828,137   |
| Movements in the year | (250,737)            | (29,696)               | (221,041) | (191,740)            | (58,303)               | (133,437) |
| Exchange differences  | 104,215              | 20,878                 | 83,337    | 17,785               | 3,560                  | 14,225    |
| At 31 December        | 712,799              | 141,578                | 571,221   | 859,321              | 150,396                | 708,925   |

## The D B Clark LLP

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

#### 8. Insurance Contracts (continued)

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

|                       | 2016                    |                           |          | 2015                    |                           |           |
|-----------------------|-------------------------|---------------------------|----------|-------------------------|---------------------------|-----------|
|                       | Gross<br>provision<br>£ | Reinsurance<br>asset<br>£ | Net<br>£ | Gross<br>provision<br>£ | Reinsurance<br>asset<br>£ | Net<br>£  |
| At 1 January          | 48,205                  | 5,994                     | 42,211   | 321,164                 | 32,911                    | 288,253   |
| Movements in the year | (45,813)                | (5,136)                   | (40,677) | (274,783)               | (37,606)                  | (237,177) |
| Exchange differences  | 4,243                   | 740                       | 3,503    | 1,824                   | 10,689                    | (8,865)   |
| At 31 December        | 6,635                   | 1,598                     | 5,037    | 48,205                  | 5,994                     | 42,211    |

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

|                       | 2016<br>£ | 2015<br>£ |
|-----------------------|-----------|-----------|
| At 1 January          | 14,685    | 84,892    |
| Movements in the year | (14,224)  | (73,682)  |
| Exchange differences  | 1,789     | 3,475     |
| At 31 December        | 2,250     | 14,685    |

#### 8.1 Risks arising from Insurance Contracts

The Limited Liability Partnership 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 by the Limited Liability Partnership. 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.

#### 9. Related Party Disclosure

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

#### 10. Ultimate Controlling Party

The ultimate controlling party of the Partnership is Mr D Clark.