
LIMITED LIABILITY PARTNERSHIP

Naccolt LLP

Financial Statements

◆ For the year ended 31 December 2016 ◆

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Registered Number: OC322421

Naccolt LLP

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Naccolt LLP

General Information

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

OC322421

REGISTERED OFFICE

5th Floor
70 Gracechurch Street
London
EC3V 0XL

ACCOUNTANTS

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

Naccolt LLP

Strategic Report For the year ended 31 December 2016

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

BUSINESS REVIEW

The Limited Liability Partnership continues 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, 2015 and 2016 years 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

Naccolt LLP

Members' Report For the year ended 31 December 2016

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.

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.

Naccolt LLP

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

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

Naccolt LLP

Independent Auditor's Report To the Members of Naccolt LLP For the year ended 31 December 2016

We have audited the financial statements of Naccolt 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.

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

Naccolt LLP

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

	Note	2016 £	2015 £
Earned premiums, net of reinsurance			
Gross premiums written			
Continuing operations	1	869,461	772,737
Outward reinsurance premiums	1	(177,478)	(151,833)
Net premiums written		691,983	620,904
Change in the provision for Unearned premiums			
Gross provision	1	(19,188)	(23,021)
Reinsurers' share	1	6,966	3,811
Earned premiums, net of reinsurance		679,761	601,694
Allocated investment return transferred from the non-technical account		16,993	7,532
Other technical income, net of reinsurance		89	48
Claims incurred net of reinsurance			
Claims paid			
Gross amount	1	(383,129)	(351,743)
Reinsurers' share	1	54,204	72,635
Net claims paid		(328,925)	(279,108)
Change in provision for claims			
Gross amount	1	(69,948)	43,777
Reinsurers' share	1	34,501	(26,515)
Net change in provisions for claims		(35,447)	17,262
Claims incurred, net of reinsurance		(364,372)	(261,846)
Changes in other technical provisions, net of reinsurance		(1,053)	1,852
Net operating expenses	1, 2	(289,625)	(254,297)
Other technical charges, net of reinsurance		-	-
Balance on the technical account for general business		41,793	94,983

The accounting policies and notes on pages 13 to 33 form part of these financial statements.

Naccolt LLP

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

	Note	2016 £	2015 £
Balance on general business technical account		41,793	94,983
Investment income	3	17,010	7,550
Allocated investment return transferred to the technical account		(16,993)	(7,532)
Other income		23,964	11
Other charges		(10,983)	(17,175)
Profit/(loss) for the financial period before Members' remuneration and profit shares	4	54,791	77,837
Members' remuneration charged as an expense	5	-	-
Profit/(loss) for the financial period available for division among Members		54,791	77,837
Other comprehensive income/(expenditure)		8,376	3,210
Total comprehensive income/(expenditure)		63,167	81,047

All items derive from continuing activities.

The accounting policies and notes on pages 13 to 33 form part of these financial statements.

Naccolt LLP

Balance sheet As at 31 December 2016

		31 December 2016			31 December 2015		
	Note	Syndicate Participation £	Partnership £	Total £	Syndicate Participation £	Partnership £	Total £
Assets							
Intangible assets	6	-	3,031	3,031	-	46	46
Investments							
Financial investments	7	1,070,209	-	1,070,209	944,704	-	944,704
Deposits with ceding undertakings		97	-	97	94	-	94
		1,070,306	-	1,070,306	944,798	-	944,798
Reinsurers' share of technical provisions							
Provision for unearned premiums	8	64,683	-	64,683	49,848	-	49,848
Claims outstanding	8	272,556	-	272,556	205,627	-	205,627
Other technical provisions		799	-	799	1,852	-	1,852
		338,038	-	338,038	257,327	-	257,327
Debtors							
Arising out of direct insurance operations		225,378	-	225,378	190,680	-	190,680
Arising out of reinsurance operations		127,713	-	127,713	105,867	-	105,867
Other debtors	7	107,114	-	107,114	91,186	-	91,186
		460,205	-	460,205	387,733	-	387,733
Other assets							
Cash at bank and in hand		53,338	-	53,338	38,389	8	38,397
Other		71,529	-	71,529	54,946	-	54,946
		124,867	-	124,867	93,335	8	93,343
Prepayments and accrued income							
Accrued interest		1,266	-	1,266	618	-	618
Deferred acquisitions costs	8	111,011	-	111,011	89,766	-	89,766
Other prepayments and accrued income		3,983	-	3,983	3,949	-	3,949
		116,260	-	116,260	94,333	-	94,333
Total assets		2,109,676	3,031	2,112,707	1,777,526	54	1,777,580

The accounting policies and notes on pages 13 to 33 form part of these financial statements.

Naccolt LLP

Balance sheet As at 31 December 2016

		31 December 2016			31 December 2015		
	Note	Syndicate Participation £	Partnership £	Total £	Syndicate Participation £	Partnership £	Total £
Liabilities and Members' interests							
Loans and other debts due to Members							
Syndicate profit and loss		114,334	-	114,334	146,603	-	146,603
Corporate profit and loss - syndicate capacity		-	21,087	21,087	-	18,111	18,111
Corporate profit and loss - other		-	(34,931)	(34,931)	-	(43,430)	(43,430)
		114,334	(13,844)	100,490	146,603	(25,319)	121,284
Technical provisions							
Provision for unearned premiums	8	425,938	-	425,938	357,180	-	357,180
Claims outstanding	8	1,277,379	-	1,277,379	1,050,814	-	1,050,814
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges							
		-	-	-	-	-	-
Deposit received from reinsurers							
		194	-	194	145	-	145
Creditors							
Arising out of direct insurance operations		28,842	-	28,842	26,394	-	26,394
Arising out of reinsurance operations		110,351	-	110,351	94,046	-	94,046
Amounts owed to credit institutions		-	-	-	685	-	685
Other creditors including taxation and social security		134,180	-	134,180	97,577	-	97,577
		1,976,884	-	1,976,884	1,626,841	-	1,626,841
Accruals and deferred income							
		18,458	16,875	35,333	4,082	25,373	29,455
Total liabilities							
		2,109,676	3,031	2,112,707	1,777,526	54	1,777,580

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: OC322421

The accounting policies and notes on pages 13 to 33 form part of these financial statements.

Naccolt LLP

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

	Syndicate profit and loss allocated to Members £	Liabilities		Total £
		Partnership profit and loss allocated to Members Syndicate capacity £	Other £	
Members' interests at 1 January 2015	152,229	18,115	(40,277)	130,067
Allocated profits/(losses) 2013 year of account	58,521	-	-	58,521
Allocated profits/(losses) 2014 year of account	51,799	-	-	51,799
Allocated profits/(losses) 2015 year of account	(11,105)	(4)	(18,164)	(29,273)
Members' interests after profit/(loss) for the year	251,444	18,111	(58,441)	211,114
Reallocate distribution	(104,841)	-	104,841	-
Introduced by Members	-	-	-	-
Repayment of debt (including Members' capital classified as a liability)	-	-	(89,830)	(89,830)
Other movements	-	-	-	-
Members' interests at 31 December 2015	146,603	18,111	(43,430)	121,284
Allocated profits/(losses) 2014 year of account	80,062	-	-	80,062
Allocated profits/(losses) 2015 year of account	40,377	-	-	40,377
Allocated profits/(losses) 2016 year of account	(41,001)	(15)	(16,256)	(57,272)
Members' interests after profit/(loss) for the year	226,041	18,096	(59,686)	184,451
Reallocate distribution	(111,707)	-	111,707	-
Introduced by Members	-	2,991	-	2,991
Repayment of debt (including Members' capital classified as a liability)	-	-	(86,952)	(86,952)
Other movements	-	-	-	-
Members' interests at 31 December 2016	114,334	21,087	(34,931)	100,490

The accounting policies and notes on pages 13 to 33 form part of these financial statements.

Naccolt LLP

Cash Flow Statement For the year ended 31 December 2016

	2016 £	2015 £
Operating activities		
Profit/(loss) on ordinary activities before tax	54,791	81,047
(Profit)/loss attributable to syndicate transactions	(71,062)	(99,215)
Profit/(loss) excluding syndicate transactions	(16,271)	(18,168)
Adjustment for:		
(Increase)/decrease in debtors	-	-
Increase/(decrease) in creditors	(8,498)	3,149
(Profit)/loss on disposal of intangible assets	-	(11)
Amortisation of syndicate capacity	15	16
Realised/unrealised (gains)/losses on investments	-	-
Investment income	(17)	(18)
Net cash inflow/(outflow) from operating activities	(24,771)	(15,032)
Investing activities		
Investment income	17	18
Purchase of syndicate capacity	(3,000)	-
Proceeds from sale of syndicate capacity	-	11
Net cash inflow/(outflow) from investing activities	(2,983)	29
Financing activities		
Repayment of debt to Members	-	-
Capital introduced by Members	27,746	15,011
Net cash inflow/(outflow) from financing activities	27,746	15,011
Net cash increase/(decrease) in cash and cash equivalents	(8)	8
Effect of exchange rates on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	8	-
Cash and cash equivalents at the end of the year	-	8
Consisting of:		
Cash at bank and in hand	-	8
Cash equivalents	-	-
	-	8

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 33 form part of these financial statements.

Naccolt LLP

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

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.

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

Accounting policies

i. Going concern

These financial statements have been prepared on a going concern 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.

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

Accounting policies (continued)

vi. Reinsurance to close

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

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

Where the reinsurance to close is between Members on successive years of account of the same Syndicate, the Managing Agent has a duty to ensure both sets of Members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of Members. To the extent that the 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.

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

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. Derivative financial instruments

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

ix. Derecognition of financial assets

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

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

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

Accounting policies (continued)

ix Derecognition of financial assets (continued)

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

x Offsetting of financial instruments

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

xi 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.

xii Foreign currencies

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

xiii Intangible assets

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

xiv Insurance contracts – product classification

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

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

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

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

Accounting policies (continued)

xv 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.

xvi 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.

xvii 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.

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

Accounting policies (continued)

xvii. 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.

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

1. Class of Business

2016	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	40,264	39,006	(19,476)	(18,186)	(893)	451
Motor – third party liability	5,004	5,510	(3,268)	(1,905)	(130)	207
Motor – other classes	56,203	53,969	(53,344)	(17,466)	12,578	(4,263)
Marine, aviation and transport	99,806	103,811	(56,881)	(42,520)	(4,884)	(474)
Fire and other damage to property	255,265	253,405	(123,887)	(84,827)	(33,452)	11,239
Third party liability	185,046	168,093	(98,595)	(61,257)	(7,455)	786
Credit and suretyship	13,095	12,052	(6,895)	(3,601)	(1,375)	181
Legal expenses	1,494	1,500	(876)	(787)	6	(157)
Assistance	-	-	-	-	-	-
Miscellaneous	5,931	6,324	(2,619)	(2,446)	(413)	846
	662,108	643,670	(365,841)	(232,995)	(36,018)	8,816
Reinsurance	207,353	206,603	(87,236)	(56,630)	(45,789)	16,948
Total	869,461	850,273	(453,077)	(289,625)	(81,807)	25,764

2015	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	34,424	33,547	(14,259)	(15,271)	(2,097)	1,920
Motor – third party liability	5,797	4,941	(3,487)	(1,751)	352	55
Motor – other classes	51,289	47,558	(33,709)	(14,657)	(804)	(1,612)
Marine, aviation and transport	100,904	100,095	(37,002)	(40,966)	(10,799)	11,328
Fire and other damage to property	229,140	227,040	(89,384)	(77,905)	(38,247)	21,504
Third party liability	146,076	136,890	(74,636)	(49,249)	(3,778)	9,227
Credit and suretyship	11,758	11,801	(6,874)	(2,899)	(1,637)	391
Legal expenses	1,752	2,258	(839)	(1,119)	(26)	274
Assistance	-	-	-	-	-	-
Miscellaneous	6,173	6,004	(2,481)	(2,339)	(568)	616
	587,313	570,134	(262,671)	(206,156)	(57,604)	43,703
Reinsurance	185,424	179,582	(45,295)	(48,141)	(44,298)	41,848
Total	772,737	749,716	(307,966)	(254,297)	(101,902)	85,551

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.

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

2. Net Operating Expenses	2016	2015
	£	£
Acquisition costs	237,127	210,611
Change in deferred acquisition costs	(6,624)	(8,309)
Administrative expenses	50,687	42,036
Reinsurance commissions and profit participations	(25,620)	(22,734)
Personal expenses	34,055	32,693
	<u>289,625</u>	<u>254,297</u>
3. Investment Income	2016	2015
	£	£
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	17,022	14,940
Realised gains and losses	(320)	(894)
Unrealised gains and losses	1,932	(5,084)
Other	-	-
	<u>18,634</u>	<u>8,962</u>
Financial instruments held at amortised cost:		
Interest	17	18
Other	-	-
	<u>17</u>	<u>18</u>
Investment management expenses, including interest	(1,641)	(1,430)
	<u>(1,641)</u>	<u>(1,430)</u>
Total	<u>17,010</u>	<u>7,550</u>
4. Profit/(Loss) on Ordinary Activities before Taxation	2016	2015
	£	£
Operating profit/(loss) is stated after charging:		
Amortisation of syndicate capacity	15	16
(Profit)/loss on disposal of intangible fixed assets	-	(11)
(Profit)/loss on exchange	(33,236)	(3,132)

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.

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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 £	2015 £
Purchased Syndicate Capacity		
Cost		
At 1 January 2016	89,896	92,440
Additions	3,000	-
Disposals	-	(2,544)
At 31 December 2016	92,896	89,896
Amortisation		
At 1 January 2016	89,850	92,378
Additions	15	16
Disposals	-	(2,544)
At 31 December 2016	89,865	89,850
Net Book Value		
At 31 December 2016	3,031	46
At 31 December 2015	46	62

7. Financial Instruments and Financial Risk Management

7.1 Financial Investments

Other financial investments – Syndicate participation

	2016 Market Value £	2015 Market Value £
Shares and other variable yield securities and units in unit trusts	162,925	9,593
Debt securities and other fixed income securities	854,380	790,382
Participation in investment pools	22,198	12,839
Loans with credit institutions	793	1,154
Derivative financial instruments	2,001	407
Other investments	2,750	-
Deposits with credit institutions	9,456	15,410
Other	15,706	114,919
	1,070,209	944,704

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

7. Financial Instruments and Financial Risk Management (continued)

7.2 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 through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
Financial assets						
Investments	1,070,209	-	1,070,209	996,486	-	996,486
Deposits with ceding undertakings	-	97	97	-	94	94
Insurance debtors	-	225,378	225,378	-	190,680	190,680
Reinsurance debtors	-	127,713	127,713	-	105,867	105,867
Other debtors	-	107,114	107,114	-	91,186	91,186
Cash at bank and in hand	-	53,338	53,338	-	38,389	38,389
Other assets	71,529	-	71,529	-	-	-
	1,141,738	513,640	1,655,378	996,486	426,216	1,422,702
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	1,019	-	1,019	-	-	-
Insurance creditors	-	28,842	28,842	-	26,394	26,394
Reinsurance creditors	-	110,351	110,351	-	-	-
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors	-	-	-	-	-	-
	1,019	139,193	140,212	-	26,394	26,394

Other financial investments – Partnership

	2016			2015		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
Financial assets						
Investments	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
Cash at bank and in hand	-	-	-	-	8	8
Other assets	-	-	-	-	-	-
	-	-	-	-	8	8
Financial liabilities						
Other creditors	-	-	-	-	-	-
	-	-	-	-	-	-

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	Fair value	Notional amount	Fair value
	£	£	£	£
Foreign exchange forward contracts	67,350	1,794	(9,853)	314
Interest rate future contracts	42,039	193	(14,968)	37
Foreign exchange options	-	-	-	-
Equity options	-	-	824	18
Foreign exchange contract for difference	16,175	(202)	1,651	36
Other	1,218	216	-	-
	126,782	2,001	(22,346)	405

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.

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

7. Financial Instruments and Financial Risk Management (continued)

7.3 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) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2016						
Financial assets						
Shares and other variable yield securities and units in unit trusts	31,874	131,019	32	162,925	-	162,925
Debt securities and other fixed income securities	186,073	668,307	-	854,380	-	854,380
Participation in investment pools	9,976	6,446	5,776	22,198	-	22,198
Loans and deposits with credit institutions	9,446	3,265	288	12,999	-	12,999
Overseas deposits	38,786	46,470	1,967	87,223	-	87,223
Derivatives	1,057	944	-	2,001	-	2,001
Other investments	-	-	12	12	-	12
Financial assets classified as held for sale	-	-	-	-	-	-
	277,212	856,451	8,075	1,141,738	-	1,141,738
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	789	230	-	1,019	-	1,019
Financial liabilities classified as held for sale	-	-	-	-	-	-
	789	230	-	1,019	-	1,019

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

7. Financial Instruments and Financial Risk Management (continued)

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

Other financial investments – Syndicate participation (continued)

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2015						
Financial assets						
Shares and other variable yield securities and units in unit trusts	16,734	92,822	14,956	124,512	-	124,512
Debt securities and other fixed income securities	269,429	374,184	146,769	790,382	-	790,382
Participation in investment pools	3,484	3,954	5,401	12,839	-	12,839
Loans and deposits with credit institutions	49,405	11,756	7,165	68,326	-	68,326
Overseas deposits	42,240	24,534	1,830	68,604	-	68,604
Derivatives	50	-	357	407	-	407
Other investments	-	-	20	20	-	20
Financial assets classified as held for sale	-	-	-	-	-	-
	381,342	507,250	176,498	1,065,090	-	1,065,090
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	99	-	501	600	-	600
Financial liabilities classified as held for sale	-	-	-	-	-	-
	99	-	501	600	-	600

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.

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 £	AA £	A £	BBB or lower £	Not rated £	Total £
2016						
Shares and other variable yield securities and units in unit trusts	30,704	10,623	26,771	11,601	83,226	162,925
Debt securities and other fixed income securities	225,481	272,007	249,827	93,302	13,763	854,380
Participation in investment pools	5,452	8,790	2,490	154	5,312	22,198
Loans secured with credit institutions	750	2,505	-	-	288	3,543
Deposits with credit institutions	-	483	2,373	-	6,600	9,456
Overseas deposits	39,541	18,282	6,952	8,370	14,078	87,223
Derivative investments	-	202	757	98	944	2,001
Other investments	-	-	-	-	12	12
Deposits with ceding undertakings	-	-	-	-	97	97
Reinsurers share of claims outstanding	6,858	75,127	174,643	5,051	10,877	272,556
Reinsurance debtors	3,142	3,718	7,744	944	1,383	16,931
Cash at bank and in hand	85	11,943	31,155	10,143	12	53,338
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	312,013	403,680	502,712	129,663	136,592	1,484,660

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

7. Financial Instruments and Financial Risk Management (continued)

7.4 Financial Risk Management (continued)

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
2015						
Shares and other variable yield securities and units in unit trusts	27,742	6,681	18,691	8,196	63,201	124,511
Debt securities and other fixed income securities	231,516	275,430	194,831	80,007	8,599	790,383
Participation in investment pools	3,206	2,251	636	52	6,694	12,839
Loans secured with credit institutions	973	54	128	-	-	1,155
Deposits with credit institutions	-	140	1,104	-	-	1,244
Overseas deposits	40,853	13,636	9,848	4,090	98	68,525
Derivative investments	27	-	5	15	360	407
Other investments	-	-	-	-	20	20
Deposits with ceding undertakings	-	-	-	-	94	94
Reinsurers share of claims outstanding	6,768	68,019	121,297	2,096	7,559	205,739
Reinsurance debtors	1,114	17,694	8,358	359	214	27,739
Cash at bank and in hand	15,836	1,171	16,050	5,333	-	38,390
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	328,035	385,076	370,948	100,148	86,839	1,271,046

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

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
2016						
Shares and other variable yield securities and units in unit trusts	162,925	-	-	-	-	162,925
Debt securities and other fixed income securities	854,380	-	-	-	-	854,380
Participation in investment pools	22,198	-	-	-	-	22,198
Loans secured with credit institutions	3,543	-	-	-	-	3,543
Deposits with credit institutions	9,456	-	-	-	-	9,456
Overseas deposits	87,223	-	-	-	-	87,223
Derivative investments	2,001	-	-	-	-	2,001
Other investments	12	-	-	-	-	12
Deposits with ceding undertakings	97	-	-	-	-	97
Reinsurers share of claims outstanding	272,556	-	-	-	-	272,556
Reinsurance debtors	12,246	3,833	214	265	373	16,931
Cash at bank and in hand	53,338	-	-	-	-	53,338
Insurance debtors	202,815	12,194	3,331	7,180	(142)	225,378
Other debtors	383,551	509	61	152	-	384,273
	2,066,341	16,536	3,606	7,597	231	2,094,311

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

7. Financial Instruments and Financial Risk Management (continued)

7.4 Financial Risk Management (continued)

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
2015						
Shares and other variable yield securities and units in unit trusts	124,512	-	-	-	-	124,512
Debt securities and other fixed income securities	790,382	-	-	-	-	790,382
Participation in investment pools	12,839	-	-	-	-	12,839
Loans secured with credit institutions	1,154	-	-	-	-	1,154
Deposits with credit institutions	1,244	-	-	-	-	1,244
Overseas deposits	68,526	-	-	-	-	68,526
Derivative investments	407	-	-	-	-	407
Other investments	20	-	-	-	-	20
Deposits with ceding undertakings	94	-	-	-	-	94
Reinsurers share of claims outstanding	205,739	116	-	-	(228)	205,627
Reinsurance debtors	27,738	19,070	1,152	281	304	48,545
Cash at bank and in hand	38,389	-	-	-	-	38,389
Insurance debtors	211,199	11,216	2,579	3,134	(142)	227,986
Other debtors	44,003	-	-	100	-	44,103
	1,526,246	30,402	3,731	3,515	(66)	1,563,828

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 maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
2016						
Derivative financial instruments	-	1,019	-	-	-	1,019
Deposits received from reinsurers	-	194	-	-	-	194
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	423,721	463,967	206,531	183,160	1,277,379
Creditors	32,435	144,985	22,292	5,492	938	206,142
Other	-	-	-	-	-	-
	32,435	569,919	486,259	212,023	184,098	1,484,734

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

7. Financial Instruments and Financial Risk Management (continued)

7.4 Financial Risk Management (continued)

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
2015						
Derivative financial instruments	-	595	57	-	-	652
Deposits received from reinsurers	-	145	-	-	-	145
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	345,217	360,463	185,202	159,933	1,050,815
Creditors	25,755	112,415	15,284	1,504	-	154,958
Other	584	-	-	-	-	584
	26,339	458,372	375,804	186,706	159,933	1,207,154

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 £	2015 £
Impact of 50 basis point increase on profit or loss	(8,495)	(6,427)
Impact of 50 basis point decrease on profit or loss	8,307	6,004
Impact of 50 basis point increase on equity	(8,495)	(6,662)
Impact of 50 basis point decrease on equity	8,307	6,241

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.

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

7. Financial Instruments and Financial Risk Management (continued)

7.4 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 £	2015 £
Impact on profit or loss of 5% increase in Stock Market Prices	1,819	1,221
Impact on profit or loss of 5% decrease in Stock Market Prices	(1,818)	(1,226)
Impact on equity of 5% increase in Stock Market Prices	1,819	1,221
Impact on equity of 5% decrease in Stock Market Prices	(1,818)	(1,226)

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

	Syndicate Participation £	2016 Partnership £	Syndicate Participation £	2015 Partnership £
Sterling	(190,914)	(16,875)	(79,354)	(25,365)
United States Dollar	147,524	-	149,967	-
Euro	48,356	-	13,566	-
Canadian Dollar	93,773	-	42,613	-
Australian Dollar	14,790	-	3,914	-
Japanese Yen	(2,566)	-	(2,092)	-
Other	2,310	-	(4,243)	-

**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	-	-	-	-
Euro	-	-	-	-
Canadian Dollar	-	-	-	-
Australian Dollar	-	-	-	-
Japanese Yen	-	-	-	-
Other	-	-	-	-

7.5 Capital Management

Lloyd's capital setting process

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

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

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

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

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

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

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

8. Insurance Contracts

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

	2016			2015		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	1,050,814	205,627	845,187	1,069,118	227,838	841,280
Movements in the year	64,643	34,501	30,142	(43,761)	(26,515)	(17,246)
Exchange differences	161,922	32,428	129,494	25,457	4,304	21,153
At 31 December	1,277,379	272,556	1,004,823	1,050,814	205,627	845,187

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

	2016			2015		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	357,180	49,848	307,332	326,422	31,873	294,549
Movements in the year	19,188	6,966	12,222	23,021	3,811	19,210
Exchange differences	49,570	7,869	41,701	7,737	14,164	(6,427)
At 31 December	425,938	64,683	361,255	357,180	49,848	307,332

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

	2016 £	2015 £
At 1 January	89,766	83,599
Movements in the year	6,624	8,309
Exchange differences	14,621	(2,142)
At 31 December	111,011	89,766

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 Ms J Knatchbull.