
LIMITED LIABILITY PARTNERSHIP

B Heywood LLP

Annual Report

◆ For the year ended 31 December 2019 ◆

Registered Number: OC348708

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B Heywood 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

OC348708

REGISTERED OFFICE

5th Floor, 70 Gracechurch Street
London
EC3V 0XL

B Heywood LLP
Strategic Report
For the year ended 31 December 2019

The Members present their Strategic Report for the year ended 31 December 2019.

Business Review

The Limited Liability Partnership ("the LLP") 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 2017, 2018 and 2019 years of account, as well as any 2016 and prior run-off years.

Results

The result for the year is shown in the Statement of Comprehensive Income.

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.

Key Performance Indicators

	2019	2018
Capacity (youngest underwriting year)	£ 767,360	£ 857,665
Gross premium written as a % of capacity	112%	96%
Underwriting profit of latest closed year:		
as a % of capacity	-4%	8%
Run-off years of account movement	£	£
Combined ratio	93%	98%

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

Approved by the Members on 18 September 2020 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 2019

The Members present their report together with the financial statements for the year ended 31 December 2019.

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.

Principal Risks and uncertainties

Brexit

The UK left the EU on 31 January 2020. There is still significant uncertainty whether a trade deal with the EU will be agreed and ratified by 31 December 2020. All legacy European Economic Area business will be moving to Lloyd's Brussels before the end of 2020 via a part VII transfer, providing certainty for the market and Lloyd's clients. The Members are monitoring the Lloyd's market preparations along with general market conditions to identify whether it is appropriate to make any changes to the current strategy of the Limited Liability Partnership.

Coronavirus

In March 2020, the World Health Organisation declared Coronavirus (Covid-19) to be a global pandemic. Consideration has been given to the potential risks and uncertainties which may occur, however it is too early to assess the full impact on market conditions. As the Partnership participates on multiple syndicates they are regarded as having mitigated the potential effect as far as possible due to underwriting diversified risks.

B Heywood LLP
Members' Report (continued)
For the year ended 31 December 2019

Auditors

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

In the case of each of the Members at the time this report is approved, the following applies:

- a) So far as the Members are aware, there is no relevant audit information of which the Limited Liability Partnership's auditors are unaware; and
- b) they have taken all the steps that they ought to have taken as Members in order to make themselves aware of any relevant audit information and to establish that the Limited Liability Partnership's auditors are aware of that information.

Approved by the Members on 18 September 2020 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 2019

Opinion

We have audited the financial statements of B Heywood LLP (the 'LLP') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Reconciliation of Members' Interests, Statement of Cash Flows 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 2019 and of its Profit 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.

Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the LLP's financial statements, which is not modified, we draw your attention to the members' view on the impact of the COVID-19 as disclosed on page 5, and the consideration in the going concern basis of preparation on page 16 and non-adjusting post balance sheet events on page 39.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The full impact following the recent emergence of the COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the LLP's trade, customers, suppliers and the wider economy.

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.

B Heywood LLP
Independent Auditor's Report (continued)
To the Members of B Heywood LLP
For the year ended 31 December 2019

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Members' Report

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 5, 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.

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.



Andrew Goldsworthy (Sep 18, 2020 21:13 GMT+1)

Andrew Goldsworthy (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

18/09/2020

B Heywood LLP
Statement of Comprehensive Income – Technical Account
For the year ended 31 December 2019

	Note	2019 £	2018 £
Premiums			
Gross premiums written	1	859,122	819,294
Outward reinsurance premiums	1	(217,133)	(190,071)
Net premiums written		<u>641,989</u>	<u>629,223</u>
Change in the provision for Unearned premiums			
Gross provision	1	(18,271)	7,123
Reinsurers' share	1	10,279	127
Earned premiums, net of reinsurance		<u>633,997</u>	<u>636,473</u>
Allocated investment return transferred from the non-technical account		32,727	10,049
Other technical income, net of reinsurance		-	-
Claims paid			
Gross amount	1	(492,294)	(500,532)
Reinsurers' share	1	137,681	123,851
Net claims paid		<u>(354,613)</u>	<u>(376,681)</u>
Change in provision for claims			
Gross amount	1	(1,871)	3,849
Reinsurers' share	1	17,287	10,470
Net change in provisions for claims		<u>15,416</u>	<u>14,319</u>
Claims incurred, net of reinsurance		(339,197)	(362,362)
Changes in other technical provisions, net of reinsurance		-	-
Net operating expenses	1, 2	(253,274)	(263,572)
Other technical charges, net of reinsurance		-	-
Balance on the technical account for general business		<u>74,253</u>	<u>20,588</u>

The accounting policies and notes on pages 15 to 39 form part of these financial statements.

B Heywood LLP
Statement of Comprehensive Income – Non Technical Account
For the year ended 31 December 2019

	Note	2019 £	2018 £
Balance on general business technical account		74,253	20,588
Investment income	3	33,278	10,124
Allocated investment return transferred to the technical account		(32,727)	(10,049)
Other income		1,172	10,594
Other charges, including value adjustments		(25,633)	(32,637)
Profit/(loss) for the financial period before Members' remuneration and profit shares	4	50,343	(1,380)
Members' remuneration charged as an expense	5	-	-
Profit/(loss) for the financial period available for discretionary division among Members		50,343	(1,380)
Other comprehensive income/(expenditure):			
Currency translation differences		2,808	(3,908)
Total comprehensive income/(expenditure)		53,151	(5,288)

All items derive from continuing activities.

The accounting policies and notes on pages 15 to 39 form part of these financial statements.

B Heywood LLP
Statement of Financial Position
As at 31 December 2019

		31 December 2019			Restated 31 December 2018		
	Note	Syndicate Participation £	Partnership £	Total £	Syndicate Participation £	Partnership £	Total £
Assets							
Intangible assets	6	-	2,000	2,000	-	5,044	5,044
Investments							
Other financial investments	7	752,940	-	752,940	842,586	-	842,586
Deposits with ceding undertakings		100	-	100	113	-	113
		753,040	-	753,040	842,699	-	842,699
Reinsurers' share of technical provisions							
Provision for unearned premiums	8	74,398	-	74,398	66,409	-	66,409
Claims outstanding	8	376,783	-	376,783	410,695	-	410,695
Other technical provisions		-	-	-	-	-	-
		451,181	-	451,181	477,104	-	477,104
Debtors							
Amounts falling due within one year	7	350,592	1	350,593	391,451	-	391,451
Amounts falling due after one year	7	17,320	9,695	27,015	43,610	9,696	53,306
		367,912	9,696	377,608	435,061	9,696	444,757
Other assets							
Cash at bank and in hand		36,116	81,547	117,663	41,896	39,546	81,442
Other		62,290	-	62,290	77,919	-	77,919
		98,406	81,547	179,953	119,815	39,546	159,361
Prepayments and accrued income							
Accrued interest		1,000	-	1,000	1,161	-	1,161
Deferred acquisitions costs	8	102,465	-	102,465	103,259	-	103,259
Other prepayments and accrued income		2,248	-	2,248	4,065	-	4,065
		105,713	-	105,713	108,485	-	108,485
Total assets		1,776,252	93,243	1,869,495	1,983,164	54,286	2,037,450

The accounting policies and notes on pages 15 to 39 form part of these financial statements.

B Heywood LLP
Statement of Financial Position
As at 31 December 2019

	Note	31 December 2019			Restated 31 December 2018		
		Syndicate Participation £	Partnership £	Total £	Syndicate Participation £	Partnership £	Total £
Liabilities and Members' interests							
Loans and other debts due to Members							
Syndicate profit and loss		(89,123)	-	(89,123)	(109,949)	-	(109,949)
Corporate profit and loss - Syndicate capacity		-	26,328	26,328	-	68,685	68,685
Corporate profit and loss - other		-	57,665	57,665	-	(26,743)	(26,743)
		(89,123)	83,993	(5,130)	(109,949)	41,942	(68,007)
Technical provisions							
Provision for unearned premiums	8	369,448	-	369,448	361,419	-	361,419
Claims outstanding	8	1,258,598	-	1,258,598	1,456,067	-	1,456,067
Other technical provisions		-	-	-	-	-	-
Provisions for other risks		-	-	-	-	-	-
Deposit received from reinsurers		5,770	-	5,770	6,247	-	6,247
Creditors							
Amounts falling due within one year	7	188,773	400	189,173	224,488	400	224,888
Amounts falling due after one year	7	20,420	400	20,820	24,069	800	24,869
		1,843,009	800	1,843,809	2,072,290	1,200	2,073,490
Accruals and deferred income		22,366	8,450	30,816	20,823	11,144	31,967
Total liabilities		1,776,252	93,243	1,869,495	1,983,164	54,286	2,037,450

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
Date: 18 September 2020

Registered Number: OC348708

The accounting policies and notes on pages 15 to 39 form part of these financial statements.

B Heywood LLP
Reconciliation of Members' Interests
For the year ended 31 December 2019

	Liabilities			
	Restated Partnership profit and loss allocated to Members			
	Syndicate profit and loss allocated to Members £	Syndicate capacity £	Other £	Total £
Members' interests at 1 January 2018	(25,652)	35,897	(38,547)	(28,302)
Allocated Profit 2016 year of account	68,791	-	-	68,791
Allocated Profit 2017 year of account	30,003	-	-	30,003
Allocated (Loss) 2018 year of account	(75,043)	3,448	(32,487)	(104,082)
Members' interests after (Loss) for the year	(1,901)	39,345	(71,034)	(33,590)
Reallocate distribution Introduced by Members	(108,048)	-	108,048	-
Repayment of debt (including Members' capital classified as a liability)	-	29,340	-	29,340
Other movements	-	-	(63,757)	(63,757)
Members' interests at 31 December 2018	(109,949)	68,685	(26,743)	(68,007)
Allocated Profit 2017 year of account	68,355	-	-	68,355
Allocated Profit 2018 year of account	41,351	-	-	41,351
Allocated Loss 2019 year of account	(25,059)	(1,872)	(29,624)	(56,555)
Members' interests after Profit for the year	(25,302)	66,813	(56,367)	(14,856)
Reallocate distribution Introduced by Members	(63,821)	-	63,821	-
Repayment of debt (including Members' capital classified as a liability)	-	-	50,211	50,211
Other movements	-	(40,485)	-	(40,485)
Members' interests at 31 December 2019	(89,123)	26,328	57,665	(5,130)

The accounting policies and notes on pages 15 to 39 form part of these financial statements.

B Heywood LLP
Statement of Cash Flows
For the year ended 31 December 2019

	2019 £	2018 £
Operating activities		
Profit/(loss) on ordinary activities before tax	50,343	(1,380)
Loss attributable to Syndicate transactions	(81,839)	(27,659)
Loss excluding Syndicate transactions	(31,496)	(29,039)
Adjustment for:		
Decrease/(increase) in debtors	-	(9,696)
Decrease in creditors	(3,094)	(2,500)
Loss on disposal of intangible assets	(1,172)	(10,594)
Amortisation of Syndicate capacity	3,044	7,146
Realised/unrealised losses on investments	-	-
Investment income	(551)	(75)
Net cash outflow from operating activities	(33,269)	(44,758)
Investing activities		
Investment income	551	75
Purchase of Syndicate capacity	-	-
Proceeds from sale of Syndicate capacity	1,172	10,594
Net cash inflow from investing activities	1,723	10,669
Financing activities		
Repayment of debt to Members	(40,485)	(63,757)
Capital introduced by Members	50,211	29,340
Reallocation of distribution	63,821	108,048
Net cash inflow from financing activities	73,547	73,631
Net cash increase in cash and cash equivalents	42,001	39,542
Effect of exchange rates on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	39,546	4
Cash and cash equivalents at the end of the year	81,547	39,546
Consisting of:		
Cash at bank and in hand	81,547	39,546
Cash equivalents	-	-
	81,547	39,546

The Limited Liability Partnership has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the Statement of Cash Flows 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 15 to 39 form part of these financial statements.

B Heywood LLP

Notes to the Financial Statements

For the year ended 31 December 2019

General information

The Partnership is a Limited Liability Partnership incorporated in England, 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.

Prior year adjustment

The Partnership has restated the 2018 figures in respect of funds held at Lloyd's. These funds were previously included as part of the Members' current account funds but are now included as a cash asset of the Partnership. This change results from the decision by Lloyd's to treat these amounts as distribution surpluses belonging to the LLP, which was effective for the year ended 31 December 2018. There is no impact on the profit and loss account. The Members' account and the Funds at Lloyd's have each been adjusted by £39,542.

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 Statement of Comprehensive Income. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its Statement of Financial Position (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" Statement of Financial Position 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 Limited Liability Partnership participates.

B Heywood LLP
Notes to the Financial Statements
For the year ended 31 December 2019

Accounting policies

i. Going concern

As at 31 December 2019 the partnership had net members' capital of -£5,131 (2018: -£68,007). The Members consider the Limited Liability Partnership to be a going concern and have prepared the Financial Statements on that basis. The Limited Liability Partnership is continuing to underwrite at Lloyd's for the 2020 year of account. The Members have considered the impact of Coronavirus (Covid-19) and believe that, due to participating on multiple syndicates and thus diversifying their risk, it will not impact on the LLP's ability to continue as a going concern.

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.

B Heywood LLP
Notes to the Financial Statements
For the year ended 31 December 2019

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.

vii. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above. Overdrafts are reported separately in creditors.

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Notes to the Financial Statements
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Accounting policies (continued)

viii. 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 debtors, trade and other creditors 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. Financial instruments are subsequently measured at amortised cost include cash, debtors and creditors.

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.

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Notes to the Financial Statements
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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).

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Notes to the Financial Statements
For the year ended 31 December 2019

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.

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.

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Notes to the Financial Statements
For the year ended 31 December 2019

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.

Impairment review

The impairment of the Syndicate Assets is performed by the Syndicate themselves. The Members perform an impairment review when indications of impairment arise.

Recoverability of receivables

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

Determining the useful life of purchased Syndicate capacity

The Members have assessed the useful life of Syndicate capacity to be five years. This is on the basis that the Members consider this to be the life over which value is created from the investment made.

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Notes to the Financial Statements
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1. Class of Business

2019	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	36,035	38,005	(22,409)	(17,480)	(2,103)	(3,987)
Motor – third party liability	3,554	3,709	(2,260)	(1,211)	(141)	97
Motor – other classes	22,160	24,163	(11,851)	(9,300)	(478)	2,534
Marine, aviation and transport	95,709	94,722	(41,884)	(31,476)	(11,025)	10,337
Fire and other damage to property	277,583	273,390	(134,617)	(81,163)	(32,540)	25,070
Third party liability	214,517	202,868	(114,691)	(68,712)	(8,172)	11,293
Credit and suretyship	28,461	28,345	(12,209)	(9,186)	(2,555)	4,395
Legal expenses	1,474	1,363	(408)	(705)	(124)	126
Assistance	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
	679,493	666,565	(340,329)	(219,233)	(57,138)	49,865
Reinsurance	179,629	174,286	(153,836)	(34,041)	5,252	(8,339)
Total	859,122	840,851	(494,165)	(253,274)	(51,886)	41,526

2018	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	39,882	43,935	(22,321)	(19,201)	(1,143)	1,270
Motor – third party liability	4,008	4,368	(2,435)	(1,439)	(455)	39
Motor – other classes	24,992	23,818	(13,509)	(8,412)	(1,009)	888
Marine, aviation and transport	87,868	90,033	(37,561)	(33,598)	(9,598)	9,276
Fire and other damage to property	256,438	250,982	(151,472)	(80,640)	(26,907)	(8,037)
Third party liability	187,925	182,075	(105,877)	(67,107)	1,698	10,789
Credit and suretyship	18,574	18,615	(7,571)	(6,050)	(1,327)	3,667
Legal expenses	1,108	1,257	(425)	(850)	8	(10)
Assistance	-	-	-	-	-	-
Miscellaneous	6,257	5,920	(2,401)	(1,977)	(806)	736
	627,052	621,003	(343,572)	(219,274)	(39,539)	18,618
Reinsurance	192,242	205,414	(153,111)	(44,298)	(16,084)	(8,079)
Total	819,294	826,417	(496,683)	(263,572)	(55,623)	10,539

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 2019

2. Net Operating Expenses

	2019	2018
	£	£
Acquisition costs	235,231	225,745
Change in deferred acquisition costs	(2,419)	3,649
Administrative expenses	43,820	43,630
Reinsurance commissions and profit participations	(36,625)	(33,429)
Personal expenses	13,267	23,977
	<u>253,274</u>	<u>263,572</u>

3. Investment Income

	2019	2018
	£	£
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	20,038	19,133
Realised gains and losses	4,400	(1,462)
Unrealised gains and losses	9,378	(6,477)
Other	-	-
	<u>33,816</u>	<u>11,194</u>
Financial instruments held at amortised cost:		
Interest	551	75
Other	-	-
	<u>551</u>	<u>75</u>
Investment management expenses, including interest	(1,089)	(1,145)
	<u>(1,089)</u>	<u>(1,145)</u>
Total	<u>33,278</u>	<u>10,124</u>

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

	2019	2018
	£	£
Operating Profit/(loss) is stated after charging:		
Amortisation of Syndicate capacity	3,044	7,146
Loss on disposal of intangible fixed assets	(1,172)	(10,594)
Loss on exchange	4,007	3,586

The Limited Liability Partnership has no employees.

The auditors charge a fixed fee to Argenta Private Capital Limited of £328 for the provision of the statutory audit, they also provide non-audit services through an outsourcing arrangement of approximately £515.

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Notes to the Financial Statements
For the year ended 31 December 2019

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 4.

6. Intangible Assets	Total £
Purchased Syndicate Capacity	
Cost	
At 1 January 2019	161,253
Additions	-
Disposals	(1,032)
At 31 December 2019	160,221
Amortisation	
At 1 January 2019	156,209
Charge	3,044
Disposals	(1,032)
At 31 December 2019	158,221
Net Book Value	
At 31 December 2019	2,000
At 31 December 2018	5,044

7. Financial Instruments and Financial Risk Management

7.1 Financial Investments

Other financial investments – Syndicate participation

	2019 Market Value £	2018 Market Value £
Shares and other variable yield securities and units in unit trusts	110,062	117,518
Debt securities and other fixed income securities	615,307	692,588
Participation in investment pools	6,711	11,246
Loans with credit institutions	-	16
Derivative financial instruments	773	878
Other investments	2,330	897
Deposits with credit institutions	2,278	2,302
Other	15,479	17,141
	752,940	842,586

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Notes to the Financial Statements
For the year ended 31 December 2019

7. Financial Instruments and Financial Risk Management (continued)

7.2 Debtors

	2019			Restated 2018		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts falling due within one year:						
Arising out of direct insurance operations	200,671	-	200,671	200,180	-	200,180
Arising out of reinsurance operations	144,727	-	144,727	142,119	-	142,119
Other Debtors:						
Amounts due from group undertakings	-	-	-	-	-	-
Other	5,194	1	5,195	49,152	-	49,152
Total Amounts falling due within one year	350,592	1	350,593	391,451	-	391,451
Amounts falling due after one year:						
Arising out of direct insurance operations	3,860	-	3,860	6,205	-	6,205
Arising out of reinsurance operations	7,699	-	7,699	30,203	-	30,203
Other Debtors:						
Amounts due from group undertakings	-	-	-	-	-	-
Other	5,761	9,695	15,456	7,202	9,696	16,898
Total Amounts falling due after one year	17,320	9,695	27,015	43,610	9,696	53,306
	367,912	9,696	377,608	435,061	9,696	444,757

7.3 Funds at Lloyd's

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

	2019			Restated 2018		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	81,547	81,547	-	39,542	39,542
Investments	-	-	-	-	-	-
	-	81,547	81,547	-	39,542	39,542

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

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Notes to the Financial Statements
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7. Financial Instruments and Financial Risk Management (continued)

7.4 Creditors

	2019			Restated 2018		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts falling due within one year:						
Arising out of direct insurance operations	30,827	-	30,827	33,061	-	33,061
Arising out of reinsurance operations	126,124	-	126,124	110,153	-	110,153
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors:						
Corporation tax	-	-	-	-	-	-
Members loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	31,822	400	32,222	81,274	400	81,674
Amount due to group undertakings	-	-	-	-	-	-
Total Amounts falling due within one year	188,773	400	189,173	224,488	400	224,888
Amounts falling due after one year:						
Arising out of direct insurance operations	202	-	202	360	-	360
Arising out of reinsurance operations	19,992	-	19,992	23,227	-	23,227
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors:						
Corporation tax	-	-	-	-	-	-
Members loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	226	400	626	482	800	1,282
Amount due to group undertakings	-	-	-	-	-	-
Total Amounts falling due after one year	20,420	400	20,820	24,069	800	24,869
	209,193	800	209,993	248,557	1,200	249,757

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Notes to the Financial Statements
For the year ended 31 December 2019

7. Financial Instruments and Financial Risk Management (continued)

7.5 Classification of Financial Instruments

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

Other financial investments – Syndicate participation

	2019			2018		
	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	752,459	481	752,940	842,586	-	842,586
Deposits with ceding undertakings	-	100	100	-	113	113
Insurance debtors	-	204,531	204,531	-	206,385	206,385
Reinsurance debtors	-	152,426	152,426	-	172,322	172,322
Other debtors	-	10,955	10,955	-	56,354	56,354
Cash at bank and in hand	-	36,116	36,116	-	41,896	41,896
Other assets	62,290	-	62,290	77,919	-	77,919
	814,749	404,609	1,219,358	920,505	477,070	1,397,575
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	500	-	500	563	-	563
Insurance creditors	-	31,029	31,029	-	33,421	33,421
Reinsurance creditors	-	146,116	146,116	-	133,380	133,380
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors	-	-	-	-	-	-
	500	177,145	177,645	563	166,801	167,364

Other financial investments – Partnership

	2019			Restated 2018		
	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	-	9,696	9,696	-	9,696	9,696
Cash at bank and in hand	-	81,547	81,547	-	39,546	39,546
Other assets	-	-	-	-	-	-
	-	91,243	91,243	-	49,242	49,242
Financial liabilities						
Other creditors	-	800	800	-	1,200	1,200
	-	800	800	-	1,200	1,200

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Notes to the Financial Statements
For the year ended 31 December 2019

7. Financial Instruments and Financial Risk Management (continued)

7.5 Classification of Financial Instruments (continued)

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

	2019		2018	
	Notional amount £	Fair value £	Notional amount £	Fair value £
Foreign exchange forward contracts	35,988	764	32,278	870
Interest rate future contracts	5,928	6	1,217	8
Foreign exchange options	-	-	-	-
Equity options	-	-	-	-
Foreign exchange contract for difference	-	-	-	-
Other	9,248	3	-	-
	51,164	773	33,495	878

7.6 Financial Instruments held at fair value through profit or loss

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

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

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

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

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Notes to the Financial Statements
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7. Financial Instruments and Financial Risk Management (continued)

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

The tables below set out 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 £
2019						
Financial assets						
Shares and other variable yield securities and units in unit trusts	30,982	76,917	2,163	110,062	-	110,062
Debt securities and other fixed income securities	126,101	489,206	-	615,307	-	615,307
Participation in investment pools	962	4,232	1,517	6,711	-	6,711
Loans and deposits with credit institutions	2,324	1,803	-	4,127	481	4,608
Overseas deposits	39,761	34,832	3,165	77,758	-	77,758
Derivatives	198	575	-	773	-	773
Other investments	-	11	-	11	-	11
Financial assets classified as held for sale	-	-	-	-	-	-
	200,328	607,576	6,845	814,749	481	815,230
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	500	-	-	500	-	500
Financial liabilities classified as held for sale	-	-	-	-	-	-
	500	-	-	500	-	500

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Notes to the Financial Statements
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7. Financial Instruments and Financial Risk Management (continued)

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

Other financial investments – Syndicate participation (continued)

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2018						
Financial assets						
Shares and other variable yield securities and units in unit trusts	21,937	93,837	1,744	117,518	-	117,518
Debt securities and other fixed income securities	171,191	521,397	-	692,588	-	692,588
Participation in investment pools	4,032	4,144	3,070	11,246	-	11,246
Loans and deposits with credit institutions	2,284	34	897	3,215	-	3,215
Overseas deposits	47,963	44,406	2,679	95,048	-	95,048
Derivatives	446	432	-	878	-	878
Other investments	-	12	-	12	-	12
Financial assets classified as held for sale	-	-	-	-	-	-
	247,853	664,262	8,390	920,505	-	920,505
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	530	33	-	563	-	563
Financial liabilities classified as held for sale	-	-	-	-	-	-
	530	33	-	563	-	563

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

7.7 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
- Currency 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.

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Notes to the Financial Statements
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7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Credit risk

Credit risk is the risk that a counterparty to the 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 £
2019						
Shares and other variable yield securities and units in unit trusts	15,898	3,805	34,464	442	55,453	110,062
Debt securities and other fixed income securities	116,216	226,124	176,307	81,472	15,188	615,307
Participation in investment pools	974	2,391	1,829	-	1,517	6,711
Loans secured with credit institutions	1,143	-	1,187	-	-	2,330
Deposits with credit institutions	-	-	1,198	-	1,080	2,278
Overseas deposits	33,608	11,387	8,901	7,504	16,358	77,758
Derivative investments	-	-	-	195	578	773
Other investments	-	-	-	-	11	11
Deposits with ceding undertakings	-	-	-	-	100	100
Reinsurers share of claims outstanding	29,225	69,710	246,647	872	30,329	376,783
Reinsurance debtors	381	5,875	23,792	914	10,024	40,986
Cash at bank and in hand	219	294	28,331	319	6,953	36,116
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	197,664	319,586	522,656	91,718	137,591	1,269,215

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Notes to the Financial Statements
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7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
2018						
Shares and other variable yield securities and units in unit trusts	14,467	3,482	24,991	1,575	73,003	117,518
Debt securities and other fixed income securities	169,696	198,518	212,620	88,977	22,777	692,588
Participation in investment pools	1,552	4,179	1,102	67	4,346	11,246
Loans secured with credit institutions	-	16	-	-	897	913
Deposits with credit institutions	-	-	1,159	-	1,143	2,302
Overseas deposits	42,787	17,590	7,482	8,441	18,748	95,048
Derivative investments	-	-	369	68	441	878
Other investments	-	-	-	-	12	12
Deposits with ceding undertakings	-	-	-	-	113	113
Reinsurers share of claims outstanding	33,104	77,863	261,248	733	37,747	410,695
Reinsurance debtors	964	4,788	17,942	1	5,004	28,699
Cash at bank and in hand	320	342	33,938	1,437	5,859	41,896
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	262,890	306,778	560,851	101,299	170,090	1,401,908

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 £
2019						
Shares and other variable yield securities and units in unit trusts	110,062	-	-	-	-	110,062
Debt securities and other fixed income securities	615,307	-	-	-	-	615,307
Participation in investment pools	6,711	-	-	-	-	6,711
Loans secured with credit institutions	2,330	-	-	-	-	2,330
Deposits with credit institutions	2,278	-	-	-	-	2,278
Overseas deposits	77,758	-	-	-	-	77,758
Derivative investments	773	-	-	-	-	773
Other investments	11	-	-	-	-	11
Deposits with ceding undertakings	100	-	-	-	-	100
Reinsurers share of claims outstanding	376,783	-	-	-	-	376,783
Reinsurance debtors	31,472	8,534	493	487	-	40,986
Cash at bank and in hand	36,116	-	-	-	-	36,116
Insurance debtors	186,260	13,208	2,469	2,594	-	204,531
Other debtors	292,260	676	28	-	-	292,964
	1,738,221	22,418	2,990	3,081	-	1,766,710

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7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
2018						
Shares and other variable yield securities and units in unit trusts	117,518	-	-	-	-	117,518
Debt securities and other fixed income securities	692,588	-	-	-	-	692,588
Participation in investment pools	11,246	-	-	-	-	11,246
Loans secured with credit institutions	913	-	-	-	-	913
Deposits with credit institutions	2,302	-	-	-	-	2,302
Overseas deposits	95,048	-	-	-	-	95,048
Derivative investments	878	-	-	-	-	878
Other investments	12	-	-	-	-	12
Deposits with ceding undertakings	113	-	-	-	-	113
Reinsurers share of claims outstanding	410,695	-	-	-	-	410,695
Reinsurance debtors	19,295	8,999	179	226	-	28,699
Cash at bank and in hand	41,896	-	-	-	-	41,896
Insurance debtors	191,648	8,999	1,919	3,819	-	206,385
Other debtors	360,793	671	331	-	-	361,795
	1,944,945	18,669	2,429	4,045	-	1,970,088

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 £
2019						
Derivative financial instruments	-	500	-	-	-	500
Deposits received from reinsurers	-	5,770	-	-	-	5,770
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	491,540	401,086	219,640	146,332	1,258,598
Creditors	6	185,195	18,674	3,952	-	207,827
Other	-	-	-	-	-	-
	6	683,005	419,760	223,592	146,332	1,472,695

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Notes to the Financial Statements
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7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
2018						
Derivative financial instruments	-	563	-	-	-	563
Deposits received from reinsurers	-	6,247	-	-	-	6,247
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	557,912	517,158	203,279	177,718	1,456,067
Creditors	92	201,454	27,999	3,789	-	233,334
Other	-	-	-	-	-	-
	92	766,176	545,157	207,068	177,718	1,696,211

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

	2019 £	2018 £
Impact of 50 basis point increase on profit or loss	(6,534)	(7,168)
Impact of 50 basis point decrease on profit or loss	6,555	7,085
Impact of 50 basis point increase on equity	(6,534)	(7,168)
Impact of 50 basis point decrease on equity	6,555	7,085

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

Equity price risk

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

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

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Notes to the Financial Statements
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7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

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

Syndicate participation

	2019 £	2018 £
Impact on profit or loss of 5% increase in Stock Market Prices	1,098	2,258
Impact on profit or loss of 5% decrease in Stock Market Prices	(1,098)	(2,258)
Impact on equity of 5% increase in Stock Market Prices	1,098	2,258
Impact on equity of 5% decrease in Stock Market Prices	(1,098)	(2,258)

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

	2019	2019	Restated 2018	Restated 2018
	Syndicate Participation £	Partnership £	Syndicate Participation £	Partnership £
Sterling	(198,385)	81,993	(164,947)	36,898
United States Dollar	25,069	-	(74,072)	-
Euro	59,937	-	39,974	-
Canadian Dollar	16,121	-	55,410	-
Australian Dollar	9,527	-	12,268	-
Japanese Yen	(5,625)	-	(2,184)	-
Other	3,861	-	8,458	-

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7. Financial Instruments and Financial Risk Management (continued)

7.7 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 2019		31 December 2018	
	Increase	Decrease	Increase	Decrease
	£	£	£	£
Effect of Sterling exchange movement by 10%				
United States Dollar	-	-	-	-
Euro	-	-	-	-
Canadian Dollar	-	-	-	-
Australian Dollar	-	-	-	-
Japanese Yen	-	-	-	-
Other	-	-	-	-

7.8 Capital Management

Lloyd's capital setting process

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

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

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

Over and above this, Lloyd's applies a capital uplift to the Member's capital requirement, the ECA. The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives.

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.

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8. Insurance Contracts

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

	2019			2018		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	1,456,067	410,695	1,045,372	1,439,533	391,271	1,048,262
Movements in the year	(8,048)	17,287	(25,335)	(14,906)	10,470	(25,376)
Exchange differences	(189,421)	(51,199)	(138,222)	31,440	8,954	22,486
At 31 December	1,258,598	376,783	881,815	1,456,067	410,695	1,045,372

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

	2019			2018		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	361,419	66,409	295,010	354,104	63,096	291,008
Movements in the year	18,271	10,279	7,992	(7,123)	127	(7,250)
Exchange differences	(10,242)	(2,290)	(7,952)	14,438	3,186	11,252
At 31 December	369,448	74,398	295,050	361,419	66,409	295,010

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

	2019 £	2018 £
At 1 January	103,259	103,061
Movements in the year	2,419	(3,649)
Exchange differences	(3,213)	3,847
At 31 December	102,465	103,259

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.

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8.1 Risks arising from Insurance Contracts (continued)

Claims development - gross								
	At end of reporting year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later
2011	308,373	452,126	449,186	446,469	434,630	425,019	417,917	410,051
2012	295,130	407,889	396,934	382,161	374,155	367,717	361,978	358,059
2013	217,256	372,245	360,253	344,532	333,901	327,928	322,480	
2014	215,038	350,409	349,159	333,528	342,251	334,146		
2015	198,824	363,510	363,802	356,342	346,866			
2016	223,260	441,657	441,850	432,783				
2017	471,185	681,607	703,053					
2018	320,616	551,774						
2019	265,281							
	Eight years later	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received				
2010 & prior			82,991					
2011	407,761	381,541	26,220	(34,454)				
2012		327,863	30,196	(67,965)				
2013		293,251	29,229	(50,516)				
2014		285,630	48,516	(66,739)				
2015		268,435	78,431	(50,190)				
2016		310,587	122,196	(61,964)				
2017		423,080	279,973					
2018		228,979	322,795					
2019		27,230	238,051					
			<u>1,258,598</u>					
Claims development - net								
	At end of reporting year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later
2011	250,218	372,506	367,796	356,316	346,656	339,721	334,740	329,958
2012	232,538	338,967	330,762	316,300	309,384	304,261	300,384	296,874
2013	183,481	323,336	312,033	299,848	289,988	284,812	280,398	
2014	176,581	300,862	300,852	285,460	284,088	279,419		
2015	165,202	307,908	309,412	303,747	295,407			
2016	174,003	351,868	354,796	347,073				
2017	289,142	462,765	478,271					
2018	221,409	389,262						
2019	177,101							

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8.1 Risks arising from Insurance Contracts (continued)

Claims development - net

	Eight years later	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received
2010 & prior			61,923	
2011	327,269	309,553	17,716	(30,808)
2012		271,791	25,083	(57,370)
2013		254,832	25,566	(44,948)
2014		239,862	39,557	(50,781)
2015		230,990	64,417	(43,107)
2016		254,088	92,985	(64,634)
2017		295,623	182,648	
2018		171,493	217,769	
2019		22,949	154,152	
			<u>881,816</u>	

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 controlling Partnership is shared equally by Miss A J L Heywood and Miss O S R Heywood.

11. Post Balance Sheet Event

In March 2020, the World Health Organisation declared Coronavirus (Covid-19) to be a global pandemic. The full extent of the impact is not yet known, however as the Partnership participates on multiple syndicates the potential impact is mitigated due to the diverse spread of risks underwritten in them. This is a non-adjusting post balance sheet event.