

**Company registration number: 3599698**

**Silver Lining 55 Limited**

**Report and financial statements  
31 December 2015**

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## **Silver Lining 55 Limited**

### **Company information**

#### **Directors**

Mr M G H Heald  
Mrs L J F Heald  
Miss E M A Heald

#### **Company Secretary**

Argenta Secretariat Limited

#### **Registered Office**

Fountain House  
130 Fenchurch Street  
London EC3M 5DJ

#### **Auditors**

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

#### **Accountants**

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

# Silver Lining 55 Limited

## Strategic Report

The Directors submit their Strategic Report for the Company for the year ended 31 December 2015.

### Business Review

The Company continues to write insurance business in the Lloyd's insurance market as a Lloyd's corporate capital member.

The financial statements incorporate the annual accounting results of the Syndicates on which the Company participates for the 2013, 2014 and 2015 years of account, as well as any 2012 and prior run-off years. The 2013 year closed at 31 December 2015 with a result of £94,548 (2012 - £95,581). The 2014 and 2015 open underwriting accounts will normally close at 31 December 2016 and 2017 respectively.

### Results and Dividends

The results for the year are set out on pages 7 to 8 of the financial statements. Dividends totalling £Nil were paid in the year (2014 - £Nil).

### 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

	2015	Restated 2014
Capacity (youngest underwriting year)	£ 1,058,658	£ 872,846
Gross premium written as a % of capacity	76.8%	88.2%
Underwriting profit of latest closed year:		
as a % of capacity	11.7%	9.6%
Run-off years of account movement	£ -	£ -
Combined ratio	89.9%	84.3%

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

Approved by the Board on 24 MAY 2016  
and signed on its behalf by:



M G H HEALD

Director

## **Silver Lining 55 Limited**

### **Report of the Directors**

The Directors submit their Report together with the audited financial statements of the Company for the year ended 31 December 2015.

#### **Principal Activities**

The principal activity of the Company is that of trading as a Lloyd's corporate capital member. The Company continues to underwrite for the 2016 year of account.

#### **Statement of Directors' Responsibilities**

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

Company law requires the Directors to prepare financial statements for each financial period. 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; and
- 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. They 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.

#### **Directors**

The Directors who served at any time during the year were as follows:

Mr M G H Heald  
Mrs L J F Heald  
Miss E M A Heald

## Silver Lining 55 Limited

### Report of the Directors (continued)

#### Auditors

Mazars LLP have signified their willingness to act and continue to be appointed as the Company's auditors.

**In the case of each of the persons who are Directors at the time this report is approved, the following applies:**

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

Approved by the Board on  
and signed on its behalf by:

*JL M* 2016



M G H HEALD

Director

## **Silver Lining 55 Limited**

### **Independent Auditor's report**

#### **Independent auditor's report to the members of Silver Lining 55 Limited**

We have audited the financial statements of Silver Lining 55 Limited for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 (APB's) Ethical Standards for Auditors. 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 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 Company and the Company's members, as a body for our audit work, for this report, or for the opinions we have formed.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on the 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/(loss) 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 the other matter prescribed by the Companies Act 2006**

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


## Silver Lining 55 Limited

### Independent Auditor's report (continued)

#### 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 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
- 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.

  
**Markham Grice (Senior Statutory Auditor)**  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
Tower Bridge House  
St. Katharine's Way  
London E1W 1DD

8 June 2016

## Silver Lining 55 Limited

### Profit and loss account Technical account – general business For the year ended 31 December 2015

	Note	2015 £	Restated 2014 £
<b>Premiums written</b>			
Gross premiums written	1	812,709	769,990
Outward reinsurance premiums	1	(163,747)	(140,351)
<b>Net premiums written</b>		<u>648,962</u>	<u>629,639</u>
<b>Change in the provision for unearned premiums</b>			
Gross provision	1	(30,707)	(6,757)
Reinsurers' share	1	8,065	1,347
<b>Earned premiums, net of reinsurance</b>		<u>626,320</u>	<u>624,229</u>
<b>Allocated investment return transferred from the non-technical account</b>		5,414	14,150
Other technical income, net of reinsurance		48	109
<b>Claims paid</b>			
Gross amount	1	(391,815)	(436,345)
Reinsurers' share	1	66,452	87,838
<b>Net claims paid</b>		<u>(325,363)</u>	<u>(348,507)</u>
<b>Change in provision for claims</b>			
Gross amount	1	48,015	110,572
Reinsurers' share	1	(7,768)	(32,895)
<b>Change in net provision for claims</b>		<u>40,247</u>	<u>77,677</u>
<b>Claims incurred, net of reinsurance</b>		<u>(285,116)</u>	<u>(270,830)</u>
Changes in other technical provisions, net of reinsurance		3,125	-
Net operating expenses	1, 2	(277,885)	(255,454)
Other technical charges, net of reinsurance		-	-
<b>Balance on the technical account for general business</b>		<u>71,906</u>	<u>112,204</u>

The accounting policies and notes on pages 13 to 39 form part of these Financial Statements.



# Silver Lining 55 Limited

## Profit and loss account

### Non - technical account

For the year ended 31 December 2015

	Note	2015 £	Restated 2014 £
<b>Balance on technical account for general business</b>		71,906	112,204
Investment income	3	5,459	14,016
Allocated investment return transferred to the general business technical account		(5,414)	(14,150)
Other income		-	-
Other charges		(20,554)	(21,480)
<b>Profit/(loss) on ordinary activities before taxation</b>	4	51,397	90,590
Tax on profit/(loss) on ordinary activities	5	(9,355)	(39,040)
<b>Profit/(loss) for the financial year</b>		42,042	51,550
Other comprehensive income		1,040	1,342
<b>Total comprehensive income</b>	10	43,082	52,892

All amounts relate to continuing operations.

The accounting policies and notes on pages 13 to 39 form part of these Financial Statements.

# Silver Lining 55 Limited

## Balance sheet As at 31 December 2015

		31 December 2015			Restated 31 December 2014		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
<b>Assets</b>							
<b>Intangible assets</b>	6	-	156	156	-	930	930
<b>Investments</b>							
Financial investments	7	761,331	-	761,331	843,320	-	843,320
Deposits with ceding undertakings		194	-	194	99	-	99
		761,525	-	761,525	843,419	-	843,419
<b>Reinsurers' share of technical provisions</b>							
Provision for unearned premiums	8	50,199	-	50,199	40,540	-	40,540
Claims outstanding	8	208,686	-	208,686	227,183	-	227,183
Other technical provisions		3,125	-	3,125	-	-	-
		262,010	-	262,010	267,723	-	267,723
<b>Debtors</b>							
Arising out of direct insurance operations		200,831	-	200,831	180,977	-	180,977
Arising out of reinsurance operations		153,825	-	153,825	147,382	-	147,382
Other debtors	7	103,963	55,581	159,544	88,348	60,392	148,740
		458,619	55,581	514,200	416,707	60,392	477,099
<b>Other assets</b>							
Cash at bank and in hand		15,040	29,528	44,568	37,396	36	37,432
Other		46,328	-	46,328	56,891	-	56,891
		61,368	29,528	90,896	94,287	36	94,323
<b>Prepayments and accrued income</b>							
Accrued interest		93	-	93	142	-	142
Deferred acquisitions costs	8	104,238	-	104,238	86,966	-	86,966
Other prepayments and accrued income		5,410	-	5,410	4,208	-	4,208
		109,741	-	109,741	91,316	-	91,316
<b>Total assets</b>		1,653,263	85,265	1,738,528	1,713,452	61,358	1,774,810

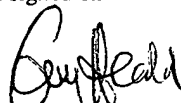
The accounting policies and notes on pages 13 to 39 form part of these Financial Statements.

# Silver Lining 55 Limited

## Balance sheet As at 31 December 2015

		31 December 2015			Restated 31 December 2014		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
<b>Liabilities and shareholders' funds</b>							
<b>Capital and reserves</b>							
Called up share capital	9	-	1,250	1,250	-	1,250	1,250
Capital redemption		-	-	-	-	-	-
Capital contribution		-	-	-	-	-	-
Share premium account		-	-	-	-	-	-
Profit and loss account	10	147,502	1,790	149,292	168,442	(62,232)	106,210
<b>Shareholders' funds – attributable to equity interests</b>		147,502	3,040	150,542	168,442	(60,982)	107,460
<b>Technical provisions</b>							
Provision for unearned premiums	8	384,105	-	384,105	342,953	-	342,953
Claims outstanding	8	937,216	-	937,216	1,050,420	-	1,050,420
Other technical provisions		-	-	-	-	-	-
<b>Provisions for other risks and charges</b>							
Deferred taxation	11	-	41,471	41,471	-	32,591	32,591
Other		-	-	-	-	-	-
<b>Deposit received from reinsurers</b>		214	-	214	299	-	299
<b>Creditors</b>							
Arising out of direct insurance operations		24,283	-	24,283	22,104	-	22,104
Arising out of reinsurance operations		84,750	-	84,750	77,908	-	77,908
Amounts owed to credit institutions		8,891	-	8,891	-	-	-
Other creditors including taxation and social security	7	77,704	9,438	87,142	55,061	52,038	107,099
		1,517,163	50,909	1,568,072	1,548,745	84,629	1,633,374
<b>Accruals and deferred income</b>		(11,402)	31,316	19,914	(3,735)	37,711	33,976
<b>Total liabilities</b>		1,653,263	85,265	1,738,528	1,713,452	61,358	1,774,810

Approved and authorised for issue by the Board of Directors on 24 MAY 2016  
and signed on its behalf by:

  
M G H HEALD  
Director

Company registration number: 3599698

The accounting policies and notes on pages 13 to 39 form part of these Financial Statements.

## Silver Lining 55 Limited

### Statement of changes in equity For the year ended 31 December 2015

	Called up share capital £	Capital redemption reserve £	Share premium account £	Profit and loss account £	Capital contribution reserve £	Total £
<b>Opening balance</b>	1,250	-	-	53,318	-	54,568
Profit/(loss) for the year	-	-	-	51,550	-	51,550
Other comprehensive income	-	-	-	1,342	-	1,342
<b>Total comprehensive income</b>	-	-	-	52,892	-	52,892
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
<b>As at 31 December 2014</b>	<b>1,250</b>	<b>-</b>	<b>-</b>	<b>106,210</b>	<b>-</b>	<b>107,460</b>
Profit/(loss) for the year	-	-	-	42,042	-	42,042
Other comprehensive income	-	-	-	1,040	-	1,040
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,082</b>	<b>-</b>	<b>43,082</b>
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
<b>As at 31 December 2015</b>	<b>1,250</b>	<b>-</b>	<b>-</b>	<b>149,292</b>	<b>-</b>	<b>150,542</b>

Called-up share capital represents the nominal value of shares that have been issued.

Capital redemption reserve records the nominal value of shares repurchased by the Company.

The share premium account records the amount above the nominal value received for shares sold, less transaction costs.

The profit and loss account represents cumulative profits and losses of the Company.

Capital contribution reserve relates to contributions to the equity capital of the Company.

The accounting policies and notes on pages 13 to 39 form part of these Financial Statements.

## Silver Lining 55 Limited

### Cash flow statement For the year ended 31 December 2015

	2015 £	Restated 2014 £
<b>Operating activities</b>		
Profit/(loss) on ordinary activities before tax	52,437	91,932
(Profit)/loss attributable to syndicate transactions	20,940	74,078
Profit/(loss) - excluding syndicate transactions	73,377	166,010
Adjusted for:		
(Increase)/decrease in debtors	30	0
Increase/(decrease) in creditors	(48,995)	(18,430)
(Profit)/loss on disposal of intangible assets	-	-
Amortisation of syndicate capacity	774	1,980
Realised/unrealised (gains)/losses on investments	-	-
Investment income	(45)	(14)
Corporation and overseas taxes (paid)/refunded	4,306	(1,384)
Net cash inflow/(outflow) from operating activities	29,447	148,162
<b>Investing activities</b>		
Investment income	45	14
Purchase of syndicate capacity	-	(20)
Proceeds from sale of syndicate capacity	-	-
Purchase of financial investments	-	-
Proceeds from sale of financial investments	-	-
Net cash (outflow)/inflow from investing activities	45	(6)
<b>Financing activities</b>		
Issue of shares	-	-
Share issue expenses	-	-
Capital contribution/redemption	-	-
Equity dividends paid	-	-
Net cash (outflow)/inflow from financing activities	-	-
Net cash increase/(decrease) in cash and cash equivalents	29,492	148,156
Effect of exchange rates on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	36	(148,120)
Cash and cash equivalents at the end of the year	29,528	36
Consisting of:		
Cash at bank and in hand	29,528	36
Cash equivalents	-	-
	29,528	36

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.

The accounting policies and notes on pages 13 to 39 form part of these Financial Statements.

## **Silver Lining 55 Limited**

### **Notes to the Financial Statements For the year ended 31 December 2015**

#### **Basis of preparation of financial statements**

##### **General information**

The Company is a limited company incorporated in the United Kingdom.

The financial statements have been presented in Pounds Sterling ("Sterling") as this is the Company's functional currency, being the primary economic environment in which the Company operates.

##### **Basis of preparation and transition to FRS 102**

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") 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"). These financial statements have been prepared under the historical costs convention as modified for certain financial instruments held at fair value.

The financial statements for the year ended 31 December 2015 are the Company's first financial statements that comply with FRS 102; the Company's date of transition to FRS 102 was 1 January 2014. The impact on reported profit or loss and equity on transition to FRS 102 is set out in the notes to these financial statements.

##### **Recognition of insurance transactions**

Preparing financial statements in accordance with SI 2008/410 requires the Company to recognise its proportion of all the transactions undertaken by the Lloyd's Syndicates in which it participates ("the Syndicates") in aggregation with the transactions undertaken by the Company at entity level ("the Corporate").

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 and loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

For each such Syndicate, the Company's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Company's profit and loss account. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading "Syndicate"). The Syndicate's assets are held subject to trust deeds for the benefit of the Company's insurance creditors.

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

The Company 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 Company.

##### **Sources of data**

The information used to compile the technical account and the "Syndicate" balance sheet is based on returns prepared for this purpose by the Managing Agents of the Syndicates ("the Returns"). These Returns have been subjected to audit by the Syndicate auditors and are based on the audited Syndicate returns to Lloyd's and the audited annual reports to Syndicate members.

The format of the Returns has been established by Lloyd's and Lloyd's has also been responsible for collating the data at a Syndicate level and analysing it into corporate member level results.

## **Silver Lining 55 Limited**

### **Notes to the Financial Statements For the year ended 31 December 2015**

#### **Accounting policies**

##### **i Going concern**

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

##### **ii Premiums**

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years. Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax. Gross premiums written may include "reinsurance to close" premiums receivable (see vi below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see vi below). Premiums written by a Syndicate may also include the reinsurance of other Syndicates on which the Company 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 Company'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 regards 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 Directors 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.

## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

#### 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 Company participates on successive years of account of the same Syndicate and there is a reinsurance to close between those years, the Company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

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

##### vii Financial instruments

The Company has chosen to apply the provisions of Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instruments* in full.

The Company holds both basic and non-basic financial instruments. The Company's financial instruments comprise of cash and cash equivalents, trade and other receivables, trade and other payables and investments in a variety of basic and non-basic financial instruments, through both the Corporate and through the Syndicates.

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument.



## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

#### Accounting policies (continued)

##### vii Financial instruments (continued)

Basic financial instruments (except for non-puttable ordinary and non-convertible preference shares) are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment in the case of financial assets. Amounts that are receivable/payable within one year are measured at the undiscounted amount of the cash expected to be received/settled.

Where a financial instrument constitutes a financing transaction, it is initially measured at the present value of the future payments, discounted at a market rate of interest, and subsequently measured at amortised cost using the effective interest rate method.

All other financial instruments are measured at fair value through profit or loss, except for investments in equity instruments that are not publicly traded, and whose fair value cannot otherwise be measured reliably, which are measured at cost less impairment.

At the end of each reporting year, the Company 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 Company 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 the profit and loss.

Investment income is initially recorded in the non-technical account. All investment income arising on Syndicate participations is allocated to the technical account.

Interest income is recognised as it accrues using the effective interest rate method.

Dividend income receivable is recognised when the rights to receive the distributions have been established.

##### viii Net operating expenses

Operating expenses are recognised when incurred. They include the Company's share of Syndicate operating expenses, the remuneration payable to Managing Agents (and the Company's Members' Agent/licensed adviser) and the direct costs of membership of Lloyd's.

##### ix Foreign currencies

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

##### x 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.

## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

#### Accounting policies (continued)

##### **xi Taxation**

The Company is taxed on its share of the underwriting results declared by Syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. The Syndicate results included in these financial statements (excluding any losses on open years of account) are only declared for tax purposes in the calendar year following closure of the year of account. HM Revenue & Customs agrees the taxable results of Syndicates at a Syndicate level on the basis of computations submitted by the Managing Agent. At the date of approval of these financial statements, the Syndicate taxable results of this year have not been agreed. Any adjustments that may be necessary to the tax provision as a result of HM Revenue & Customs agreement of Syndicate taxable results will be reflected in the financial statements of subsequent periods.

##### **xii Deferred taxation**

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date, that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **xiii Critical accounting judgements and key sources of estimated uncertainty**

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

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Company 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 Directors in respect of the Corporate only, and do not include estimates and judgements made in respect of the Syndicates.

## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

#### Accounting policies (continued)

#### xiii Critical accounting judgements and key sources of estimated uncertainty (continued)

##### Critical accounting judgements

The critical judgements that the Directors have made in the process of applying the Company'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 Directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

##### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Estimating value in use*

Where an indication of impairment exists the 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 the Directors to estimate the future cash flows expected to arise from the asset or the cash generating unit and a suitable discount rate in order to calculate present value.

##### *Recoverability of receivables*

The Company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the Directors 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 Directors have assessed the useful life of syndicate capacity to be five years. This is on the basis that the Directors consider this to be the life over which value is created from the investment made.

## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

#### 1. Class of Business

2015	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
<b>Direct Insurance</b>						
Accident and health	28,110	27,706	(15,924)	(11,879)	14	(83)
Motor – third party liability	10,570	9,217	(6,619)	(3,286)	507	(181)
Motor – other classes	76,226	70,570	(46,940)	(22,172)	(1,864)	(406)
Marine, aviation and transport	102,797	108,918	(46,429)	(42,131)	(6,492)	13,866
Fire and other damage to property	263,648	259,530	(114,160)	(98,587)	(47,143)	(360)
Third party liability	101,280	88,998	(49,732)	(37,669)	(5,362)	(3,765)
Credit and suretyship	10,829	11,109	(5,392)	(2,648)	(1,865)	1,204
Legal expenses	1,666	1,837	(897)	(933)	(21)	(14)
Assistance	-	-	-	-	-	-
Miscellaneous	7,160	6,992	(3,039)	(2,589)	(539)	825
	602,286	584,877	(289,132)	(221,894)	(62,765)	11,086
<b>Reinsurance</b>	210,423	197,125	(54,668)	(55,991)	(34,233)	52,233
<b>Total</b>	<b>812,709</b>	<b>782,002</b>	<b>(343,800)</b>	<b>(277,885)</b>	<b>(96,998)</b>	<b>63,319</b>

Restated 2014	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
<b>Direct Insurance</b>						
Accident and health	26,903	26,536	(12,614)	(11,147)	(672)	2,103
Motor – third party liability	7,544	8,189	(6,432)	(2,801)	(27)	(1,071)
Motor – other classes	67,332	69,181	(46,618)	(24,288)	867	(858)
Marine, aviation and transport	118,781	115,781	(59,559)	(40,365)	(4,944)	10,913
Fire and other damage to property	248,292	244,528	(89,651)	(84,999)	(40,988)	28,890
Third party liability	78,146	71,894	(43,233)	(26,604)	(3,823)	(1,766)
Credit and suretyship	11,940	12,239	(9,833)	(2,699)	412	119
Legal expenses	1,807	2,056	(739)	(1,229)	(11)	77
Assistance	-	-	-	-	-	-
Miscellaneous	6,311	6,303	(2,625)	(2,522)	(664)	492
	567,056	556,707	(271,304)	(196,654)	(49,850)	38,899
<b>Reinsurance</b>	202,934	206,526	(54,469)	(58,800)	(34,211)	59,046
<b>Total</b>	<b>769,990</b>	<b>763,233</b>	<b>(325,773)</b>	<b>(255,454)</b>	<b>(84,061)</b>	<b>97,945</b>

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.

## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

<b>2. Net Operating Expenses</b>	<b>2015</b>	<b>Restated</b>
	<b>£</b>	<b>2014</b>
		<b>£</b>
Acquisition costs	234,433	211,979
Change in deferred acquisition costs	(15,646)	(4,318)
Administrative expenses	46,604	32,746
Reinsurance commissions and profit participations	(16,211)	(13,482)
Personal expenses	28,705	28,529
	<u>277,885</u>	<u>255,454</u>
<b>3. Investment Income</b>	<b>2015</b>	<b>Restated</b>
	<b>£</b>	<b>2014</b>
		<b>£</b>
Financial instruments held at fair value through profit or loss:		-
Interest and dividend income	10,151	12,912
Realised gains and losses	(1,081)	123
Unrealised gains and losses	(2,591)	2,291
Other	-	-
	<u>6,479</u>	<u>15,326</u>
Financial instruments held at amortised cost:		
Interest	45	14
Other	-	-
	<u>45</u>	<u>14</u>
Investment management expenses, including interest	(1,065)	(1,324)
	<u>(1,065)</u>	<u>(1,324)</u>
	<u>5,459</u>	<u>14,016</u>
<b>4. Profit/(Loss) on Ordinary Activities before Taxation</b>	<b>2015</b>	<b>Restated</b>
	<b>£</b>	<b>2014</b>
		<b>£</b>
Operating profit/(loss) is stated after charging:		
Directors' remuneration	-	-
Amortisation of syndicate capacity	774	1,980
(Profit)/loss on disposal of intangible fixed assets	-	-
(Profit)/loss on exchange	(2,837)	1,533

The Company has no employees and no staff costs are met by the Company.

The Directors are considered to be the key management personnel of the Company.

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

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2015

5. Taxation	2015 £	Restated 2014 £
<b>Analysis of charge in year</b>		
Current tax:		
UK corporation tax on profit/(loss) of the year	-	-
Adjustment in respect of previous period	-	(4,781)
	-	(4,781)
Foreign tax	475	1,384
Total current tax	475	(3,397)
Deferred tax:		
Origination and reversal of timing differences	7,026	42,437
Change in tax rate	1,854	-
Total tax	9,355	39,040
<b>Factors affecting tax charge for period</b>		
The tax assessed for the period is different to the standard rate of corporation tax in the UK of 20.00% (2014 - 20.00%). The differences are explained below:		
Profit/(loss) on ordinary activities before tax	52,437	90,590
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2014 - 20.00%)	10,487	18,118
Effects of:		
Change in deferred tax rate	1,854	-
Deferred tax asset previously unrecognised	-	3,908
Foreign tax	380	1,107
Expenses not deductible for tax purposes	-	-
Other corporation computation adjustments	-	-
Marginal rates of taxation and prior period adjustment	(3,366)	15,907
Total tax charge/(credit) for the period	9,355	39,040

The results of the Company's participation on the 2013, 2014 and 2015 years of account and any calendar year movement on 2012 and prior run-offs, will not be assessed to tax until the year ended 31 December 2016, 2017 and 2018 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account.

A change in the main UK corporation tax rate from 21% to 20% took effect from 1 April 2015. The rate will be reduced further to 19% from 1 April 2017 and to 18% from 1 April 2020. The effect of these reductions are reflected in the recognised deferred tax liability/(asset).

## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

6.	Intangible Assets	2015 £	Restated 2014 £
	<b>Purchased Syndicate Capacity</b>		
	<b>Cost</b>		
	At 1 January 2015	27,203	27,183
	Additions	-	20
	Disposals	(1,893)	-
	At 31 December 2015	25,310	27,203
	<b>Amortisation</b>		
	At 1 January 2015	26,273	24,293
	Additions	774	1,980
	Disposals	(1,893)	-
	At 31 December 2015	25,154	26,273
	<b>Net Book Value</b>		
	At 31 December 2015	156	930
	At 31 December 2014	930	2,890
7.	<b>Financial Instruments and Financial Risk Management</b>		
7.1	<b>Financial Investments</b>		
	<b>Other financial investments – Syndicate participation</b>		
		<b>2015 Market Value £</b>	<b>Restated 2014 Market Value £</b>
	Shares and other variable yield securities and units in unit trusts	18,836	51,822
	Debt securities and other fixed income securities	528,558	580,982
	Participation in investment pools	8,717	23,577
	Loans with credit institutions	5,308	6,853
	Derivative financial instruments	158	178
	Other investments	-	-
	Deposits with credit institutions	12,159	18,362
	Other	187,595	161,546
		761,331	843,320
	<b>Other financial investments – Corporate</b>		
	Shares and other variable yield securities and units in unit trusts	-	-
	Debt securities and other fixed income securities	-	-
	Other investments	-	-
		-	-

## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

#### 7. Financial Instruments and Financial Risk Management (continued)

##### 7.2 Other Debtors

	2015			Restated 2014		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts due from group undertakings	-	-	-	-	-	-
Other	103,963	55,581	159,544	88,348	60,392	148,740
	103,963	55,581	159,544	88,348	60,392	148,740

##### 7.3 Funds at Lloyd's

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

	2015			Restated 2014		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	126	126	-	36	36
Investments	-	-	-	-	-	-
	-	126	126	-	36	36

Funds at Lloyd's represents assets 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 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 Company's liabilities in respect of its underwriting.

##### 7.4 Other Creditors including Taxation and Social Security

	2015			Restated 2014		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Corporation tax	-	-	-	-	-	-
Directors' loan accounts	-	8,435	8,435	-	50,775	50,775
Third party funds	-	-	-	-	-	-
Other creditors	77,704	1,003	78,707	55,061	1,263	56,324
Amount due to group undertakings	-	-	-	-	-	-
	77,704	9,438	87,142	55,061	52,038	107,099



## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

#### 7. Financial Instruments and Financial Risk Management (continued)

##### 7.5 Classification of Financial Instruments

The tables below set out the Company's financial instruments by classification.

##### Other financial investments – Syndicate participation

			2015			Restated 2014
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
<b>Financial assets</b>						
Investments	806,326	-	806,326	899,181	-	899,181
Deposits with ceding undertakings	-	194	194	-	99	99
Insurance debtors	-	200,831	200,831	-	180,977	180,977
Reinsurance debtors	-	153,825	153,825	-	147,382	147,382
Other debtors	-	103,963	103,963	-	88,348	88,348
Cash at bank and in hand	-	15,040	15,040	-	37,396	37,396
Other assets	-	-	-	-	-	-
	806,326	473,853	1,280,179	899,181	454,202	1,353,383
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	-	-	-	(131)	-	(131)
Insurance creditors	-	24,283	24,283	-	22,104	22,104
Reinsurance creditors	-	84,750	84,750	-	77,908	77,908
Amounts owed to credit institutions	-	8,891	8,891	-	-	-
Other creditors	-	-	-	-	-	-
	-	117,924	117,924	(131)	100,012	99,881

##### Other financial investments – Corporate

			2015			Restated 2014
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
<b>Financial assets</b>						
Investments	-	-	-	-	-	-
Other debtors	-	55,581	55,581	-	60,392	60,392
Cash at bank and in hand	-	29,528	29,528	-	36	36
Other assets	-	-	-	-	-	-
	-	85,109	85,109	-	60,428	60,428
<b>Financial liabilities</b>						
Other creditors	-	9,438	9,438	-	52,038	52,038
	-	9,438	9,438	-	52,038	52,038

## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

#### 7. Financial Instruments and Financial Risk Management (continued)

##### 7.5 Classification of Financial Instruments (continued)

The table below sets out details of the Company's derivative financial instruments.

	2015		Restated 2014	
	Notional amount £	Fair value £	Notional amount £	Fair value £
Foreign exchange forward contracts	(22,318)	1	2,296	76
Interest rate future contracts	(15,839)	30	(4,844)	34
Foreign exchange options	-	-	-	-
Equity options	1,969	44	11,187	(21)
Foreign exchange contract for difference	3,707	81	29,388	49
Other	-	-	-	-
	(32,481)	156	38,027	138

##### 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.

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2015

### 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 Company'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 £
<b>2015</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	49,756	130,554	26,122	206,432	-	206,432
Debt securities and other fixed income securities	273,991	141,368	113,199	528,558	-	528,558
Participation in investment pools	3,294	5,423	-	8,717	-	8,717
Loans and deposits with credit institutions	41,923	12,615	7,917	62,455	-	62,455
Derivatives	38	-	120	158	-	158
Other investments	-	-	6	6	-	6
Financial assets classified as held for sale	-	-	-	-	-	-
	<b>369,002</b>	<b>289,960</b>	<b>147,364</b>	<b>806,326</b>	<b>-</b>	<b>806,326</b>
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative liabilities	(138)	-	-	(138)	-	(138)
Financial liabilities classified as held for sale	-	-	-	-	-	-
	<b>(138)</b>	<b>-</b>	<b>-</b>	<b>(138)</b>	<b>-</b>	<b>(138)</b>

## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

#### 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 £
<b>Restated - 2014</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	71,604	99,646	42,119	213,369	-	213,369
Debt securities and other fixed income securities	229,437	165,023	191,813	586,273	-	586,273
Participation in investment pools	11,824	6,883	-	18,707	-	18,707
Loans and deposits with credit institutions	51,795	16,630	12,224	80,649	-	80,649
Derivatives	178	-	-	178	-	178
Other investments	-	-	6	6	-	6
Financial assets classified as held for sale	-	-	-	-	-	-
	364,838	288,182	246,162	899,182	-	899,182
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative liabilities	(115)	-	(16)	(131)	-	(131)
Financial liabilities classified as held for sale	-	-	-	-	-	-
	(115)	-	(16)	(131)	-	(131)

##### Other financial investments – Corporate

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
<b>2015</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	-	-	-	-	-	-

## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

#### 7. Financial Instruments and Financial Risk Management (continued)

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

###### Other financial investments – Corporate (continued)

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
<b>Restated 2014</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	-	-	-	-	-	-

#### 7.7 Financial Risk Management

The Company is a financial institution and therefore provides the following disclosures in respect of the financial instruments it holds.

The Company is exposed to the following financial risks in the course of its operating and financing activities:

- Credit risk
- Liquidity risk
- Interest rate risk
- Equity price risk; and
- Foreign exchange risk

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Company 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 Directors therefore relate to the Corporate only. The quantitative disclosures are made in respect of both the Corporate and the Syndicates.

## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

#### 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 Company's financial instruments will cause a loss to the Company through failure to perform its obligations. The key areas of exposure to credit risk for the Company result through its reinsurance programme, investments, bank deposits and policyholder receivables.

The Company manages credit risk at the Corporate level by ensuring that investments and cash and cash equivalent deposits are placed only with highly rated credit institutions. At the Corporate level the Company did not hold any collateral as security against its receivables, or have any other credit enhancements at the reporting dates.

The carrying amount of the Company's financial assets represents the Company'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 £
<b>2015</b>						
Shares and other variable yield securities and units in unit trusts	69,529	7,285	5,673	17,251	106,691	206,429
Debt securities and other fixed income securities	204,610	185,927	98,198	37,066	2,757	528,558
Participation in investment pools	6,727	1,305	561	125	-	8,718
Loans secured with credit institutions	4,763	-	545	-	-	5,308
Deposits with credit institutions	-	112	1,257	-	-	1,369
Overseas deposits	32,521	9,907	10,276	3,803	70	56,577
Derivative investments	25	-	8	-	125	158
Other investments	-	-	-	-	6	6
Deposits with ceding undertakings	-	-	-	-	194	194
Reinsurers share of claims outstanding	9,217	58,583	134,437	740	6,077	209,054
Reinsurance debtors	1,553	4,496	56,214	152	155	62,570
Cash at bank and in hand	9,743	174	1,484	3,640	-	15,041
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	338,688	267,789	308,653	62,777	116,075	1,093,982

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2015

### 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 £
<b>Restated 2014</b>						
Shares and other variable yield securities and units in unit trusts	93,509	7,182	15,028	12,960	84,678	213,357
Debt securities and other fixed income securities	229,574	184,019	134,369	29,916	8,394	586,272
Participation in investment pools	12,049	2,189	890	-	3,579	18,707
Loans secured with credit institutions	5,289	-	1,143	-	-	6,432
Deposits with credit institutions	-	1,745	2,289	-	2,996	7,030
Overseas deposits	33,790	14,551	15,192	2,450	2,233	68,216
Derivative investments	112	-	66	-	-	178
Other investments	-	-	-	-	6	6
Deposits with ceding undertakings	-	-	-	-	99	99
Reinsurers share of claims outstanding	13,622	57,337	148,497	771	7,366	227,593
Reinsurance debtors	1,403	3,483	63,081	249	592	68,808
Cash at bank and in hand	8,675	-	20,142	8,578	-	37,395
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	398,023	270,506	400,697	54,924	109,943	1,234,093

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 £
<b>2015</b>						
Shares and other variable yield securities and units in unit trusts	206,430	-	-	-	1	206,431
Debt securities and other fixed income securities	528,558	-	-	-	-	528,558
Participation in investment pools	8,717	-	-	-	-	8,717
Loans secured with credit institutions	5,308	-	-	-	-	5,308
Deposits with credit institutions	1,369	-	-	-	-	1,369
Overseas deposits	56,576	-	-	-	-	56,576
Derivative investments	158	-	-	-	-	158
Other investments	6	-	-	-	-	6
Deposits with ceding undertakings	194	-	-	-	-	194
Reinsurers share of claims outstanding	209,053	17	-	-	(384)	208,686
Reinsurance debtors	62,570	17,329	1,244	328	429	81,900
Cash at bank and in hand	15,040	-	-	-	-	15,040
Insurance debtors	249,083	12,195	3,051	4,661	(240)	268,750
Other debtors	71,700	-	-	-	-	71,700
	1,414,762	29,541	4,295	4,989	(194)	1,453,393

## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

#### 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 £
<b>Restated 2014</b>						
Shares and other variable yield securities and units in unit trusts	213,357	-	-	-	11	213,368
Debt securities and other fixed income securities	586,273	-	-	-	-	586,273
Participation in investment pools	18,707	-	-	-	-	18,707
Loans secured with credit institutions	6,432	-	-	-	-	6,432
Deposits with credit institutions	7,031	-	-	-	-	7,031
Overseas deposits	68,216	-	-	-	-	68,216
Derivative investments	178	-	-	-	-	178
Other investments	6	-	-	-	-	6
Deposits with ceding undertakings	99	-	-	-	-	99
Reinsurers share of claims outstanding	227,594	-	-	-	(341)	227,253
Reinsurance debtors	68,809	8,286	377	291	531	78,294
Cash at bank and in hand	37,396	-	-	-	-	37,396
Insurance debtors	228,518	11,822	3,351	1,786	(367)	245,110
Other debtors	49,577	-	-	-	-	49,577
	<b>1,512,193</b>	<b>20,108</b>	<b>3,728</b>	<b>2,077</b>	<b>(166)</b>	<b>1,537,940</b>

At the Corporate level the Company is not exposed to significant credit risk. Consequently a sensitivity analysis for credit risk has not been presented for the Corporate.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

At the Corporate level the Company manages liquidity by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of assets and liabilities.

The following tables detail the Company'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 Company 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 £
<b>2015</b>						
Derivative financial instruments	-	208	54	-	-	262
Deposits received from reinsurers	-	214	-	-	-	214
Creditors	21,573	112,990	11,086	2,231	-	147,880
Other	286	-	-	-	-	286
	<b>21,859</b>	<b>113,412</b>	<b>11,140</b>	<b>2,231</b>	<b>-</b>	<b>148,642</b>



## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

#### 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 £
<b>Restated - 2014</b>						
Derivative financial instruments	-	503	14	-	-	517
Deposits received from reinsurers	-	299	-	-	-	299
Creditors	12,337	101,754	5,311	3,049	-	122,451
Other	269	-	-	-	-	269
	12,606	102,556	5,325	3,049	-	123,536

At the Corporate level the Company is not exposed to significant liquidity risk. Consequently a maturity profile has not been presented for the Corporate.

#### 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 Company is exposed to the risk of interest rate fluctuations in respect of cash and cash equivalents and other interest bearing securities.

At the Corporate level the Company 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 Company.

Syndicate participation	2015 £	Restated 2014 £
Impact of 50 basis point increase on profit or loss	(3,776)	(2,373)
Impact of 50 basis point decrease on profit or loss	3,028	1,984
Impact of 50 basis point increase on equity	(3,848)	(2,475)
Impact of 50 basis point decrease on equity	3,101	2,086

At the Corporate level the Company 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 Corporate.

#### 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 Company is exposed to equity price risk in respect of its equity investments.

At the Corporate level the Company manages equity price risk by maintaining an appropriate mix between equity and debt financial instruments, and by spreading the risk on equity investments across a portfolio of investments.

## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

#### 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 Company.

Syndicate participation	2015 £	Restated 2014 £
Impact on profit or loss of 5% increase in Stock Market Prices	1,070	1,350
Impact on profit or loss of 5% decrease in Stock Market Prices	(1,077)	(1,332)
Impact on equity of 5% increase in Stock Market Prices	1,070	1,350
Impact on equity of 5% decrease in Stock Market Prices	(1,077)	(1,332)

At the Corporate level the Company is not exposed to significant cash flow equity price risk. Consequently a sensitivity analysis for equity price risk has not been presented for the Corporate.

##### Currency risk

The Company 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 Corporate level the Company 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 Company's principal foreign exchange exposures in aggregate.

Net assets and liabilities	2015		Restated 2014	
	Syndicate Participation £	Corporate £	Syndicate Participation £	Corporate £
Sterling	(79,054)	(26,608)	(69,761)	(61,912)
United States Dollar	148,990	29,492	128,110	-
Euro	7,742	-	20,613	-
Canadian Dollar	30,499	-	46,154	-
Australian Dollar	7,174	-	6,748	-
Japanese Yen	(311)	-	343	-
Other	1,374	-	1,384	-

## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

#### 7. Financial Instruments and Financial Risk Management (continued)

##### 7.7 Financial Risk Management (continued)

The Company 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 Corporate in these financial statements.

The Company's assets are primarily Funds at Lloyd's to support its underwriting. These are held in various currencies but are all either listed investments or cash. As such, any exchange movement would be accounted for in the profit and loss.

	Corporate Profit and loss			
	31 December 2015		Restated - 31 December 2014	
	Increase	Decrease	Increase	Decrease
Effect of sterling exchange movement by 10%	£	£	£	£
United States Dollar	2,681	(3,277)	-	-
Euro	-	-	-	-
Canadian Dollar	-	-	-	-
Australian Dollar	-	-	-	-
Japanese Yen	-	-	-	-
Other	-	-	-	-

##### 7.8 Capital Management

The Funds at Lloyd's represent the capital which allows the Company to participate on the Syndicates. Refer to Note 7.3 for further information.

## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

#### 8. Insurance Contracts

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

	2015			Restated 2014		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	1,050,420	227,183	823,237	1,105,294	246,433	858,861
Movements in the year	(46,189)	(7,768)	(38,421)	(110,877)	(32,895)	(77,982)
Exchange differences	(67,015)	(10,729)	(56,286)	56,003	13,645	42,358
At 31 December	937,216	208,686	728,530	1,050,420	227,183	823,237

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

	2015			Restated 2014		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	342,953	40,540	302,413	334,445	38,648	295,797
Movements in the year	30,707	8,065	22,642	6,757	1,347	5,410
Exchange differences	10,445	1,594	8,851	1,751	545	1,206
At 31 December	384,105	50,199	333,906	342,953	40,540	302,413

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

	2015 £	Restated 2014 £
At 1 January	86,966	83,416
Movements in the year	15,646	4,318
Exchange differences	1,626	(768)
At 31 December	104,238	86,966

#### 8.1 Risks arising from Insurance Contracts

The Company 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 risk arising from insurance contracts, are not presented in these financial statements.

## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

#### 9. Called-up Share Capital

##### Issued and fully paid

	At 1 January	Issued during the year	Redeemed during the year	At 31 December
Par value per share				
Ordinary 25p shares	5,000	-	-	5,000
<b>Total</b>	<b>5,000</b>	<b>-</b>	<b>-</b>	<b>5,000</b>

The Ordinary 25p shares each hold one voting right. There are no restrictions on the distribution of dividends and the repayments of capital.

#### 10. Profit and Loss Account

	2015			2014		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Retained profit/(loss) brought forward	168,442	(62,232)	106,210	94,364	(41,046)	53,318
Reallocate distribution	(95,523)	95,523	-	(44,441)	44,441	-
Profit/(loss) for the financial year	74,583	(31,501)	43,082	118,519	(65,627)	52,892
Equity dividends	-	-	-	-	-	-
<b>Retained profit/(loss) carried forward</b>	<b>147,502</b>	<b>1,790</b>	<b>149,292</b>	<b>168,442</b>	<b>(62,232)</b>	<b>106,210</b>

## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

#### 11. Deferred Tax

					2015
	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £	Total £
At 1 January	34,937	(22,030)	21,655	(1,971)	32,591
Movement in the year	(5,809)	10,124	4,211	354	8,880
At 31 December	29,128	(11,906)	25,866	(1,617)	41,471

					Restated 2014
	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £	Total £
At 1 January	-	-	-	(9,846)	(9,846)
Movement in the year	34,937	(22,030)	21,655	7,875	42,437
At 31 December	34,937	(22,030)	21,655	(1,971)	32,591

The unused tax losses carried forward at the Balance Sheet date are £59,531. Unused tax losses are expected to be recoverable against the future profits of the Company and have no expiry date.

The deferred tax balance consists of timing differences relating to the taxation of underwriting results. Deferred tax assets are shown within other debtors (Note 7.2).

#### 12. Related Party Disclosure

During the year the Directors made loans to and from the Company. At the Balance Sheet date the amount due (to)/from the Company was £8,435 (2014: £50,775).

Any related party loans and balances do not attract interest and are repayable on demand.

#### 13. Ultimate Controlling Party

The Company is controlled by Mrs L J F Heald who holds 55% of the issued £1,250 ordinary share capital.

## Silver Lining 55 Limited

### Notes to the Financial Statements For the year ended 31 December 2015

#### 14. Explanation of transition to FRS 102

This is the first financial year that the Company has presented its financial statements in accordance with FRS 102 *The Financial Reporting Framework Applicable in the UK and Republic of Ireland* ("FRS 102"). For financial years up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with previously extant UK GAAP. The Company's date of transition to FRS 102 was therefore 1 January 2014.

This note sets out the changes to accounting policies and the transitional adjustments that are required to be made for first-time transition to FRS 102. The Company's opening equity position as at 1 January 2014 and its previously published financial statements for the year ended 31 December 2014 have been restated.

In carrying out the transition to FRS 102, the Company has not applied any of the optional exemptions as permitted by Section 35 Transition to this FRS.

Set out below are the transition tables to reconcile:

- Total equity as at 1 January 2014;
- Total equity as at 31 December 2014; and
- Profit or loss for the year ended 31 December 2014.

Reconciliation of Equity	As at 31 December 2014 £	As at 1 January 2014 £
Equity as reported under old UK GAAP	113,649	48,446
Effect of change in foreign exchange accounting policy	(6,189)	6,122
Equity as reported under FRS 102	<u>107,460</u>	<u>54,568</u>
Reconciliation of Profit and Loss		For the year ended 31 December 2014 £
Profit/(loss) as reported under old UK GAAP		65,203
Effect of change in foreign exchange accounting policy		(12,311)
Profit/(loss) as reported under FRS 102		<u>52,892</u>

#### *Transitional adjustments applicable to the Syndicates*

The effect of change in foreign exchange accounting policy has arisen from the following adjustments:

#### Adjustment 1 - Foreign exchange under SSAP 20

For accounting periods up to and including 31 December 2014, a number of Syndicates had adopted Statement of Standard Accounting Practice No 20 ('SSAP 20') Foreign currency translation as the basis on which they accounted for foreign currency translation. SSAP20 permitted 'branch' accounting with exchange movements being reported as adjustments to reserves. In accordance with FRS 103 all exchange differences have been reported in the non-technical account.

## **Silver Lining 55 Limited**

### **Notes to the Financial Statements For the year ended 31 December 2015**

#### **14. Explanation of transition to FRS 102 (continued)**

##### **Adjustment 2 - Foreign exchange under FRS 23**

For accounting periods up to and including 31 December 2014, a number of Syndicates had adopted FRS 23 The Effect of Changes in Foreign Exchange Rates as the basis on which they accounted for foreign currency translation. Some balances arising from foreign currency denominated insurance contracts were treated as non-monetary items, and so were not retranslated at closing rates. FRS 103 requires an entity to treat all assets and liabilities arising from an insurance contract as monetary items.

##### **Adjustment 3 – Cash at bank and in hand**

The transition to FRS 102 has impacted the amount reported as cash at bank and in hand. Under FRS 102 financial assets with a maturity of 90 days or less are included within the definition of cash equivalents. Such assets that were previously reported under financial investments are now reported as cash and cash equivalents.

There are no transitional adjustments applicable to the Corporate.