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**LIMITED LIABILITY PARTNERSHIP**

**B Heywood LLP**

**Financial Statements**

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**◆ For the year ended 31 December 2013 ◆**

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15/09/2014

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COMPANIES HOUSE

**Registered Number: OC348708**

## **B Heywood LLP**

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## **B Heywood LLP**

### **GENERAL INFORMATION**

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#### **DESIGNATED MEMBERS**

Argenta Continuity Limited  
Argenta LLP Services Limited

#### **MEMBERS' AGENT**

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

#### **AUDITORS**

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

#### **REGISTERED NUMBER**

OC348708

#### **REGISTERED OFFICE**

Fountain House  
130 Fenchurch Street  
London, EC3M 5DJ

#### **ACCOUNTANTS**

Argenta Tax & Corporate Services Limited  
Fountain House  
130 Fenchurch Street  
London  
EC3M 5DJ

## **B Heywood LLP**

### **STRATEGIC REPORT** **For the year ended 31 December 2013**

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The Members present their Strategic report for the year ended 31 December 2013.

#### **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 2011, 2012 and 2013 years of account, as well as any 2010 and prior run-off years.

#### **RESULTS**

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

Approved by the Members on 20 June 2014 and signed on their behalf by:



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

## **B Heywood LLP**

### **MEMBERS' REPORT**

**For the year ended 31 December 2013**

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The Members present their report together with the Financial Statements for the year ended 31 December 2013.

#### **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.

#### **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

## **B Heywood LLP**

### **MEMBERS' REPORT (continued)** **For the year ended 31 December 2013**

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#### **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.

#### **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 20 June 2014 and signed on their behalf by:



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

## **B Heywood LLP**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF B Heywood LLP For the year ended 31 December 2013**

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We have audited the Financial Statements of B Heywood LLP for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Limited Liability Partnership's Members, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to 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, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Members and auditors**

As described in the Statement of Members' Responsibilities the Limited Liability Partnership's Members are responsible for the preparation of Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards of Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view, whether the Financial Statements are properly prepared in accordance with the Companies Act 2006 and whether the information given in the Members' Report is consistent with the Financial Statements. We also report to you if, in our opinion, the Limited Liability Partnership has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Members' remuneration and transactions with the Limited Liability Partnership is not disclosed.

We read the Strategic Report and Members' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited Financial Statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Members in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Limited Liability Partnership's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

## **B Heywood LLP**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF B Heywood LLP For the year ended 31 December 2013**

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#### **Opinion**

In our opinion:

- the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Limited Liability Partnership's affairs as at 31 December 2013 and of its profit/loss for the year then ended;
- the Financial Statements have been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and Members' Report is consistent with the Financial Statements.



**Markham Grice (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

24 June 2014

# B Heywood LLP

## PROFIT & LOSS ACCOUNT – TECHNICAL ACCOUNT – GENERAL BUSINESS For the year ended 31 December 2013

|                                                                        | Note | 2013<br>£ | 2012<br>£ |
|------------------------------------------------------------------------|------|-----------|-----------|
| <b>Earned premiums, net of reinsurance</b>                             |      |           |           |
| <b>Gross premiums written</b>                                          |      |           |           |
| Continuing operations                                                  | 1    | 801,723   | 861,924   |
| Outward reinsurance premiums                                           | 1    | (165,670) | (176,449) |
| <b>Net premiums written</b>                                            |      | 636,053   | 685,475   |
| <b>Change in the provision for unearned premiums</b>                   |      |           |           |
| Gross provision                                                        | 1    | 8,490     | 79,170    |
| Reinsurers' share                                                      | 1    | (28)      | (3,170)   |
| <b>Earned premiums, net of reinsurance</b>                             |      | 644,515   | 761,475   |
| Allocated investment return transferred from the non-technical account |      | 11,444    | 29,568    |
| Other technical income, net of reinsurance                             |      | -         | -         |
| <b>Claims incurred net of reinsurance claims paid</b>                  |      |           |           |
| Gross amount                                                           | 1    | (511,494) | (566,028) |
| Reinsurers' share                                                      | 1    | 105,369   | 116,158   |
| <b>Net claims paid</b>                                                 |      | (406,125) | (449,870) |
| <b>Change in provision for claims</b>                                  |      |           |           |
| Gross amount                                                           | 1    | 203,958   | 89,848    |
| Reinsurers' share                                                      | 1    | (56,737)  | (23,220)  |
| <b>Net change in provisions for claims</b>                             |      | 147,221   | 66,628    |
| <b>Claims incurred, net of reinsurance</b>                             |      | (258,904) | (383,242) |
| Changes in other technical provisions, net of reinsurance              |      | -         | -         |
| Net operating expenses                                                 | 1, 2 | (249,652) | (273,184) |
| Other technical charges, net of reinsurance                            |      | -         | -         |
| <b>Balance on the technical account for general business</b>           |      | 147,403   | 134,617   |

The accounting policies and notes on pages 13 to 21 form part of these Financial Statements.

## B Heywood LLP

### PROFIT & LOSS ACCOUNT – NON TECHNICAL ACCOUNT For the year ended 31 December 2013

|                                                                                       | Note | 2013<br>£ | 2012<br>£ |
|---------------------------------------------------------------------------------------|------|-----------|-----------|
| <b>Balance on general business technical account</b>                                  |      | 147,403   | 134,617   |
| Investment income                                                                     | 3    | 24,561    | 29,404    |
| Unrealised gains on investments                                                       |      | 9,324     | 15,186    |
| Investment expenses and charges                                                       | 4    | (9,633)   | (7,254)   |
| Unrealised losses on investments                                                      |      | (12,802)  | (7,767)   |
| Allocated investment return transferred to the general business technical account     |      | (11,444)  | (29,568)  |
| Other income                                                                          |      | (353)     | 2,001     |
| Other charges                                                                         |      | (80,752)  | (74,703)  |
| Profit/(loss) for the financial period before Members' remuneration and profit shares | 5    | 66,304    | 61,916    |
| Members' remuneration charged as an expense                                           | 6    | -         | -         |
| <b>Profit/(loss) for the financial period available for division among Members</b>    | 9    | 66,304    | 61,916    |

The Limited Liability Partnership has no recognised gains or losses other than the profit or loss for the year.

All items derive from continuing activities.

In accordance with the amendment to the Financial Reporting Standard 3 "Reporting Financial Performance", the inclusion of unrealised gains and losses in the profit and loss account to reflect the marking to market of investments in the balance sheet is deemed not to be a material departure from the historical cost basis of accounting. Accordingly, a separate note of historical cost profits and losses is not given.

The accounting policies and notes on pages 13 to 21 form part of these Financial Statements.

# B Heywood LLP

## BALANCE SHEET As at 31 December 2013

|                                                  |      | 31 December 2013                |                  |            | 31 December 2012                |                  |            |
|--------------------------------------------------|------|---------------------------------|------------------|------------|---------------------------------|------------------|------------|
|                                                  | Note | Syndicate<br>Participation<br>£ | Partnership<br>£ | Total<br>£ | Syndicate<br>Participation<br>£ | Partnership<br>£ | Total<br>£ |
| <b>Assets</b>                                    |      |                                 |                  |            |                                 |                  |            |
| <b>Intangible assets</b>                         | 7    | -                               | 49,501           | 49,501     | -                               | 99,391           | 99,391     |
| <b>Investments</b>                               |      |                                 |                  |            |                                 |                  |            |
| Financial investments                            | 8    | 1,008,900                       | -                | 1,008,900  | 1,043,838                       | -                | 1,043,838  |
| Deposits with ceding undertakings                |      | 603                             | -                | 603        | 519                             | -                | 519        |
|                                                  |      | 1,009,503                       | -                | 1,009,503  | 1,044,357                       | -                | 1,044,357  |
| <b>Reinsurers' share of technical provisions</b> |      |                                 |                  |            |                                 |                  |            |
| Provision for unearned premiums                  |      | 46,855                          | -                | 46,855     | 47,320                          | -                | 47,320     |
| Claims outstanding                               |      | 286,755                         | -                | 286,755    | 346,776                         | -                | 346,776    |
| Other technical provisions                       |      | -                               | -                | -          | -                               | -                | -          |
|                                                  |      | 333,610                         | -                | 333,610    | 394,096                         | -                | 394,096    |
| <b>Debtors</b>                                   |      |                                 |                  |            |                                 |                  |            |
| Arising out of direct insurance operations       |      | 164,625                         | -                | 164,625    | 198,670                         | -                | 198,670    |
| Arising out of reinsurance operations            |      | 174,329                         | -                | 174,329    | 210,319                         | -                | 210,319    |
| Other debtors                                    |      | 81,087                          | -                | 81,087     | 133,944                         | -                | 133,944    |
|                                                  |      | 420,041                         | -                | 420,041    | 542,933                         | -                | 542,933    |
| <b>Other assets</b>                              |      |                                 |                  |            |                                 |                  |            |
| Cash at bank and in hand                         |      | 46,011                          | -                | 46,011     | 47,923                          | 12,387           | 60,310     |
| Other                                            |      | 100,677                         | -                | 100,677    | 116,705                         | -                | 116,705    |
|                                                  |      | 146,688                         | -                | 146,688    | 164,628                         | 12,387           | 177,015    |
| <b>Prepayments and accrued income</b>            |      |                                 |                  |            |                                 |                  |            |
| Accrued interest                                 |      | 698                             | -                | 698        | 891                             | -                | 891        |
| Deferred acquisition costs                       |      | 82,894                          | -                | 82,894     | 82,588                          | -                | 82,588     |
| Other prepayments and accrued income             |      | 2,147                           | -                | 2,147      | 1,710                           | -                | 1,710      |
|                                                  |      | 85,739                          | -                | 85,739     | 85,189                          | -                | 85,189     |
| <b>Total assets</b>                              |      | 1,995,581                       | 49,501           | 2,045,082  | 2,231,203                       | 111,778          | 2,342,981  |

The accounting policies and notes on pages 13 to 21 form part of these Financial Statements.

# B Heywood LLP

## BALANCE SHEET As at 31 December 2013

|                                                         | Note | 31 December 2013                |                  |            | 31 December 2012                |                  |            |
|---------------------------------------------------------|------|---------------------------------|------------------|------------|---------------------------------|------------------|------------|
|                                                         |      | Syndicate<br>Participation<br>£ | Partnership<br>£ | Total<br>£ | Syndicate<br>Participation<br>£ | Partnership<br>£ | Total<br>£ |
| <b>Liabilities and Members' interests</b>               |      |                                 |                  |            |                                 |                  |            |
| <b>Members' interests due within one year</b>           |      |                                 |                  |            |                                 |                  |            |
| Members' capital classified as a liability under FRS 25 | 9    | 129,773                         | 27,599           | 157,372    | 2,571                           | 93,473           | 96,044     |
| <b>Technical provisions</b>                             |      |                                 |                  |            |                                 |                  |            |
| Provision for unearned premiums                         |      | 325,585                         | -                | 325,585    | 337,648                         | -                | 337,648    |
| Claims outstanding – gross amount                       |      | 1,326,717                       | -                | 1,326,717  | 1,591,538                       | -                | 1,591,538  |
| Other technical provisions                              |      | -                               | -                | -          | -                               | -                | -          |
| <b>Provisions for other risks and charges</b>           |      | -                               | -                | -          | -                               | -                | -          |
| <b>Deposit received from reinsurers</b>                 |      | 380                             | -                | 380        | 341                             | -                | 341        |
| <b>Creditors</b>                                        |      |                                 |                  |            |                                 |                  |            |
| Arising out of direct insurance operations              |      | 22,347                          | -                | 22,347     | 40,314                          | -                | 40,314     |
| Arising out of reinsurance operations                   |      | 97,037                          | -                | 97,037     | 117,225                         | -                | 117,225    |
| Amounts owed to credit institutions                     |      | -                               | -                | -          | -                               | -                | -          |
| Other creditors including taxation and social security  |      | 83,833                          | -                | 83,833     | 135,768                         | -                | 135,768    |
|                                                         |      | 1,855,899                       | -                | 1,855,899  | 2,222,834                       | -                | 2,222,834  |
| <b>Accruals and deferred income</b>                     |      | 9,909                           | 21,902           | 31,811     | 5,798                           | 18,305           | 24,103     |
| <b>Total liabilities</b>                                |      | 1,995,581                       | 49,501           | 2,045,082  | 2,231,203                       | 111,778          | 2,342,981  |

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**  
20 June 2014

Registered Number: OC348708

The accounting policies and notes on pages 13 to 21 form part of these Financial Statements.

## B Heywood LLP

### CASH FLOW STATEMENT For the year ended 31 December 2013

|                                                        | Note  | 2013<br>£       | 2012<br>£    |
|--------------------------------------------------------|-------|-----------------|--------------|
| <b>Operating activities</b>                            |       |                 |              |
| Net cash inflow/(outflow) from operating activities    | 10(a) | (9,925)         | 2,117        |
| <b>Returns on investments and servicing of finance</b> |       |                 |              |
| Interest received                                      |       | -               | -            |
| <b>Capital expenditure</b>                             |       |                 |              |
| Purchase of syndicate capacity                         |       | -               | -            |
| Proceeds from sale of syndicate capacity               |       | 36              | 6,337        |
| <b>Transactions with Members and former Members</b>    |       |                 |              |
| Payment to Members                                     |       | (2,498)         | -            |
| Contributions by Members                               |       | -               | -            |
| Post retirement payments to former Members             |       | -               | -            |
| Net cash inflow/(outflow) for the year                 | 10(b) | <u>(12,387)</u> | <u>8,454</u> |
| Cash flows were invested as follows:                   |       |                 |              |
| Increase/(decrease) in cash holdings                   |       | (12,387)        | 8,454        |
| Purchase of financial investments                      |       | -               | -            |
| Sale of financial investments                          |       | -               | -            |
| Net investment of cash flows                           | 10(b) | <u>(12,387)</u> | <u>8,454</u> |

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 21 form part of these Financial Statements.

# **B Heywood LLP**

## **STATEMENT OF ACCOUNTING POLICIES**

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### **BASIS OF PREPARATION**

The Financial Statements are prepared under the historical cost basis of accounting modified to include the revaluation of investments and comply with applicable Accounting Standards.

The Limited Liability Partnership participates in insurance business as an underwriting member of various syndicates at Lloyd's.

The Financial Statements have been prepared in accordance with Sections 1164 and 1165 of the Companies Act 2006, and Schedule 3 of SI 2008/410, the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 and the recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005, as amended in December 2006. The Financial Statements have also been prepared in accordance with the Statement of Recommended Practice on Accounting by Limited Liability Partnerships dated March 2006.

Accounting information in respect of the syndicate participations has been provided by the syndicate managing agents and has been reported upon by the syndicate auditors.

### **BASIS OF ACCOUNTING**

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 Partnership's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the 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 Partnership's insurance creditors.

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

The 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 Partnership. The only exception to this rule is the level of provision for outstanding claims.

### **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.

## **B Heywood LLP**

### **STATEMENT OF ACCOUNTING POLICIES (continued)**

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**i Accounting convention**

The Financial Statements are prepared in accordance with appropriate accounting standards and under the historical cost convention as modified by the revaluation of financial investments.

**ii Going concern**

These financial statements have been prepared on a going concern basis.

**iii 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 vii below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see vii 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.

**iv 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.

**v 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 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 as regard 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.

**vi 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.

**STATEMENT OF ACCOUNTING POLICIES (continued)**

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

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

**viii Investments**

Syndicate: Where investments represent the Partnership's share of syndicate investments, they are stated at current value at the balance sheet date. For this purpose, listed investments are stated at market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

**STATEMENT OF ACCOUNTING POLICIES (continued)**

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**ix Investment return**

Investment income comprises interest receivable and dividends received plus realised and unrealised gains on the disposal of investments. Realised gains and losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluation. Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date or purchase price, if acquired during the year. Investment income is initially recorded in the non-technical account. All investment income arising on Syndicate participations is allocated to the technical account.

**x Net operating expenses**

Operating expenses are recognised when incurred. They include the 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.

**xi 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 (or an appropriate average rate). Exchange differences arising on translation are dealt with in the profit and loss account.

**xii Syndicate participation rights**

Where the Partnership has purchased the right to participate on Syndicates, the cost is capitalised and amortised in equal annual instalments over five years. No amortisation is charged in the year of purchase.

**xiii 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.

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

**xiv Taxation**

Income tax payable on the Partnership's profits is solely the personal liability of the Members and consequently is not dealt with in these Financial Statements.

# B Heywood LLP

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2013

#### 1. Class of Business

| 2013                              | Gross<br>Premiums<br>Written<br>£ | Gross<br>Premiums<br>Earned<br>£ | Gross<br>Claims<br>Incurred<br>£ | Net<br>Operating<br>Expenses<br>£ | Reinsurance<br>Balance<br>£ | Total<br>£     |
|-----------------------------------|-----------------------------------|----------------------------------|----------------------------------|-----------------------------------|-----------------------------|----------------|
| <b>Direct Insurance</b>           |                                   |                                  |                                  |                                   |                             |                |
| Accident and health               | 40,388                            | 38,768                           | (16,751)                         | (15,754)                          | (2,346)                     | 3,917          |
| Motor – third party liability     | 4,528                             | 3,562                            | (2,177)                          | (1,261)                           | 81                          | 205            |
| Motor – other classes             | 11,943                            | 10,419                           | (13,601)                         | (4,875)                           | 4,349                       | (3,708)        |
| Marine, aviation and transport    | 120,093                           | 125,572                          | (46,447)                         | (40,000)                          | (12,750)                    | 26,375         |
| Fire and other damage to property | 214,094                           | 223,327                          | (75,231)                         | (74,165)                          | (37,543)                    | 36,388         |
| Third party liability             | 141,988                           | 136,082                          | (82,685)                         | (47,360)                          | 82                          | 6,119          |
| Credit and suretyship             | 18,246                            | 17,993                           | (3,088)                          | (5,351)                           | (2,548)                     | 7,006          |
| Legal expenses                    | 3,883                             | 3,619                            | (1,356)                          | (1,734)                           | (212)                       | 317            |
| Assistance                        | -                                 | -                                | -                                | -                                 | -                           | -              |
| Miscellaneous                     | (307)                             | (322)                            | 288                              | 4                                 | (22)                        | (52)           |
|                                   | 554,856                           | 559,020                          | (241,048)                        | (190,496)                         | (50,909)                    | 76,567         |
| <b>Reinsurance</b>                | 246,867                           | 251,193                          | (66,488)                         | (59,156)                          | (66,157)                    | 59,392         |
| <b>Total</b>                      | <b>801,723</b>                    | <b>810,213</b>                   | <b>(307,536)</b>                 | <b>(249,652)</b>                  | <b>(117,066)</b>            | <b>135,959</b> |

| 2012                              | Gross<br>Premiums<br>Written<br>£ | Gross<br>Premiums<br>Earned<br>£ | Gross<br>Claims<br>Incurred<br>£ | Net<br>Operating<br>Expenses<br>£ | Reinsurance<br>Balance<br>£ | Total<br>£     |
|-----------------------------------|-----------------------------------|----------------------------------|----------------------------------|-----------------------------------|-----------------------------|----------------|
| <b>Direct Insurance</b>           |                                   |                                  |                                  |                                   |                             |                |
| Accident and health               | 40,903                            | 43,211                           | (20,584)                         | (17,840)                          | (609)                       | 4,178          |
| Motor – third party liability     | 1,874                             | 2,590                            | (909)                            | (907)                             | (71)                        | 703            |
| Motor – other classes             | 9,297                             | 51,943                           | (43,324)                         | (13,915)                          | 5,897                       | 601            |
| Marine, aviation and transport    | 135,360                           | 140,373                          | (45,255)                         | (43,689)                          | (8,173)                     | 43,256         |
| Fire and other damage to property | 239,281                           | 250,810                          | (127,893)                        | (79,492)                          | (30,740)                    | 12,685         |
| Third party liability             | 139,219                           | 144,017                          | (86,638)                         | (48,950)                          | (9,268)                     | (839)          |
| Credit and suretyship             | 16,883                            | 17,438                           | (5,543)                          | (5,015)                           | (2,503)                     | 4,377          |
| Legal expenses                    | 3,320                             | 3,013                            | (1,466)                          | (1,427)                           | 6                           | 126            |
| Assistance                        | -                                 | -                                | -                                | -                                 | -                           | -              |
| Miscellaneous                     | 228                               | 2,142                            | (627)                            | (1,029)                           | (2)                         | 484            |
|                                   | 586,365                           | 655,537                          | (332,239)                        | (212,264)                         | (45,463)                    | 65,571         |
| <b>Reinsurance</b>                | 275,559                           | 285,557                          | (143,941)                        | (60,920)                          | (41,218)                    | 39,478         |
| <b>Total</b>                      | <b>861,924</b>                    | <b>941,094</b>                   | <b>(476,180)</b>                 | <b>(273,184)</b>                  | <b>(86,681)</b>             | <b>105,049</b> |

All insurance business is underwritten in the UK in the Lloyd's insurance market, which has been treated as one geographical segment for the purpose of SSAP25: Segmental Reporting.

## B Heywood LLP

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2013

| 2. Net Operating Expenses                                                                | 2013           | 2012           |
|------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                          | £              | £              |
| Acquisition costs                                                                        | 199,119        | 205,588        |
| Change in deferred acquisition costs                                                     | (1,925)        | 16,066         |
| Administrative expenses                                                                  | 38,203         | 36,117         |
| Reinsurance commissions and profit participations                                        | (18,763)       | (17,927)       |
| Personal expenses                                                                        | 33,018         | 33,340         |
|                                                                                          | <u>249,652</u> | <u>273,184</u> |
| 3. Investment Income                                                                     | 2013           | 2012           |
|                                                                                          | £              | £              |
| Income from investments                                                                  | 21,205         | 23,435         |
| Gains on the realisation of investments                                                  | 3,350          | 5,968          |
| Bank deposit interest                                                                    | 6              | 1              |
|                                                                                          | <u>24,561</u>  | <u>29,404</u>  |
| 4. Investment Expenses and Charges                                                       | 2013           | 2012           |
|                                                                                          | £              | £              |
| Investment management expenses, including interest                                       | 2,195          | 2,043          |
| Losses on the realisation of investments                                                 | 7,438          | 5,211          |
|                                                                                          | <u>9,633</u>   | <u>7,254</u>   |
| 5. Profit/(Loss) for the Financial Period Before Members' Remuneration and Profit Shares | 2013           | 2012           |
|                                                                                          | £              | £              |
| The profit/(loss) on ordinary activities is stated after charging/(crediting):           |                |                |
| Amortisation of syndicate capacity                                                       | 49,501         | 49,696         |
| (Profit)/loss on disposal of syndicate capacity                                          | 353            | (2,001)        |
| (Profit)/loss on exchange                                                                | 13,528         | 10,004         |
| Interest on bank loans and overdrafts                                                    | -              | -              |
| Other interest                                                                           | -              | -              |

The Limited Liability Partnership has no employees.

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

## B Heywood LLP

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2013

#### 6. Members' Remuneration

The average number of Members during the year was 5.

The Members did not receive any remuneration during the year, (2012 - £-).

| <b>7. Intangible Assets</b>         | <b>2013</b>    | <b>2012</b>    |
|-------------------------------------|----------------|----------------|
|                                     | <b>£</b>       | <b>£</b>       |
| <b>Purchased syndicate capacity</b> |                |                |
| <b>Cost</b>                         |                |                |
| At 1 January 2013                   | 248,479        | 255,705        |
| Additions                           | -              | -              |
| Disposals                           | (973)          | (7,226)        |
| At 31 December 2013                 | <u>247,506</u> | <u>248,479</u> |
| <b>Amortisation</b>                 |                |                |
| At 1 January 2013                   | 149,088        | 102,282        |
| Provided during the year            | 49,501         | 49,696         |
| Disposals                           | (584)          | (2,890)        |
| At 31 December 2013                 | <u>198,005</u> | <u>149,088</u> |
| <b>Net Book Value</b>               |                |                |
| At 31 December 2013                 | <u>49,501</u>  | <u>99,391</u>  |
| At 31 December 2012                 | 99,391         | 153,423        |

#### 8. Financial Investments

##### Other financial investments - Syndicate

|                                                                     | <b>2013</b>      | <b>2013</b>      | <b>2012</b>      | <b>2012</b>      |
|---------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                     | <b>Market</b>    | <b>Cost</b>      | <b>Market</b>    | <b>Cost</b>      |
|                                                                     | <b>Value</b>     | <b>£</b>         | <b>Value</b>     | <b>£</b>         |
|                                                                     | <b>£</b>         |                  | <b>£</b>         |                  |
| Shares and other variable yield securities and units in unit trusts | 87,702           | 85,072           | 80,586           | 80,156           |
| Debt securities and other fixed income securities                   | 853,098          | 858,197          | 880,741          | 867,851          |
| Participation in investment pools                                   | 44,941           | 43,612           | 48,134           | 58,649           |
| Loans secured by mortgages                                          | 4,974            | 4,921            | 10,693           | 10,581           |
| Other loans                                                         | 435              | 435              | 3,929            | 3,928            |
| Deposits with credit institutions                                   | 3,315            | 3,315            | 2,939            | 2,935            |
| Other                                                               | 14,435           | 14,735           | 16,816           | 16,163           |
|                                                                     | <u>1,008,900</u> | <u>1,010,287</u> | <u>1,043,838</u> | <u>1,040,263</u> |
| Listed investments included within the above                        | 940,800          | 943,269          | 1,009,461        | 1,006,656        |

## B Heywood LLP

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2013

#### 9. Members' Interests

|                                                                                | Syndicate                                                | Limited Liability Partnership<br>Members' Capital Classified<br>as a Liability |                       | Total    |
|--------------------------------------------------------------------------------|----------------------------------------------------------|--------------------------------------------------------------------------------|-----------------------|----------|
|                                                                                | Members'<br>Capital<br>Classified as<br>a Liability<br>£ | Syndicate<br>Capacity<br>£                                                     | Other<br>Profits<br>£ | £        |
| Members' interests at<br>1 January 2013                                        | 2,571                                                    | 109,741                                                                        | (16,268)              | 96,044   |
| Introduced by Members                                                          | -                                                        | -                                                                              | -                     | -        |
| Allocated profits/(losses) 2011<br>year of account                             | 50,619                                                   | -                                                                              | -                     | 50,619   |
| Allocated profits/(losses) 2012<br>year of account                             | 73,256                                                   | -                                                                              | -                     | 73,256   |
| Allocated profits/(losses) 2013<br>year of account                             | 5,805                                                    | (49,854)                                                                       | (13,522)              | (57,571) |
| Reallocate distribution                                                        | (2,478)                                                  | -                                                                              | 2,478                 | -        |
| Repayment of debt (including<br>Members' capital classified as a<br>liability) | -                                                        | (33)                                                                           | (4,943)               | (4,976)  |
| Other movements                                                                | -                                                        | -                                                                              | -                     | -        |
| Members' interests at<br>31 December 2013                                      | 129,773                                                  | 59,854                                                                         | (32,255)              | 157,372  |

## B Heywood LLP

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2013

| 10. (a) Reconciliation of Operating Profit/(Loss) to Net Cash Inflow/(Outflow) from Operating Activities | 2013      | 2012      |
|----------------------------------------------------------------------------------------------------------|-----------|-----------|
|                                                                                                          | £         | £         |
| Profit/(loss) on ordinary activities before tax                                                          | 66,304    | 61,916    |
| (Profit)/loss attributable to syndicate transactions                                                     | (129,680) | (124,613) |
| Profit/(loss) – excluding syndicate transactions                                                         | (63,376)  | (62,697)  |
| (Increase)/decrease in debtors                                                                           | -         | -         |
| Increase/(decrease) in creditors                                                                         | 3,597     | 17,119    |
| (Profit)/loss on disposal of syndicate capacity                                                          | 353       | (2,001)   |
| Amortisation of syndicate capacity                                                                       | 49,501    | 49,696    |
| Impairment of syndicate capacity                                                                         | -         | -         |
| Realised/unrealised (gains)/losses on investments                                                        | -         | -         |
| Net cash inflow/(outflow) from operating activities                                                      | (9,925)   | 2,117     |

#### (b) Movement in Cash, Portfolio Investments and Financing

|                             | At<br>1 January<br>2013<br>£ | Cash Flow<br>£ | Changes to<br>Market Value<br>£ | At<br>31 December<br>2013<br>£ |
|-----------------------------|------------------------------|----------------|---------------------------------|--------------------------------|
| Cash                        | 12,387                       | (12,387)       | -                               | -                              |
| Other financial investments | -                            | -              | -                               | -                              |
|                             | 12,387                       | (12,387)       | -                               | -                              |

#### 11. Related Party Disclosure

There are no related party transactions to be disclosed.

#### 12. Ultimate Controlling Party

There is no ultimate controlling party of the Partnership.