
LIMITED LIABILITY PARTNERSHIP

Naccolt LLP

Financial Statements

◆ For the year ended 31 December 2017 ◆

Registered Number: OC322421

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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

**Strategic Report
For the year ended 31 December 2017**

The Members present their Strategic report for the year ended 31 December 2017.

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 2015, 2016 and 2017 years of account, as well as any 2014 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 27 June 2018 and signed on their behalf by:



D C BOWLES
ARGENTA LLP SERVICES LIMITED
Designated Member

Members' Report
For the year ended 31 December 2017

The Members present their report together with the financial statements for the year ended 31 December 2017.

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.

Brexit

The Brexit talks have now entered the second phase focusing on trade. At present the insurance sector still needs certainty on the UK's future trading relationship with EU. The priority is to ensure mutual insurance and reinsurance market access once the UK leaves the EU. In the meantime Lloyds continue to move ahead with their plans to establish a Lloyd's subsidiary in Brussels, which will provide certainty for the market and Lloyds clients. The Members are monitoring the Lloyd's market's preparations along with general market conditions to identify if it is appropriate to make any changes to the current strategy of the Partnership.

Auditors

Mazars LLP have been appointed as the auditors to the Limited Liability Partnership during the period.

Approved by the Members on 27 June 2018 and signed on their behalf by:



D C BOWLES
ARGENTA LLP SERVICES LIMITED
Designated Member

**Independent Auditor's Report
To the Members of Naccolt LLP
For the year ended 31 December 2017**

Opinion

We have audited the financial statements of Naccolt LLP (the 'LLP') for the year ended 31 December 2017 which comprise the Profit and Loss Account, Balance Sheet, Reconciliation of Member's Interests, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 December 2017 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

Basis for opinion

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

Use of the audit report

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

Conclusions relating to going concern

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

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

Other information

The members are responsible for the other information. The other information comprises the information included in the whole financial statements, other than the financial statements themselves and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Naccolt LLP

Independent Auditor's Report (continued) To the Members of Naccolt LLP For the year ended 31 December 2017

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Members

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, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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



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

27 June 2018

Naccolt LLP

Profit & Loss Account – Technical Account For the year ended 31 December 2017

	Note	2017 £	2016 £
Premiums			
Gross premiums written	1	969,858	869,461
Outward reinsurance premiums	1	(224,875)	(177,478)
Net premiums written		<u>744,983</u>	<u>691,983</u>
Change in the provision for Unearned premiums			
Gross provision	1	(18,348)	(19,188)
Reinsurers' share	1	9,154	6,966
Earned premiums, net of reinsurance		<u>735,789</u>	<u>679,761</u>
Allocated investment return transferred from the non-technical account		19,161	16,993
Other technical income, net of reinsurance		84	89
Claims paid			
Gross amount	1	(503,043)	(383,129)
Reinsurers' share	1	75,555	54,204
Net claims paid		<u>(427,488)</u>	<u>(328,925)</u>
Change in provision for claims			
Gross amount	1	(297,611)	(69,948)
Reinsurers' share	1	199,317	34,501
Net change in provisions for claims		<u>(98,294)</u>	<u>(35,447)</u>
Claims incurred, net of reinsurance		<u>(525,782)</u>	<u>(364,372)</u>
Changes in other technical provisions, net of reinsurance		1,178	(1,053)
Net operating expenses	1, 2	(305,922)	(289,625)
Other technical charges, net of reinsurance		-	-
Balance on the technical account for general business		<u>(75,492)</u>	<u>41,793</u>

The accounting policies and notes on pages 13 to 37 form part of these financial statements.

Naccolt LLP

Profit & Loss Account – Non Technical Account For the year ended 31 December 2017

	Note	2017 £	2016 £
Balance on general business technical account		(75,492)	41,793
Investment income	3	19,188	17,010
Allocated investment return transferred to the technical account		(19,161)	(16,993)
Other income		3,639	23,964
Other charges, including value adjustments		(22,879)	(10,983)
Profit/(loss) for the financial period before Members' remuneration and profit shares	4	(94,705)	54,791
Members' remuneration charged as an expense	5	-	-
Profit/(loss) for the financial period available for discretionary division among Members		(94,705)	54,791
Other comprehensive income/(expenditure):			
Currency translation differences		474	8,376
Total comprehensive income/(expenditure)		(94,231)	63,167

All items derive from continuing activities.

The accounting policies and notes on pages 13 to 37 form part of these financial statements.

Naccolt LLP

Balance sheet As at 31 December 2017

		31 December 2017			31 December 2016		
	Note	Syndicate Participation £	Partnership £	Total £	Syndicate Participation £	Partnership £	Total £
Assets							
Intangible assets	6	-	5,400	5,400	-	3,031	3,031
Investments							
Other financial investments	7	922,327	-	922,327	1,070,209	-	1,070,209
Deposits with ceding undertakings		93	-	93	97	-	97
		922,420	-	922,420	1,070,306	-	1,070,306
Reinsurers' share of technical provisions							
Provision for unearned premiums	8	68,292	-	68,292	64,683	-	64,683
Claims outstanding	8	450,311	-	450,311	272,556	-	272,556
Other technical provisions		1,978	-	1,978	799	-	799
		520,581	-	520,581	338,038	-	338,038
Debtors							
Amounts falling due within one year	7	388,746	-	388,746	416,936	-	416,936
Amounts falling due after one year	7	36,144	-	36,144	43,269	-	43,269
		424,890	-	424,890	460,205	-	460,205
Other assets							
Cash at bank and in hand		47,129	-	47,129	53,338	-	53,338
Other		73,515	-	73,515	71,529	-	71,529
		120,644	-	120,644	124,867	-	124,867
Prepayments and accrued income							
Accrued interest		1,394	-	1,394	1,266	-	1,266
Deferred acquisitions costs	8	117,208	-	117,208	111,011	-	111,011
Other prepayments and accrued income		4,230	-	4,230	3,983	-	3,983
		122,832	-	122,832	116,260	-	116,260
Total assets		2,111,367	5,400	2,116,767	2,109,676	3,031	2,112,707

The accounting policies and notes on pages 13 to 37 form part of these financial statements.

Naccolt LLP

Balance sheet As at 31 December 2017

	Note	31 December 2017			31 December 2016		
		Syndicate Participation £	Partnership £	Total £	Syndicate Participation £	Partnership £	Total £
Liabilities and Members' interests							
Loans and other debts due to Members							
Syndicate profit and loss		(78,327)	-	(78,327)	114,334	-	114,334
Corporate profit and loss - syndicate capacity		-	20,470	20,470	-	21,087	21,087
Corporate profit and loss - other		-	(30,399)	(30,399)	-	(34,931)	(34,931)
		(78,327)	(9,929)	(88,256)	114,334	(13,844)	100,490
Technical provisions							
Provision for unearned premiums	8	415,651	-	415,651	425,938	-	425,938
Claims outstanding	8	1,488,112	-	1,488,112	1,277,379	-	1,277,379
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges		-	-	-	-	-	-
Deposit received from reinsurers		173	-	173	194	-	194
Creditors							
Amounts falling due within one year	7	238,860	602	239,462	242,908	-	242,908
Amounts falling due after one year	7	22,903	1,800	24,703	30,465	-	30,465
		2,165,699	2,402	2,168,101	1,976,884	-	1,976,884
Accruals and deferred income		23,995	12,927	36,922	18,458	16,875	35,333
Total liabilities		2,111,367	5,400	2,116,767	2,109,676	3,031	2,112,707

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
27 June 2018

Registered Number: OC322421

The accounting policies and notes on pages 13 to 37 form part of these financial statements.

**Reconciliation of Members' Interests
For the year ended 31 December 2017**

	Syndicate profit and loss allocated to Members £	Liabilities		Total £
		Partnership profit and loss allocated to Members		
		Syndicate capacity £	Other £	
Members' interests at 1 January 2016	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
Allocated profits/(losses) 2015 year of account	59,548	-	-	59,548
Allocated profits/(losses) 2016 year of account	13,358	-	-	13,358
Allocated profits/(losses) 2017 year of account	(139,504)	852	(28,485)	(167,137)
Members' interests after profit/(loss) for the year	47,736	21,939	(63,416)	6,259
Reallocate distribution	(126,063)	-	126,063	-
Introduced by Members	-	-	-	-
Repayment of debt (including Members' capital classified as a liability)	-	(1,469)	(93,046)	(94,515)
Other movements	-	-	-	-
Members' interests at 31 December 2017	(78,327)	20,470	(30,399)	(88,256)

The accounting policies and notes on pages 13 to 37 form part of these financial statements.

Naccolt LLP

Cash Flow Statement For the year ended 31 December 2017

	2017 £	2016 £
Operating activities		
Profit/(loss) on ordinary activities before tax	(94,705)	54,791
(Profit)/loss attributable to syndicate transactions	67,072	(71,062)
Profit/(loss) excluding syndicate transactions	(27,633)	(16,271)
Adjustment for:		
(Increase)/decrease in debtors	-	-
Increase/(decrease) in creditors	(1,546)	(8,498)
(Profit)/loss on disposal of intangible assets	(1,452)	-
Amortisation of syndicate capacity	600	15
Realised/unrealised (gains)/losses on investments	-	-
Investment income	(27)	(17)
Net cash inflow/(outflow) from operating activities	(30,058)	(24,771)
Investing activities		
Investment income	27	17
Purchase of syndicate capacity	(3,000)	(3,000)
Proceeds from sale of syndicate capacity	1,483	-
Net cash inflow/(outflow) from investing activities	(1,490)	(2,983)
Financing activities		
Repayment of debt to Members	-	-
Capital introduced by Members	31,548	27,746
Net cash inflow/(outflow) from financing activities	31,548	27,746
Net cash increase/(decrease) in cash and cash equivalents	-	(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	-	-
Consisting of:		
Cash at bank and in hand	-	-
Cash equivalents	-	-
	-	-

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 37 form part of these financial statements.

**Notes to the Financial Statements
For the year ended 31 December 2017**

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

The Limited Liability Partnership recognises 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 consistent with the audited annual reports to Syndicate Members.

The format of the Returns is established by Lloyd's. Lloyd's collate this data at a Syndicate level analysing it into corporate member level results which reflects the relevant data in respect of all the syndicates in which the LLP participates.

**Notes to the Financial Statements
For the year ended 31 December 2017**

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 2017**

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 2017

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 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.

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 2017

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. Deferred acquisition costs

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

xiii. 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 through the non-technical account in the profit and loss account.

xiv. 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.

xv. 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 2017**

Accounting policies (continued)

xvi. Members' participation rights and remuneration

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 and loans, 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.

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.

xvii. 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.

xviii. 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 2017

Accounting policies (continued)

xviii. 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.

Notes to the Financial Statements
For the year ended 31 December 2017

1. Class of Business

2017	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	39,677	39,806	(20,914)	(17,345)	(1,141)	406
Motor – third party liability	3,602	4,130	(3,337)	(1,196)	61	(342)
Motor – other classes	59,700	60,697	(47,985)	(17,815)	560	(4,543)
Marine, aviation and transport	100,065	103,955	(60,169)	(40,513)	(4,042)	(769)
Fire and other damage to property	281,021	274,087	(252,904)	(92,816)	29,947	(41,686)
Third party liability	219,561	205,514	(121,853)	(75,338)	(3,637)	4,686
Credit and suretyship	23,834	21,509	(14,179)	(7,844)	(192)	(706)
Legal expenses	1,137	1,324	(798)	(688)	(8)	(170)
Assistance	-	-	-	-	-	-
Miscellaneous	6,549	5,970	(3,309)	(2,329)	(534)	(202)
	735,146	716,992	(525,448)	(255,884)	21,014	(43,326)
Reinsurance	234,712	234,518	(275,206)	(50,038)	38,137	(52,589)
Total	969,858	951,510	(800,654)	(305,922)	59,151	(95,915)

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

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 2017

2. Net Operating Expenses	2017	2016
	£	£
Acquisition costs	262,818	237,127
Change in deferred acquisition costs	(8,243)	(6,624)
Administrative expenses	54,323	50,687
Reinsurance commissions and profit participations	(30,358)	(25,620)
Personal expenses	27,382	34,055
	<u>305,922</u>	<u>289,625</u>
3. Investment Income	2017	2016
	£	£
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	17,438	17,022
Realised gains and losses	3,491	(320)
Unrealised gains and losses	(21)	1,932
Other	-	-
	<u>20,908</u>	<u>18,634</u>
Financial instruments held at amortised cost:		
Interest	27	17
Other	-	-
	<u>27</u>	<u>17</u>
Investment management expenses, including interest	(1,747)	(1,641)
	<u>(1,747)</u>	<u>(1,641)</u>
Total	<u>19,188</u>	<u>17,010</u>
4. Profit/(Loss) on Ordinary Activities before Taxation	2017	2016
	£	£
Operating profit/(loss) is stated after charging:		
Amortisation of syndicate capacity	600	15
(Profit)/loss on disposal of intangible fixed assets	(1,452)	-
(Profit)/loss on exchange	1,643	(33,236)

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.

Notes to the Financial Statements
For the year ended 31 December 2017

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	2017	2016
	£	£
Purchased Syndicate Capacity		
Cost		
At 1 January 2017	92,896	89,896
Additions	3,000	3,000
Disposals	(77)	-
At 31 December 2017	<u>95,819</u>	<u>92,896</u>
Amortisation		
At 1 January 2017	89,865	89,850
Additions	600	15
Disposals	(46)	-
At 31 December 2017	<u>90,419</u>	<u>89,865</u>
Net Book Value		
At 31 December 2017	<u>5,400</u>	<u>3,031</u>
At 31 December 2016	<u>3,031</u>	<u>46</u>

7. Financial Instruments and Financial Risk Management

7.1 Financial Investments

Other financial investments – Syndicate participation

	2017	2016
	Market Value	Market Value
	£	£
Shares and other variable yield securities and units in unit trusts	140,764	162,925
Debt securities and other fixed income securities	737,116	854,380
Participation in investment pools	20,724	22,198
Loans with credit institutions	635	793
Derivative financial instruments	1,878	2,001
Other investments	750	2,750
Deposits with credit institutions	5,003	9,456
Other	15,457	15,706
	<u>922,327</u>	<u>1,070,209</u>

Notes to the Financial Statements
For the year ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.2 Debtors

	2017			2016		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts falling due within one year:						
Arising out of direct insurance operations	213,072	-	213,072	219,212	-	219,212
Arising out of reinsurance operations	124,658	-	124,658	98,421	-	98,421
Other Debtors:						
Amounts due from group undertakings	-	-	-	-	-	-
Other	51,016	-	51,016	99,303	-	99,303
Total Amounts falling due within one year	388,746	-	388,746	416,936	-	416,936
Amounts falling due after one year:						
Arising out of direct insurance operations	3,892	-	3,892	6,166	-	6,166
Arising out of reinsurance operations	23,989	-	23,989	29,292	-	29,292
Other Debtors:						
Amounts due from group undertakings	-	-	-	-	-	-
Other	8,263	-	8,263	7,811	-	7,811
Total Amounts falling due after one year	36,144	-	36,144	43,269	-	43,269
	424,890	-	424,890	460,205	-	460,205

Notes to the Financial Statements
For the year ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.3 Creditors

			2017			2016
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts falling due within one year:						
Arising out of direct insurance operations	42,045	-	42,045	28,388	-	28,388
Arising out of reinsurance operations	99,721	-	99,721	90,197	-	90,197
Amounts owed to credit institutions	2,083	-	2,083	-	-	-
Other creditors:						
Corporation tax	-	-	-	-	-	-
Members loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	95,011	602	95,613	124,323	-	124,323
Amount due to group undertakings	-	-	-	-	-	-
Total Amounts falling due within one year	238,860	602	239,462	242,908	-	242,908
Amounts falling due after one year:						
Arising out of direct insurance operations	251	-	251	454	-	454
Arising out of reinsurance operations	17,901	-	17,901	20,154	-	20,154
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors:						
Corporation tax	-	-	-	-	-	-
Members loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	4,751	1,800	6,551	9,857	-	9,857
Amount due to group undertakings	-	-	-	-	-	-
Total Amounts falling due after one year	22,903	1,800	24,703	30,465	-	30,465
	261,763	2,402	264,165	273,373	-	273,373

Notes to the Financial Statements
For the year ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.4 Classification of Financial Instruments

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

Other financial investments – Syndicate participation

	2017			2016		
	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	922,327	-	922,327	1,070,209	-	1,070,209
Deposits with ceding undertakings	-	93	93	-	97	97
Insurance debtors	-	216,964	216,964	-	225,378	225,378
Reinsurance debtors	-	148,647	148,647	-	127,713	127,713
Other debtors	-	59,279	59,279	-	107,114	107,114
Cash at bank and in hand	-	47,129	47,129	-	53,338	53,338
Other assets	73,515	-	73,515	71,529	-	71,529
	995,842	472,112	1,467,954	1,141,738	513,640	1,655,378
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	155	-	155	1,019	-	1,019
Insurance creditors	-	42,296	42,296	-	28,842	28,842
Reinsurance creditors	-	117,622	117,622	-	110,351	110,351
Amounts owed to credit institutions	-	2,083	2,083	-	-	-
Other creditors	-	-	-	-	-	-
	155	162,001	162,156	1,019	139,193	140,212

Other financial investments – Partnership

	2017			2016		
	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	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
	-	-	-	-	-	-
Financial liabilities						
Other creditors	-	2,402	2,402	-	-	-
	-	2,402	2,402	-	-	-

Notes to the Financial Statements

For the year ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.4 Classification of Financial Instruments (continued)

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

	2017		2016	
	Notional amount £	Fair value £	Notional amount £	Fair value £
Foreign exchange forward contracts	48,423	1,608	67,350	1,794
Interest rate future contracts	8,800	16	42,039	193
Foreign exchange options	-	-	-	-
Equity options	-	-	-	-
Foreign exchange contract for difference	25,694	184	16,175	(202)
Other	4,571	70	1,218	216
	87,488	1,878	126,782	2,001

7.5 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.

Notes to the Financial Statements
For the year ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.5 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 £
2017						
Financial assets						
Shares and other variable yield securities and units in unit trusts	22,676	111,902	6,186	140,764	-	140,764
Debt securities and other fixed income securities	185,792	551,324	-	737,116	-	737,116
Participation in investment pools	8,900	7,274	4,550	20,724	-	20,724
Loans and deposits with credit institutions	4,994	644	750	6,388	-	6,388
Overseas deposits	33,762	53,515	1,685	88,962	-	88,962
Derivatives	655	1,223	-	1,878	-	1,878
Other investments	-	10	-	10	-	10
Financial assets classified as held for sale	-	-	-	-	-	-
	256,779	725,892	13,171	995,842	-	995,842
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	152	3	-	155	-	155
Financial liabilities classified as held for sale	-	-	-	-	-	-
	152	3	-	155	-	155

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Notes to the Financial Statements For the year ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.5 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 £
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

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

7.6 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 2017

7. Financial Instruments and Financial Risk Management (continued)

7.6 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 £
2017						
Shares and other variable yield securities and units in unit trusts	17,744	6,145	17,904	11,220	87,751	140,764
Debt securities and other fixed income securities	177,698	224,708	237,303	80,942	16,465	737,116
Participation in investment pools	9,125	4,682	2,462	335	4,120	20,724
Loans secured with credit institutions	611	24	-	-	750	1,385
Deposits with credit institutions	-	51	3,634	-	1,318	5,003
Overseas deposits	38,877	18,331	7,563	9,417	14,774	88,962
Derivative investments	-	63	379	263	1,173	1,878
Other investments	-	-	-	-	10	10
Deposits with ceding undertakings	-	-	-	-	93	93
Reinsurers share of claims outstanding	1,549	91,648	311,956	2,446	42,712	450,311
Reinsurance debtors	-	3,613	11,799	241	7,183	22,836
Cash at bank and in hand	6,512	2,169	28,949	8,795	704	47,129
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	252,116	351,434	621,949	113,659	177,053	1,516,211

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Notes to the Financial Statements For the year ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Risk Management (continued)

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

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 £
2017						
Shares and other variable yield securities and units in unit trusts	140,764	-	-	-	-	140,764
Debt securities and other fixed income securities	737,116	-	-	-	-	737,116
Participation in investment pools	20,724	-	-	-	-	20,724
Loans secured with credit institutions	1,385	-	-	-	-	1,385
Deposits with credit institutions	5,003	-	-	-	-	5,003
Overseas deposits	88,962	-	-	-	-	88,962
Derivative investments	1,878	-	-	-	-	1,878
Other investments	10	-	-	-	-	10
Deposits with ceding undertakings	93	-	-	-	-	93
Reinsurers share of claims outstanding	450,411	-	-	-	(100)	450,311
Reinsurance debtors	15,801	6,545	248	248	(6)	22,836
Cash at bank and in hand	47,129	-	-	-	-	47,129
Insurance debtors	192,844	14,619	2,990	6,588	(77)	216,964
Other debtors	356,430	414	28	3	-	356,875
	2,058,550	21,578	3,266	6,839	(183)	2,090,050

Notes to the Financial Statements
For the year ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.6 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 £
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

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 £
2017						
Derivative financial instruments	-	155	-	-	-	155
Deposits received from reinsurers	-	173	-	-	-	173
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	1,595	570,223	524,342	223,168	168,784	1,488,112
Creditors	3,428	210,750	19,911	3,931	4	238,024
Other	-	-	-	-	-	-
	5,023	781,301	544,253	227,099	168,788	1,726,464

**Notes to the Financial Statements
For the year ended 31 December 2017**

7. Financial Instruments and Financial Risk Management (continued)

7.6 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 £
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

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	2017 £	2016 £
Impact of 50 basis point increase on profit or loss	(6,984)	(8,495)
Impact of 50 basis point decrease on profit or loss	6,967	8,307
Impact of 50 basis point increase on equity	(6,984)	(8,495)
Impact of 50 basis point decrease on equity	6,967	8,307

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.

Notes to the Financial Statements
For the year ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.6 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

	2017 £	2016 £
Impact on profit or loss of 5% increase in Stock Market Prices	1,360	1,819
Impact on profit or loss of 5% decrease in Stock Market Prices	(1,362)	(1,818)
Impact on equity of 5% increase in Stock Market Prices	1,360	1,819
Impact on equity of 5% decrease in Stock Market Prices	(1,362)	(1,818)

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

	2017		2016	
	Syndicate Participation £	Partnership £	Syndicate Participation £	Partnership £
Sterling	(159,933)	(15,329)	(190,914)	(16,875)
United States Dollar	(58,882)	-	147,524	-
Euro	46,273	-	48,356	-
Canadian Dollar	59,358	-	93,773	-
Australian Dollar	14,582	-	14,790	-
Japanese Yen	154	-	(2,566)	-
Other	8,670	-	2,310	-

Notes to the Financial Statements
For the year ended 31 December 2017

7. Financial Instruments and Financial Risk Management (continued)

7.6 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 2017		31 December 2016	
	Increase	Decrease	Increase	Decrease
	£	£	£	£
Effect of sterling exchange movement by 10%				
United States Dollar	-	-	-	-
Euro	-	-	-	-
Canadian Dollar	-	-	-	-
Australian Dollar	-	-	-	-
Japanese Yen	-	-	-	-
Other	-	-	-	-

7.7 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.

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.

The Partnership has complied with all externally imposed capital requirements during the year.

Notes to the Financial Statements
For the year ended 31 December 2017

8. Insurance Contracts

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

	2017			2016		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	1,277,379	272,556	1,004,823	1,050,814	205,627	845,187
Movements in the year	291,378	199,317	92,061	64,643	34,501	30,142
Exchange differences	(80,645)	(21,562)	(59,083)	161,922	32,428	129,494
At 31 December	1,488,112	450,311	1,037,801	1,277,379	272,556	1,004,823

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

	2017			2016		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	425,938	64,683	361,255	357,180	49,848	307,332
Movements in the year	18,348	9,154	9,194	19,188	6,966	12,222
Exchange differences	(28,635)	(5,545)	(23,090)	49,570	7,869	41,701
At 31 December	415,651	68,292	347,359	425,938	64,683	361,255

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

	2017 £	2016 £
At 1 January	111,011	89,766
Movements in the year	8,243	6,624
Exchange differences	(2,046)	14,621
At 31 December	117,208	111,011

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.

The development of insurance liabilities provides a measure of the managing agent's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the estimate of total claims outstanding for each accident year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

Notes to the Financial Statements
For the year ended 31 December 2017

8.1 Risks arising from Insurance Contracts (continued)

Claims development – gross

Reporting year	2013 £	2014 £	2015 £	2016 £	2017 £	Total £
Estimate of cumulative claims						
At end of reporting year	906,100	236,102	228,530	271,035	526,614	2,168,381
One year later	1,414,418	407,667	445,036	555,448	-	2,822,569
Two years later	1,402,876	413,938	451,589	-	-	2,268,403
Three years later	1,372,255	399,043	-	-	-	1,771,298
Four years later	1,348,148	-	-	-	-	1,348,148
Five years later	-	-	-	-	-	-
Cumulative payments to date	1,132,341	282,219	249,015	207,332	100,208	1,971,115
Estimated balance to pay	394,194	116,823	202,574	348,116	426,406	1,488,113

	2012 and prior in 2015 £	2013 and prior in 2016 £	2014 and prior in 2017 £
RITC received at 24 months	1,962,605	-	-
Reserve strengthening/(reduction) in subsequent 12 months	(130,708)	-	-
Paid in subsequent 12 months	(414,442)	-	-
Prior years RITC at 36 months	1,417,455	-	-

Claims development – net

Reporting year	2013 £	2014 £	2015 £	2016 £	2017 £	Total £
Estimate of cumulative claims						
At end of reporting year	733,430	197,718	192,616	216,369	314,079	1,654,212
One year later	1,188,012	352,436	381,894	442,237	-	2,364,579
Two years later	1,162,739	355,833	385,446	-	-	1,904,018
Three years later	1,124,155	340,122	-	-	-	1,464,277
Four years later	1,100,803	-	-	-	-	1,100,803
Five years later	-	-	-	-	-	-
Cumulative payments to date	932,956	248,643	221,524	180,029	82,191	1,665,343
Estimated balance to pay	288,307	91,479	163,921	262,208	231,887	1,037,802

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Notes to the Financial Statements For the year ended 31 December 2017

8.1 Risks arising from Insurance Contracts (continued)

	2012 and prior in 2015	2013 and prior in 2016	2014 and prior in 2017
	£	£	£
RITC received at 24 months	1,469,605	-	-
Reserve strengthening/(reduction) in subsequent 12 months	(136,191)	-	-
Paid in subsequent 12 months	(278,021)	-	-
Prior years RITC at 36 months	1,055,393	-	-

9. Related Party Disclosure

There are no related party transactions other than those disclosed in the members interest statements. 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.