

Company registration number (England and Wales): 03406789

## **CHARIOT (II) UNDERWRITING LIMITED**

***DIRECTORS' REPORT AND FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED 31 DECEMBER 2015***

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# CHARIOT (II) UNDERWRITING LIMITED

## CONTENTS

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	Page
Company information	1
Report of the directors	2
Strategic report	3
Report of the auditors	4
Income statement	5 - 6
Statement of comprehensive income	6
Statement of financial position	7 - 8
Statement of changes in shareholders' equity	9
Cash flow statement	10
Accounting policies	11 - 18
Notes to the financial statements	19 - 31

# **CHARIOT (II) UNDERWRITING LIMITED**

## **COMPANY INFORMATION**

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### **COMPANY PERSONNEL**

<b>Directors</b>	M W Johnson M A Johnson
<b>Company Secretary</b>	Argenta Secretariat Ltd

### **COMPANY ADDRESSES**

<b>Registered office</b>	7-9 The Avenue Eastbourne East Sussex BN21 3YA
<b>Member's agent</b>	Argenta Private Capital Limited Fountain House 130 Fenchurch Street London EC3M 5DJ
<b>Auditors</b>	Humphrey & Co 7 - 9 The Avenue Eastbourne East Sussex BN21 3YA

# CHARIOT (II) UNDERWRITING LIMITED

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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The directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 2015.

### Directors

The directors who held office at any time during the year are listed below:

M W Johnson

M A Johnson

### Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

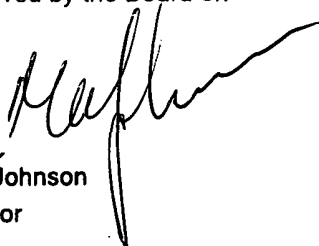
The auditors, Humphrey & Co, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

### Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board on 20 September 2016 and signed on its behalf by:

M W Johnson  
Director



# CHARIOT (II) UNDERWRITING LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2015

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The directors have pleasure in presenting their strategic report for the year ended 31 December 2015.

#### Results and dividends

The profit for the year after taxation was £241,975 (2014: profit £349,965). The directors do not recommend the payment of a final dividend.

#### Principal activities and review of the business

The principal activity of the Company in the year under review was that of a corporate underwriting member of Lloyd's. The Company commenced underwriting with effect from 01 January 1998.

The result for the year is in respect of the 2015 annual accounting year, which consists of movements in the 2013, 2014 and 2015 years of account as well as any 2012 and prior run-off years. Gross premiums written increased from £2,489,451 to £2,544,950 compared to the previous year and the overall balance on the technical account increased from £274,071 to £322,254 as a result of the level of claims experienced.

The company has continued to underwrite on the 2016 underwriting account where the market conditions are considered favourable for a profitable outcome subject to the level of claims experienced.

The key business risks and uncertainties affecting the company are considered to relate to insurance risk, investment and currency risk and regulatory risk.

#### Financial risk management objectives and policies

The Company 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 Company 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 Company.

Hedge accounting is not used by the Company.

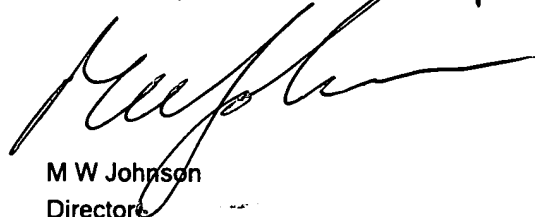
#### Key Performance Indicators

The directors monitor the performance of the Company by reference to the following key performance indicators:

	2015	2014
Capacity (youngest underwriting year) (£)	2,674,076	2,926,488
Gross premium written as a % of capacity	95.2 %	85.1 %
Underwriting profit of latest closed year as a % of capacity	11.7 %	12.1 %
Run-off years of account movement (£)	-	-
Combined ratio	85.2 %	89.4 %

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

Approved by the Board on 20 September 2016 and signed on its behalf by:



M W Johnson  
Director

# **CHARIOT (II) UNDERWRITING LIMITED**

## **INDEPENDENT AUDITORS REPORT**

### **TO THE SHAREHOLDERS OF CHARIOT (II) UNDERWRITING LIMITED**

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We have audited the financial statements of Chariot (II) Underwriting Limited for the year ended 31 December 2015 on pages 5 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, 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 the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Directors' Report and Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

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

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for 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
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Andrew Robinson (Senior Statutory Auditor)  
for and on behalf of Humphrey & Co  
Chartered Accountants  
Statutory Auditor

Date: 20 September 2016

Humphrey & Co  
7-9 The Avenue  
Eastbourne  
East Sussex  
BN21 3YA

**CHARIOT (II) UNDERWRITING LIMITED****INCOME STATEMENT - TECHNICAL ACCOUNT (GENERAL BUSINESS)  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 £	Restated 2014 £
Gross premiums written	5	2,544,950	2,489,451
Outward reinsurance premiums		(444,578)	(383,278)
<b>Net premiums written</b>		<b>2,100,372</b>	<b>2,106,173</b>
<b>Change in the provision for unearned premiums</b>			
Gross provision		(50,187)	37,123
Reinsurers' share		18,516	16,225
<b>Net change in the provision for unearned premiums</b>		<b>(31,671)</b>	<b>53,348</b>
<b>Earned premiums net of reinsurance</b>		<b>2,068,701</b>	<b>2,159,521</b>
<b>Allocated investment income</b>	8	<b>19,851</b>	<b>48,994</b>
<b>Claims paid</b>			
Gross amount		(1,252,740)	(1,249,562)
Reinsurers' share		140,223	132,095
<b>Net claims paid</b>		<b>(1,112,517)</b>	<b>(1,117,467)</b>
<b>Change in provision for claims</b>			
Gross amount		161,946	(44,134)
Reinsurers' share		22,573	650
<b>Net change in provision for claims</b>		<b>184,519</b>	<b>(43,484)</b>
<b>Claims incurred net of reinsurance</b>		<b>(927,998)</b>	<b>(1,160,951)</b>
<b>Net operating expenses</b>	9	<b>(835,103)</b>	<b>(769,923)</b>
<b>Investment expenses and charges</b>	8	<b>(3,197)</b>	<b>(3,570)</b>
<b>Balance on technical account for general business</b>		<b>322,254</b>	<b>274,071</b>

**CHARIOT (II) UNDERWRITING LIMITED**  
**INCOME STATEMENT - NON TECHNICAL ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 £	Restated 2014 £
Balance on the general business technical account		322,254	274,071
Investment income	8	15,867	19,581
Other income	10	-	72,000
Other charges		(47,947)	(15,086)
Profit on ordinary activities before taxation	11	290,174	350,566
Tax on profit on ordinary activities	18	(48,199)	(601)
Profit for the financial year		241,975	349,965

**STATEMENT OF COMPREHENSIVE INCOME**

	Note	2015 £	Restated 2014 £
Profit for the financial year		241,975	349,965
Other comprehensive income		-	-
Profit for the financial year		241,975	349,965

All amounts above relate to continuing operations.



# CHARIOT (II) UNDERWRITING LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

				2015	Restated
ASSETS	Note	Syndicate Assets £	Corporate £	Total £	2014 Total £
<b>Intangible assets</b>					
Syndicate participation rights	12	-	48,000	48,000	72,000
<b>Investments</b>					
Financial investments	13	1,845,360	233,852	2,079,212	2,058,275
Deposits with ceding undertakings		301	-	301	208
Total investments		1,845,661	233,852	2,079,513	2,058,483
<b>Reinsurers' share of technical provisions</b>					
Provision for unearned premiums	7	149,385	-	149,385	118,894
Claims outstanding	7	355,935	-	355,935	324,826
Other technical provisions		284,651	-	284,651	269,032
Total reinsurers' share of technical provisions		789,971	-	789,971	712,752
<b>Debtors</b>					
Arising out of direct insurance operations	14				
Policyholders		35	-	35	1,539
Intermediaries		482,016	-	482,016	334,801
Arising out of reinsurance operations	14	37,071	-	37,071	29,647
Other debtors	15	1,757,824	-	1,757,824	1,910,255
Total debtors		2,276,946	-	2,276,946	2,276,242
<b>Other assets</b>					
Cash at bank	16	193,223	6,296	199,519	256,661
Other		871	-	871	1,052
Total other assets		194,094	6,296	200,390	257,713
<b>Prepayments and accrued income</b>					
Accrued interest		3,683	-	3,683	3,565
Deferred acquisition costs	7	334,866	-	334,866	282,520
Other prepayments and accrued income		11,582	-	11,582	15,342
Total prepayments and accrued income		350,131	-	350,131	301,427
<b>Total assets</b>		<b>5,456,803</b>	<b>288,148</b>	<b>5,744,951</b>	<b>5,678,617</b>

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# CHARIOT (II) UNDERWRITING LIMITED

## STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2015

	Note	Syndicate Liabilities £	Corporate £	2015 Total £	Restated 2014 Total £
<b>LIABILITIES</b>					
<b>Capital and reserves</b>					
Called-up share capital	17	-	50,000	50,000	50,000
Share premium account		-	-	-	-
Profit and loss account		466,122	(517,050)	(50,928)	(292,903)
<b>Shareholder's funds attributable to equity interests</b>		<b>466,122</b>	<b>(467,050)</b>	<b>(928)</b>	<b>(242,903)</b>
<b>Technical provisions</b>					
Provision for unearned premiums	7	1,175,822	-	1,175,822	1,091,362
Claims outstanding - gross amount	7	3,162,068	-	3,162,068	3,328,859
<b>Total technical provisions</b>		<b>4,337,890</b>	<b>-</b>	<b>4,337,890</b>	<b>4,420,221</b>
<b>Provisions for other risks and charges</b>					
Provision for taxation	18	-	47,691	47,691	-
<b>Deposits received from reinsurers</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Creditors</b>					
Arising out of direct insurance operations		55,714	-	55,714	40,862
Arising out of reinsurance operations		348,312	-	348,312	270,003
Amounts due to credit institutions	20	-	-	-	-
Other creditors	19	216,366	523,683	740,049	970,868
<b>Total creditors</b>		<b>620,392</b>	<b>523,683</b>	<b>1,144,075</b>	<b>1,281,733</b>
<b>Accruals and deferred income</b>					
Other accruals and deferred income		32,399	183,824	216,223	219,566
<b>Total liabilities</b>		<b>5,456,803</b>	<b>288,148</b>	<b>5,744,951</b>	<b>5,678,617</b>

Approved by the Board on 20 September 2016 and signed on its behalf by:

M W Johnson  
Director

Company Registration No. 03406789

## CHARIOT (II) UNDERWRITING LIMITED

### STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2015

	Note	Called up share capital £	Share premium account £	Retained earnings £	Total £
At 1 January 2014		50,000	-	(642,868)	(592,868)
Profit for the financial year		-	-	349,965	349,965
At 31 December 2014		50,000	-	(292,903)	(242,903)
At 1 January 2015		50,000	-	(292,903)	(242,903)
Profit for the financial year		-	-	241,975	241,975
At 31 December 2015		50,000	-	(50,928)	(928)

**CHARIOT (II) UNDERWRITING LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 £	Restated 2014 £
Cash inflow from operating activities	21	318,086	144,482
Interest received		11	32
UK corporation tax paid		-	-
Foreign tax paid		(508)	(601)
<b>Net cash inflow from operating activities</b>		<b>317,589</b>	<b>143,913</b>
<b>Cash inflow from investing activities</b>			
Purchase of syndicate participation rights		-	(72,000)
Proceeds from sale of syndicate participation rights		-	72,000
Purchase of investments		(1,816)	(1,611)
Proceeds from sale of investments		-	-
Dividends received		6,813	6,435
<b>Net cash inflow from investing activities</b>		<b>4,997</b>	<b>4,824</b>
<b>Cash outflow from financing</b>			
Funds withdrawn from the company by the company's shareholders		(322,543)	(148,843)
<b>Net cash outflow from financing</b>		<b>(322,543)</b>	<b>(148,843)</b>
<b>Increase/(Decrease) in cash</b>		<b>43</b>	<b>(106)</b>
Net funds at 1 January		6,253	6,359
Increase/(Decrease) in cash in the year		43	(106)
<b>Net funds at 31 December</b>		<b>6,296</b>	<b>6,253</b>

The Company 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 corporate funds, which includes transfers to and from the Syndicates at Lloyd's.

# CHARIOT (II) UNDERWRITING LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2015

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### 1 General Information

The Company is a private company limited by shares that was incorporated in England and Wales and whose registered office is given on page one of these financial statements. The Company participates in insurance business as an underwriting member of various syndicates at Lloyd's.

### 2 Accounting policies

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts", the Companies Act 2006 and Regulation 6 of Schedule 3 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, relating to insurance.

The directors do not consider the Company to be a financial institution under FRS 102.

#### Transition to FRS 102 and FRS 103

The financial statements for the year ended 31 December 2015 are the first financial statements that comply with FRS 102 and FRS 103. The date of transition is 1 January 2014 and the comparative figures have been restated accordingly. The transition has resulted in a small number of changes in accounting policies to those used previously. The nature of these changes and their impact on the opening Statement of Financial Position and Income Statement are explained below and in the notes.

#### Basis of accounting

The Financial Statements are prepared under the historical cost basis of accounting modified to include the revaluation of certain financial instruments held at fair value, through the income statement.

The technical account has been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums net of re-insurance. Amounts reported in the technical account relate to movements in the period in respect of all relevant years of account of the Syndicates on which the company participates.

Accounting information in respect of the Syndicate participations has been provided by the Syndicate managing agents through an information exchange facility operated by Lloyd's and has been reported on by the Syndicate auditors.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents and are shown separately on the Balance Sheet as "Syndicate Assets" and "Syndicate Liabilities". The assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

In continuing to apply the going concern basis to this Company's Financial Statements the following factors have been taken into account: the likely timing of any underwriting and non-underwriting cash flows, any Funds at Lloyd's supporting the Company's underwriting and not reflected in the Company's Statement of Financial Position and the continued support of the Directors and Shareholders including the potential deferral of balances due to them.

#### General business

##### i Premiums

Gross premiums are accounted for in the period in which the risk commences, together with adjustments to premiums written in previous accounting periods. Future premiums relating to risks commencing in the period are based upon estimates made by the Syndicates' management. Other adjustments are accounted for as arising.

##### ii Unearned premiums

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis having regard where appropriate, to the incidence of risk. The specific basis adopted by each Syndicate is determined by the relevant managing agent.

# CHARIOT (II) UNDERWRITING LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

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**iii Deferred acquisition costs**

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

**iv Reinsurance premiums**

Reinsurance premium costs are allocated by the Managing Agent of each Syndicate to reflect the protection arranged in respect of the business written and earned.

**v Claims**

Provision is made for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date, and for the related cost of settlement. Claims incurred comprise amounts paid or provided in respect of claims occurring during the current year, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year.

The claims provision determined by the managing agent will have been based on information that was currently available at the time. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided and will be reflected in the financial statements for the period in which the adjustment is made.

**vi Closed years of account**

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling costs.

Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring Syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The company has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

**vii Run-off years of account**

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

**viii Investments and allocated investment income**

In accordance with Lloyd's current accounting practice, investments are stated at market value, including accrued interest at the Balance Sheet date. Investment income is included in the General Business Technical Account reflecting that earned on the investment portfolio managed by the Syndicates. The allocated investment income therefore comprises income received and investment profits and losses arising in the calendar year including appreciation/depreciation and accrued interest consequent upon the revaluation of investments at 31 December. All gains and losses on investments are treated as realised at the Balance Sheet date.

**ix Financial assets and financial liabilities**

The syndicates' investments comprise of debt and equity investments, derivatives, cash and cash equivalents and loans and receivables.

## CHARIOT (II) UNDERWRITING LIMITED

### NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

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**ix Financial assets and financial liabilities (continued)**

Debtors/creditors arising from insurance/reinsurance operations shown in the Statement of Financial Position include the totals of all the syndicate's outstanding debit and credit transactions as processed by the Lloyd's central facility. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

Recognition

Financial assets and liabilities are recognised when the syndicate becomes party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the syndicate after deducting all of its liabilities.

Initial measurement

All financial assets and liabilities are initially measured at transaction price (including transaction cost), except for those financial assets classified as at fair value through the income statement, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Subsequent measurement

Non-current debt instruments are subsequently measured at amortised cost using the effective interest method.

Debt instruments that are classified as payable or receivable within one financial year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

Other debt instruments are measured at fair value through the income statement.

Derecognition of financial assets and liabilities

Financial assets are derecognised when and only when a) the contractual rights of the cash flow from the financial asset expire or are settled, b) the syndicates transfer to another party substantially all of the risks and rewards of ownership of the financial asset or c) the syndicates, despite having retained some significant risks and rewards of ownership, have transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse in time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the syndicates estimate the fair value by using a valuation technique.

Impairment of financial instruments measured at amortised cost or cost

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, i.e. using the effective interest method.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

# CHARIOT (II) UNDERWRITING LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

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**ix Financial assets and financial liabilities (continued)**

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in the income statement immediately.

**x Basis of currency translation**

Syndicates maintain separate funds in Sterling, United States and Canadian dollars, and may also do so in certain other currencies. All transactions where separate currencies are maintained are translated into Sterling at the rates of exchange ruling at the financial reporting date. Transactions during the period in other overseas currencies are expressed in Sterling at the rates ruling at the transaction date.

Monetary assets and liabilities, which according to FRS 103 are deemed to include unearned premiums and deferred acquisition costs, are translated into Sterling at the rates of exchange at the financial reporting date.

Any non-monetary items are translated into the functional currency using the rate of exchange prevailing at the time of the transaction. FRS 103 states that insurance assets and liabilities (unearned premiums and deferred acquisition costs), that were previously considered non-monetary items, are now required to be treated as monetary items. This is a change in accounting policy from 1 January 2014. These assets and liabilities have now been translated at period end to the functional currency at the closing rate.

**xi Debtors/creditors arising from insurance/reinsurance operations**

The amounts shown in the Statement of Financial Position include the totals of all the Syndicates outstanding debit and credit transactions. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the Syndicates and each of their counterparty insurers, reinsurers or intermediaries as appropriate.

**xii Distribution of profits and collection of losses**

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between Syndicates and their members. Lloyd's continues to require membership of Syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the Syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The Syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

### 2.2 Reinsurance at corporate level

Where considered applicable by the Directors, the company may purchase additional reinsurance to that purchased through the syndicates. Any such reinsurance premiums and related reinsurance recoveries are treated in the same manner as described for syndicates in Note 2.1 (iv) and (v).

### 2.3 Taxation

The company is taxed on its results including its share of underwriting results declared by the syndicates and these are deemed to accrue over the calendar year in which they are declared. The syndicate results included in these financial statements are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for corporation tax in relation to open years of account. However, full provision is made for deferred tax on underwriting results not subject to current corporation tax.

HM Revenue & Customs agrees the taxable results of the syndicates at a syndicate level on the basis of computations submitted by the managing agent. At the date of the approval of these financial statements the syndicate taxable results of years of account closed at this and previous year ends may not be fully agreed with HM Revenue & Customs. Any adjustments that may be necessary to the tax provisions established by the Company, as a result of HM Revenue & Customs agreement of syndicate results, will be reflected in the financial statements of subsequent periods.



## **CHARIOT (II) UNDERWRITING LIMITED**

### **NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2015**

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#### **2.4 Deferred Taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the financial reporting date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities have not been discounted.

#### **2.5 Intangible assets**

Costs incurred by the Company in the Corporation of Lloyd's auctions in order to acquire rights to participate on Syndicates' underwriting years are included within intangible assets and amortised over a 3 year period beginning with the respective year of Syndicate participation. The intangible assets are reviewed for impairment where there are indicators for impairment and any impairment is charged to the income statement for the period.

#### **2.6 Investments**

Investments held directly by the company, by trustees of the Premium Trust Fund, or as the Lloyd's Deposit, are stated at fair value.

#### **2.7 Cash and cash equivalents**

Cash and cash equivalents include deposits held at call with banks, other short-term liquid investments with original maturities of three months or less and cash in hand.

### **3 Key accounting judgements and estimation uncertainties**

In applying the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. These judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The measurement of the provision for claims outstanding is the most significant judgement involving estimation uncertainty regarding amounts recognised in these financial statements in relation to underwriting by the syndicates and this is disclosed further in Note 4.

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Company looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate.

The key accounting judgements and sources of estimation uncertainty set out below therefore relate to those made in respect of the Company only, and do not include estimates and judgements made in respect of the Syndicates.

#### **i Purchased syndicate capacity**

Estimating value in use:

Where an indication of impairment of capacity values exists, the Directors will carry out an impairment review to determine the recoverable amount, which is the higher of fair value less cost to sell and value in use. The value in use calculation requires an estimate of the future cash flows expected to arise from the capacity and a suitable discount rate in order to calculate present value.

Determining the useful life of purchased syndicate capacity:

The assessed useful life of syndicate capacity is 3 years. This is on the basis that this is the life over which the original value of the capacity is used up.

#### **ii Assessing indicators of impairment**

In assessing whether there have been any indicators of impairment of assets, the Directors consider 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.

# CHARIOT (II) UNDERWRITING LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

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### iii Recoverability of debtors

The Company establishes a provision for debtors that are estimated not to be recoverable. When assessing recoverability, factors such as the ageing of the debtors, past experience of recoverability, and the credit profile of individual groups of customers are all considered.

## 4 Risk management

This section summarises the financial and insurance risks the Company is exposed to either directly at its own corporate level or indirectly via its participation in the Lloyd's syndicates.

### Risk background

The syndicate's activities expose it to a variety of financial and non-financial risks. The managing agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. Each year, the managing agent prepares a Lloyd's Capital Return ("LCR") for the syndicate, the purpose of this being to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the syndicate's business, and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the LCR, and, typically, the majority of the total assessed value of the risks concerned is attributable to insurance risk.

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risks arise from the risk that the reinsurer fails to meet their share of a claim. The management of the syndicate's funds is exposed to risks of investments, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks including its ability to continue to trade. However, supervision by Lloyd's provides additional controls over the syndicate's management of risks.

The Company manages the risks faced by the syndicates on which it participates by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate for the following year, with a review of the business plan prepared for each syndicate by its managing agent. In addition, quarterly reports and annual accounts together with any other information made available by the managing agent are monitored and if necessary enquired into. If the Company considers that the risks being run by the syndicate are excessive it will seek confirmation from the managing agent that adequate management of the risk is in place and, if considered appropriate, will withdraw from the next underwriting year. The Company relies on advice provided by the members' agent which acts for it, who are specialists in assessing the performance and risk profiles of syndicates. The Company also mitigates its risks by participating across several syndicates.

The Directors do not consider the Company to be a financial institution under FRS 102, on the basis that the Company itself does not undertake the business of effecting or carrying out insurance contracts. Therefore there is no requirement to discuss financial risks arising from syndicate investment activities. The analysis below provides details of the financial risks the Company is exposed to from syndicate insurance activities as required by FRS 103.

### Syndicate risks

#### i Liquidity risk

The syndicates are exposed to daily calls on their available cash resources, principally from claims arising from its insurance business. Liquidity risk arises where cash may not be available to pay obligations when due, or to ensure compliance with the syndicate's obligations under the various trust deeds to which it is party.

The syndicates aim to manage their liquidity position so that they can fund claims arising from significant catastrophic events, as modelled in their Lloyd's realistic disaster scenarios ("RDS").

# CHARIOT (II) UNDERWRITING LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

### ii Credit risk

Credit ratings to syndicate assets emerging directly from insurance activities, excluding cash at bank and financial investments, which are neither past due nor impaired are as follows:

	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
<b>2015</b>						
Deposits with ceding undertakings	-	-	-	-	301	301
Reinsurers share of claims outstanding	28,197	145,828	439,471	1,445	14,222	629,163
Reinsurance debtors	2,260	594,508	21,314	107	345	618,534
Insurance debtors	-	-	-	-	644,564	644,564
<b>Total</b>	<b>30,457</b>	<b>740,336</b>	<b>460,785</b>	<b>1,552</b>	<b>659,432</b>	<b>1,892,562</b>
<b>2014</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Deposits with ceding undertakings	-	-	77	-	131	208
Reinsurers share of claims outstanding	21,695	137,482	412,516	1,001	16,026	588,720
Reinsurance debtors	2,164	381,312	12,434	163	614	396,687
Insurance debtors	-	-	-	-	490,693	490,693
<b>Total</b>	<b>23,859</b>	<b>518,794</b>	<b>425,027</b>	<b>1,164</b>	<b>507,464</b>	<b>1,476,308</b>

Syndicate assets emerging directly from insurance activities, excluding cash at bank and financial investments, past their due date or impaired are as follows:

	Less than 3 months £	Between 3 and 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
<b>2015</b>						
Deposits with ceding undertakings	-	-	-	-	-	-
Reinsurers share of claims outstanding	3,248	46	5	3	(1,139)	2,163
Reinsurance debtors	26,975	1,343	765	444	401	29,928
Insurance debtors	35,287	11,874	8,839	8,533	(711)	63,822
<b>Total</b>	<b>65,510</b>	<b>13,263</b>	<b>9,609</b>	<b>8,980</b>	<b>(1,449)</b>	<b>95,913</b>
<b>2014</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Deposits with ceding undertakings	-	-	-	-	-	-
Reinsurers share of claims outstanding	-	-	-	-	(1,011)	(1,011)
Reinsurance debtors	17,907	747	504	174	401	19,733
Insurance debtors	22,510	6,444	6,519	2,513	(1,088)	36,898
<b>Total</b>	<b>40,417</b>	<b>7,191</b>	<b>7,023</b>	<b>2,687</b>	<b>(1,698)</b>	<b>55,620</b>

### iii Interest rate and equity price risk

Interest rate risk and equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates and market prices respectively.

## CHARIOT (II) UNDERWRITING LIMITED

### NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

#### iv Currency risk

The syndicates' main exposure to foreign currency risk arises from insurance business originating overseas, primarily denominated in US dollars. Transactions denominated in US dollars form a significant part of the syndicates' operations. This risk is, in part, mitigated by the syndicates maintaining financial assets denominated in US dollars against its major exposures in that currency.

The tables below provides details of syndicate assets and liabilities by currency:

	GBP £ converted	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
2015						
Total assets	1,617,968	3,227,085	284,353	229,386	98,011	5,456,803
Total liabilities	(1,843,959)	(2,730,550)	(206,055)	(165,519)	(44,598)	(4,990,681)
Surplus/(deficiency) of assets	(225,991)	496,535	78,298	63,867	53,413	466,122
2014						
Total assets	1,940,352	2,903,769	231,593	224,833	21,473	5,322,020
Total liabilities	(2,211,528)	(2,329,242)	(161,477)	(169,013)	(30,912)	(4,902,172)
Surplus/(deficiency) of assets	(271,176)	574,527	70,116	55,820	(9,439)	419,848

#### Company risks

##### i Investment, credit, liquidity and currency risks

The significant risks faced by the Company are with regard to the investment of the available funds within its own custody. The elements of these risks are investment risk, credit risk, liquidity risk, currency risk and interest rate risk. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the Company to meet the claim. In order to minimise investment, credit and liquidity risk the Company's funds are invested in readily realisable short term deposits. The syndicates can distribute their results in Pound Sterling, US Dollars or a combination of the two. The Company is exposed to movements in the US Dollar between the Statement of Financial Position date and the distribution of the underwriting profits and losses, which is usually in the May following the closure of the year of account. The Company does not use derivative instruments to manage risk and, as such, no hedge accounting is applied.

##### ii Regulatory risks

The Company is subject to continuing approval by Lloyd's to be a member of a Lloyd's syndicate. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's. The capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. A variety of factors are taken into account by Lloyd's in setting these requirements including market conditions and syndicate performance and although the process is intended to be fair and reasonable, the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the Company is able to support.

##### iii Operational risks

As there are relatively few transactions actually undertaken by the Company there are only limited systems and operational requirements of the Company and therefore operational risks are not considered to be significant. Close involvement of all Directors in the Company's key decision making and the fact that the majority of the Company's operations are conducted by syndicates, provides control over any remaining operational risks.

# CHARIOT (II) UNDERWRITING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

5 Class of business	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Operating expenses £	Reinsurance balance £
<b>2015</b>					
<b>Direct</b>					
Accident and health	69,950	63,384	(36,515)	(28,363)	(276)
Motor - third party liability	37,528	136,292	32,328	(38,202)	(1,517)
Motor - other classes	261,987	355,583	(277,283)	(104,643)	(4,475)
Marine, aviation and transport	263,358	204,690	(98,117)	(92,055)	(15,124)
Fire and other damage to property	584,308	517,004	(222,982)	(187,711)	(82,861)
Third party liability	216,632	160,791	(101,391)	(64,691)	(9,818)
Credit and suretyship	34,682	30,387	(12,851)	(10,712)	(3,986)
Other	11,970	12,331	(6,758)	(4,237)	(46)
<b>Total direct</b>	<b>1,480,415</b>	<b>1,480,462</b>	<b>(723,569)</b>	<b>(530,614)</b>	<b>(118,103)</b>
<b>Reinsurance business</b>					
Reinsurance balance	1,064,535	1,014,301	(367,225)	(304,489)	(145,163)
<b>Total</b>	<b>2,544,950</b>	<b>2,494,763</b>	<b>(1,090,794)</b>	<b>(835,103)</b>	<b>(263,266)</b>
<b>Restated</b>					
<b>2014</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Direct</b>					
Accident and health	60,813	57,941	(25,998)	(24,174)	(1,429)
Motor - third party liability	250,613	267,655	(196,976)	(78,145)	(39,250)
Motor - other classes	474,417	463,332	(342,809)	(144,970)	3,213
Marine, aviation and transport	172,826	168,248	(90,864)	(54,829)	(6,469)
Fire and other damage to property	458,957	435,890	(164,064)	(147,058)	(65,408)
Third party liability	112,570	96,207	(61,512)	(34,679)	(3,348)
Credit and suretyship	38,426	30,503	(20,426)	(8,799)	303
Other	11,992	12,262	(6,633)	(4,760)	125
<b>Total direct</b>	<b>1,580,614</b>	<b>1,532,038</b>	<b>(909,282)</b>	<b>(497,414)</b>	<b>(112,263)</b>
<b>Reinsurance business</b>					
Reinsurance balance	908,837	994,536	(384,414)	(272,509)	(122,045)
<b>Total</b>	<b>2,489,451</b>	<b>2,526,574</b>	<b>(1,293,696)</b>	<b>(769,923)</b>	<b>(234,308)</b>

Any open year loss provisions, stop loss premiums and stop loss recoveries have been allocated across the classes of business by reference to the gross premiums written.

# CHARIOT (II) UNDERWRITING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

### 6 Geographical analysis

	2015	Restated 2014
	£	£
Direct gross premiums written in:		
United Kingdom	1,452,587	1,565,253
Other EU member states	581	503
The rest of the world	27,247	14,858
<b>Total</b>	<b>1,480,415</b>	<b>1,580,614</b>

### 7 Technical provisions

#### Movement in claims outstanding

	Gross £	Reinsurance £	2015 Net £	Gross £	Reinsurance £	2014 Net £
At 1 January	(3,328,859)	324,826	(3,004,033)	(2,944,923)	276,264	(2,668,659)
Movement in technical account	161,946	22,573	184,519	(44,134)	650	(43,484)
Other movements	4,845	8,536	13,381	(339,802)	47,912	(291,890)
<b>At 31 December</b>	<b>(3,162,068)</b>	<b>355,935</b>	<b>(2,806,133)</b>	<b>(3,328,859)</b>	<b>324,826</b>	<b>(3,004,033)</b>

#### Movement in unearned premiums

	Gross £	Reinsurance £	2015 Net £	Gross £	Reinsurance £	2014 Net £
At 1 January	(1,091,362)	118,894	(972,468)	(1,119,767)	106,396	(1,013,371)
Movement in technical account	(50,187)	18,516	(31,671)	37,123	16,225	53,348
Other movements	(34,273)	11,975	(22,298)	(8,718)	(3,727)	(12,445)
<b>At 31 December</b>	<b>(1,175,822)</b>	<b>149,385</b>	<b>(1,026,437)</b>	<b>(1,091,362)</b>	<b>118,894</b>	<b>(972,468)</b>

#### Movement in deferred acquisition costs

	2015 Net £	2014 Net £
At 1 January	282,520	272,675
Movement in deferred acquisition costs	44,446	10,494
Other movements	7,900	(649)
<b>At 31 December</b>	<b>334,866</b>	<b>282,520</b>

Included within other movements are foreign exchange movements in restating the opening balances and the effect of the 2012 and prior years' technical provisions being reinsured to close into the 2013 year of account (2014: 2011 and prior years' technical provisions being reinsured to close into the 2012 year of account), to the extent where the Company's syndicate participation portfolio has changed between those two years of account.

## CHARIOT (II) UNDERWRITING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

#### 7 Technical provisions (continued)

##### Assumptions, changes in assumptions and sensitivity

The majority of the risks to the Company's future cash flows arise from its participation in the results of Lloyd's syndicates and are mostly managed by the managing agents of the syndicates. The Company's role in managing these risks, in conjunction with the Company's members' agent, is limited to a selection of syndicate participations and monitoring the performance of the syndicates and their managing agents.

The amounts carried by the Company arising from insurance contracts are calculated by the managing agents of the syndicates and derived from accounting information provided by the managing agents and reported upon by the syndicate auditors.

The key assumptions underlying the amounts carried by the Company arising from insurance contracts are:

- i The net premiums written calculated by the managing agent are an accurate assessment of the premiums payable as a result of the risks contractually committed to up to the financial reporting date.
- ii The net unearned premiums calculated by the managing agent are an accurate assessment of the net premiums written that reflect the exposure to risks arising after the financial reporting date, including appropriate allowance for anticipated losses in excess of the unearned premium.
- iii The claims reserves calculated by the managing agents are an accurate assessment of the ultimate liabilities in respect of claims relating to events up to the financial reporting date.
- iv The potential ultimate result of run-off year results has been accurately estimated by the managing agents.
- v The values of investments and other assets and liabilities are correctly stated at their realisable values at the financial reporting date.

There have been no changes to these assumptions in 2015.

The amounts carried by the Company arising from insurance contracts are sensitive to various factors as follows:

- i A 5% increase/decrease in net earned premium (with claims incurred assumed to change pro-rata with premium) will increase/decrease the Company's pre-tax profit/loss by £57,035 (2014: £49,929).
- ii A 5% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the Company's pre-tax profit/loss by £158,103 (2014: £166,443).
- iii A 5% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Company's pre-tax profit/loss by £140,307 (2014: £150,202).

Claims development - gross		At end of underwriting year £	After 12 months £	After 24 months £	After 36 months £	Profit/loss on RITC received £
Underwriting pure year	2015	697,868	-	-	-	-
	2014	837,176	1,412,666	-	-	-
	2013	898,075	1,562,268	1,501,344	-	-
	2012	965,453	1,433,193	1,435,611	1,402,941	-
	2011	863,684	1,438,216	1,429,761	2,783,450	-

# CHARIOT (II) UNDERWRITING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

### 7 Technical provisions (continued)

Claims development - net	At end of underwriting year £	After 12 months £	After 24 months £	After 36 months £	Profit/loss on RITC received £
Underwriting pure year					
2015	588,487	-	-	-	-
2014	738,750	1,252,958	-	-	-
2013	821,264	1,428,013	1,364,636	-	-
2012	824,750	1,257,201	1,248,549	1,201,607	-
2011	749,872	1,251,797	1,244,387	2,383,431	-

### 8 Investment return

The following return on investments relate to investments held at fair value.

	2015 £	Restated 2014 £
Investment income	22,007	44,164
Realised (loss)/gain on investments	(2,156)	4,830
Allocated investment income - technical account	19,851	48,994
Income from other investments (including interest receivable)	6,824	6,467
Realised gain on investments	-	-
Unrealised gain on investments	9,043	13,114
Investment income - non-technical account	15,867	19,581
Investment expenses and charges - technical account	(3,197)	(3,570)
Total investment return	32,521	65,005

### 9 Net operating expenses

	2015 £	Restated 2014 £
Acquisition costs	625,868	600,010
Administrative expenses	216,906	189,944
Profit on exchange	(7,671)	(20,031)
Total	835,103	769,923



# **CHARIOT (II) UNDERWRITING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)** **FOR THE YEAR ENDED 31 DECEMBER 2015**

10 Other income	2015	Restated 2014
	£	£
Profit on sale of syndicate participation rights	-	72,000
Other	-	-
<b>Total</b>	<b>-</b>	<b>72,000</b>

11 Profit on ordinary activities before taxation	2015	Restated 2014
	£	£
This is stated after charging:		
Auditor's remuneration - audit	700	700
Auditor's remuneration - other	1,700	1,617
Amortisation of syndicate capacity	24,000	362

The company has no employees.

12 Intangible assets	Syndicate Participation Rights
	£
<b>Cost</b>	
At 1 January 2015	156,712
Additions	-
Disposals	-
<b>At 31 December 2015</b>	<b>156,712</b>
<b>Amortisation</b>	
At 1 January 2015	84,712
Charge for the year	24,000
Impairment losses	-
Disposals	-
<b>At 31 December 2015</b>	<b>108,712</b>
<b>Net book value</b>	
At 31 December 2015	48,000
<b>At 31 December 2014</b>	<b>72,000</b>

# CHARIOT (II) UNDERWRITING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

### 13 Investments: Financial investments

<i>At market value</i>			Syndicate	Corporate	Total
		£	£	£	£
<b>2015</b>					
Shares and other variable yield securities	- level 1	99,467			
	- level 2	413,888			
	- level 3	<u>67,801</u>	581,156	233,852	815,008
Debt securities and other fixed income securities	- level 1	761,340			
	- level 2	190,175			
	- level 3	<u>243,813</u>	1,195,328	-	1,195,328
Participation in investment pools	- level 1	8,671			
	- level 2	16,550			
	- level 3	<u>20,614</u>	45,835	-	45,835
Loans guaranteed by mortgage	- level 1	4,117			
	- level 2	1,558			
	- level 3	<u>1,271</u>	6,946	-	6,946
Other loans	- level 1	9,540			
	- level 2	3,610			
	- level 3	<u>2,945</u>	16,095	-	16,095
<b>Total</b>			<b>1,845,360</b>	<b>233,852</b>	<b>2,079,212</b>
<b>Restated</b>					
<b>2014</b>					
Shares and other variable yield securities	- level 1	238,817			
	- level 2	232,357			
	- level 3	<u>60,086</u>	531,260	222,993	754,253
Debt securities and other fixed income securities	- level 1	633,124			
	- level 2	213,244			
	- level 3	<u>364,102</u>	1,210,470	-	1,210,470
Participation in investment pools	- level 1	14,191			
	- level 2	9,347			
	- level 3	<u>27,540</u>	51,078	-	51,078
Loans guaranteed by mortgage	- level 1	5,476			
	- level 2	1,725			
	- level 3	<u>1,671</u>	8,872	-	8,872
Other loans	- level 1	20,739			
	- level 2	6,534			
	- level 3	<u>6,329</u>	33,602	-	33,602
<b>Total</b>			<b>1,835,282</b>	<b>222,993</b>	<b>2,058,275</b>

The corporate investments held include £233,852 (2014: £222,993) at market value in respect of Lloyd's deposits that are held in accordance with the constraints detailed in note 22.

# **CHARIOT (II) UNDERWRITING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)** **FOR THE YEAR ENDED 31 DECEMBER 2015**

### **13 Investments: Financial investments (continued)**

The Company uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets

Level 2: prices based on recent transactions in identical assets

Level 3: prices determined using a valuation technique

None of the above investments are valued at amortised cost.

			2015	Restated
<i>At cost</i>	Syndicate	Corporate	Total	2014
	£	£	£	Total
				£
Shares and other variable yield securities	569,745	221,994	791,739	739,311
Debt securities and other fixed income securities	1,207,994	-	1,207,994	1,216,405
Participation in investment pools	40,588	-	40,588	44,121
Loans guaranteed by mortgage	6,936	-	6,936	8,819
Other	16,081	-	16,081	33,510
<b>Total</b>	<b>1,841,344</b>	<b>221,994</b>	<b>2,063,338</b>	<b>2,042,166</b>

### **14 Debtors arising out of direct insurance and reinsurance operations**

			2015	Restated
	Syndicate	Corporate	Total	2014
	£	£	£	Total
				£
The following amounts are due after one year:				
Direct insurance operations	4,921	-	4,921	1,524
Reinsurance operations	1,030	-	1,030	1,373
<b>Total</b>	<b>5,951</b>	<b>-</b>	<b>5,951</b>	<b>2,897</b>

### **15 Other debtors**

			2015	Restated
	Syndicate	Corporate	Total	2014
	£	£	£	Total
				£
Deferred tax	-	-	-	-
Other	1,757,824	-	1,757,824	1,910,255
<b>Total</b>	<b>1,757,824</b>	<b>-</b>	<b>1,757,824</b>	<b>1,910,255</b>

Corporate other debtors includes £Nil (2014: £Nil) due to the company after more than one year.

Syndicate other debtors includes £510,955 (2014: £633,720) due to the company after more than one year.

# **CHARIOT (II) UNDERWRITING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)** **FOR THE YEAR ENDED 31 DECEMBER 2015**

16 Cash at bank			2015 Total £	Restated 2014 Total £
	Syndicate £	Corporate £		
Lloyd's deposit	98,436	6,296	104,732	160,439
Cash at bank and in hand	94,787	-	94,787	96,222
<b>Total</b>	<b>193,223</b>	<b>6,296</b>	<b>199,519</b>	<b>256,661</b>

Any Lloyd's deposit is held in accordance with the constraints detailed in note 22.

17 Share capital		2015 £	Restated 2014 £
<i>Allotted, called up and fully paid</i>			
50,000 Ordinary shares of £1.00 each		50,000	50,000

18 Taxation		2015 £	2014 £
<i>Analysis of charge in year</i>			
<i>Current tax</i>			
UK Corporation Tax on profits of the year		-	-
Adjustments in respect of prior years		-	-
Foreign tax		508	601
<b>Total current tax</b>		<b>508</b>	<b>601</b>
<i>Analysis of charge in year</i>			
<i>Deferred tax</i>			
Origination and reversal of timing differences		47,691	-
Changes in tax rates		-	-
Adjustment to the estimated recoverable amounts of deferred tax assets arising in prior years		-	-
Other items		-	-
<b>Total deferred tax</b>		<b>47,691</b>	<b>-</b>
<b>Tax on profit on ordinary activities</b>		<b>48,199</b>	<b>601</b>

## CHARIOT (II) UNDERWRITING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

#### 18 Taxation (continued)

##### *Factors affecting tax charge for the year*

The tax assessed for the year is lower (2014 - lower) than the standard rate of Corporation Tax in the UK of 20.00%. The differences are explained below:

	2015 £	Restated 2014 £
Profit on ordinary activities before taxation	290,174	350,566
Profit on ordinary activities before taxation multiplied by the standard rate of Corporation Tax in the UK of 20.00%.	58,035	70,113
<i>Effects of:</i>		
Income/expenses not taxable/allowable	(1,363)	(1,287)
Timing differences arising from the taxation of the underwriting results	24,351	(31,941)
Timing differences arising from the taxation of syndicate participation movements	-	-
Utilisation of tax losses	(81,023)	(36,884)
Adjustments to tax charge in respect of prior periods	-	-
Deferred tax movement	47,691	-
Other adjustments	508	600
Total tax charge for the year	48,199	601

##### *Factors that may affect future tax charges*

The company has trading losses of £146,892 (2014 - £510,448) available for carry forward against future trading profits.

	2015 £	Restated 2014 £
<i>Provision for deferred tax</i>		
At 1 January	-	-
Charge to the profit and loss account	47,691	-
Released or utilised in the year	-	-
At 31 December	47,691	-

Full provision has been made for all timing differences apart from the recovery of taxation losses against future trading profits, which cannot be prudently anticipated at this time.

The deferred tax asset not provided for in respect of Corporation Tax losses, and deferred tax losses not yet assessable to Corporation Tax, amounted to £Nil (2014 - £5,009).

# CHARIOT (II) UNDERWRITING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

19 Other creditors	Syndicate	Corporate	2015	Restated 2014
	£	£	£	£
Other creditors	216,366	30,012	246,378	154,654
Social security costs	-	-	-	-
Corporation tax	-	-	-	-
Shareholders' loan account	-	493,671	493,671	816,214
<b>Total</b>	<b>216,366</b>	<b>523,683</b>	<b>740,049</b>	<b>970,868</b>

The above shareholders' loan has been included in the related party transactions note 24.

20 Financial liabilities	2015	Restated 2014
All financial liabilities are measured at amortised cost except for:	£	£
Amounts due to credit institutions	-	-

This liability has been disclosed at fair value using a valuation technique. The Company uses the following hierarchy for determining and disclosing the fair value of financial liabilities by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical liabilities
- Level 2: prices based on recent transactions in identical liabilities
- Level 3: prices determined using a valuation technique

21 Reconciliation of profit before tax to cash inflow from operating activities	2015	Restated 2014
	£	£
Profit before tax	290,174	350,566
Finance costs	-	-
Finance income	(15,867)	(19,581)
Current year result not distributable in year	(322,254)	(274,071)
Prior year result distributable in year	335,300	110,590
Loss/(Profit) on sale of syndicate participation rights	-	(72,000)
Increase in creditors	6,733	23,539
Decrease in debtors	-	25,077
Amortisation and impairment of syndicate participation rights	24,000	362
<b>Cash inflow from operating activities</b>	<b>318,086</b>	<b>144,482</b>

## **CHARIOT (II) UNDERWRITING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015**

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#### **22 Fund's at Lloyd's**

Cash balances of £6,296 (2014: £6,253) detailed in note 16 and investments of £233,852 (2014: £222,993) detailed in note 13 are held within the company's Lloyd's deposit. These balances exclude any amounts held via syndicates.

The Lloyd's deposit represents funds deposited with the Corporation of Lloyd's (Lloyd's) to support the company's underwriting activities as described in the accounting policies. The company has entered into a legal agreement with Lloyd's which gives the Corporation the right to apply these funds in settlement of any claims arising from the company's participation on Lloyd's Syndicates. These funds 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 company's liabilities in respect of its underwriting.

In addition to these amounts, a shareholder of the company has also made available to Lloyd's assets amounting to approximately £3,233,553 (2014: £2,910,628) which are also used by the company to support its Lloyd's underwriting.

#### **23 Controlling party**

At the end of the year the company was a wholly owned subsidiary of KIRLY Limited. Mr and Mrs Johnson are the main shareholders of KIRLY Limited.

#### **24 Related party transactions**

Mr and Mrs Johnson are both underwriting members of Lloyd's and, therefore, may be members of the same syndicates as the company or may trade with the company. They are also interested in the share capital of NW Brown and Company and Mr Johnson is a director of that company. NW Brown and Company arranges and advises the company on its investments.

At the end of the year £493,671 (2014 - £816,214) was owed to KIRLY Limited. This amount is included within shareholders' loan account in note 19.

## CHARIOT (II) UNDERWRITING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

#### 25 Syndicates

The company is or was an Underwriting Member of the following Syndicate(s) or MAPA's:

Syn. No.	Managing agent	2016 Allocated Capacity	2015 Allocated Capacity	2014 Allocated Capacity	2013 Allocated Capacity
0218	Equity Syndicate Management Limited	164,572	160,001	200,001	200,001
0260	Canopus Managing Agents Limited	-	-	600,000	600,000
0510	R J Kiln & Co Limited	394,365	394,365	394,365	394,365
0557	R J Kiln & Co Limited	125,448	125,448	125,448	125,448
0609	Atrium Underwriters Limited	34,838	34,838	34,838	34,838
0727	S A Meacock & Co Limited	90,254	90,254	90,254	90,254
0958	Omega Underwriting Agents Limited	-	512,663	125,000	157,143
1884	---Syndicate NOT recognised---	250,000	100,000	-	-
1969	ANV Syndicate Management Limited	120,887	107,455	94,023	73,875
2010	Cathedral Underwriting Limited	107,162	107,162	122,471	122,471
2121	Argenta Syndicate Management Limited	301,849	268,310	268,310	223,591
2791	Managing Agency Partners Limited	233,161	233,161	264,179	300,001
4444	Canopus Managing Agents Limited	540,374	-	-	-
5820	Jubilee Managing Agency Limited	25,000	25,000	25,000	25,000
6103	Managing Agency Partners Limited	50,740	45,304	112,484	-
6105	Ark Syndicate Management Limited	-	27,480	27,480	-
6106	Amlin Underwriting Limited	-	-	-	228,888
6107	Beazley Furlonge Limited	-	200,000	200,000	200,000
6111	Catlin Underwriting Agencies Limited	269,386	242,635	242,635	200,000
		£ 2,708,036	£ 2,674,076	£ 2,926,488	£ 2,975,875



## CHARIOT (II) UNDERWRITING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 26 Transition to FRS 102 and FRS 103

This is the first year that the Company and syndicates on which the Company participates have presented their results under FRS 102 and FRS 103. The previous financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 and FRS 103 was 1 January 2014. As a consequence, the Company and the respective syndicates were required to amend their accounting policies to ensure compliance with FRS 102 and FRS 103.

The following changes to accounting policies for some syndicates has resulted in restatement to previously reported amounts in respect to foreign exchange particularly in relation to:

- i Where a syndicate has changed their functional currency from Pounds Sterling; and
- ii Where a syndicate may have not previously treated deferred acquisition costs and unearned premium reserves as monetary items.

In accordance with FRS 102, the applicable comparative figures in the primary statements and notes have been restated to reflect uniform application of the new policy outlined above.

The financial effect of restating the prior year amounts for the changes in accounting policy is as follows:

<b>Reconciliation of profit/(loss) for the financial year</b>	<b>Restated 2014 £</b>
Profit/(loss) for the financial year 2014 as previously reported	370,772
Effect of change in foreign exchange accounting policy	(20,807)
<b>Restated profit/(loss) for the financial year 2014</b>	<b>349,965</b>
 <b>Reconciliation of shareholders' funds</b>	 <b>Restated 2014 £</b>
Closing shareholders' funds as previously reported at 31 December 2014	(222,096)
Effect of change in foreign exchange accounting policy	(20,807)
<b>Restated closing shareholders' funds at 31 December 2014</b>	<b>(242,903)</b>