

Company registration number: 3635302

**Cantco Limited**

**Report and Financial Statements**  
**31 December 2015**

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# **Cantco Limited**

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## **Cantco Limited**

### **Company Information**

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#### **Directors**

Jeremy Richard Holt Evans  
Nomina Plc

#### **Company Secretary**

Hampden Legal Plc

#### **Registered Office**

5th Floor, 40 Gracechurch Street  
London  
EC3V 0BT

#### **Auditors**

PKF Littlejohn LLP  
Statutory Auditor  
1 Westferry Circus  
Canary Wharf  
London  
E14 4HD

#### **Solicitors**

Jones Day  
21 Tudor Street  
London  
EC4Y 0DJ



# **Cantco Limited**

## **Report of the Directors**

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The Directors present their Report together with the 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 trade in 2016 and the Directors expect this year's result to be profitable.

### **Results and dividends**

The results for the year are set out on pages 7 to 8 of the Financial Statements. Dividends totalling £68,752 were paid in the year (2014 £37,160).

### **Directors**

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

Jeremy Richard Holt Evans  
Nomina Plc

### **Directors' responsibilities**

The Directors are responsible for preparing the Report of the Directors, the Strategic Report and the Financial Statements in accordance with applicable laws 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 Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). 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 those 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 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 to 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.

# Cantco Limited

## Report of the Directors (continued)

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### Auditors

i PKF Littlejohn LLP has signified its willingness to continue in office as auditors

ii Disclosure of information to the Auditors

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

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as a Director 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 of Directors on 2 August 2016 and signed on its behalf by

*Hampden legal plc*

Hampden Legal Plc  
Secretary

# Cantco Limited

## Strategic Report

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The Directors present their Strategic Report for the year ended 31 December 2015

### Business review and future developments

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 prior run-off years. The 2013 year closed at 31 December 2015 with a result of £110,790 (2012: £123,939). The 2014 and 2015 open underwriting accounts will normally close at 31 December 2016 and 2017.

### 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)	701,178	717,813
Gross premium written as a % of capacity	97.6%	99.2%
Underwriting profit of latest closed year		
as a % of capacity	10.0%	10.6%
Run-off years of account movement	-	-

### Other performance indicators

As a result of the nature of this Company as a Lloyd's corporate member, the majority of its activities are carried out by the syndicates in which it participates. The Company is not involved directly in the management of the syndicates' activities, including employment of syndicate staff, as these are the responsibility of the relevant managing agent. Each managing agent will also have responsibility for the environmental activities of each syndicate, although by their nature, insurers do not produce significant environmental emissions. As a result, the Directors of the Company do not consider it appropriate to monitor and report any performance indicators in relation to staff or environmental matters.

### Financial risk management objectives and policies

As a corporate member of Lloyd's, the majority of the risks to this Company's future cash flows arise from its participation in the results of Lloyd's syndicates. As detailed in Note 4, these risks are mostly managed by the managing agent of the syndicate. The Company's role in managing this risk is limited to selection of syndicate participations and monitoring performance of the syndicates. The Company is also directly exposed to these risks, but they are not considered material compared to the syndicate risk for the assessment of the assets, liabilities, financial position and profit or loss of the Company.

Approved by the Board of Directors on 2 August 2016 and signed on its behalf by



Hampden Legal Plc  
Secretary





# Cantco Limited

## Independent Auditor's Report

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### Independent Auditor's Report to the Members of Cantco Limited

We have audited the Financial Statements of Cantco Limited for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Shareholders' 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'.

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.

### Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' responsibilities statement, 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 Report of the Directors 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 material 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 result 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 Report of the Directors 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 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.



Carmine Papa (Senior statutory auditor)  
For and on behalf of PKF Littlejohn LLP  
Statutory auditor  
2 August 2016

1 Westferry Circus  
Canary Wharf  
London  
E14 4HD

# Cantco Limited

## Profit and Loss Account

### Technical Account – General Business for the year ended 31 December 2015

	Note	2015 £	2014 £
<b>Premiums written</b>			
Gross premiums written	5,6	684,652	712,009
Outward reinsurance premiums		(111,145)	(108,532)
<b>Net premiums written</b>		<u>573,507</u>	<u>603,477</u>
<b>Change in the provision for unearned premiums</b>	7		
Gross provision		(25,696)	135,879
Reinsurers' share		5,147	(20,110)
<b>Net change in the provision for unearned premiums</b>		<u>(20,549)</u>	<u>115,769</u>
<b>Earned premiums, net of reinsurance</b>		<u>552,958</u>	<u>719,246</u>
Allocated investment return transferred from the non-technical account		6,752	16,182
Other technical income, net of reinsurance		-	-
<b>Total technical income</b>		<u>559,710</u>	<u>735,428</u>
<b>Claims paid</b>			
Gross amount		(349,380)	(447,955)
Reinsurers' share		62,469	78,417
<b>Net claims paid</b>		<u>(286,911)</u>	<u>(369,538)</u>
<b>Change in the provision for claims</b>			
Gross amount		81,023	104,339
Reinsurers' share		(27,278)	(25,877)
<b>Change in the net provision for claims</b>	7	<u>53,745</u>	<u>78,462</u>
<b>Claims incurred, net of reinsurance</b>		<u>(233,166)</u>	<u>(291,076)</u>
Changes in other technical provisions, net of reinsurance		1,111	-
Net operating expenses	8	(267,842)	(334,008)
Other technical charges, net of reinsurance		-	-
<b>Balance on the technical account for general business</b>		<u>59,813</u>	<u>110,344</u>

The Notes are an integral part of these Financial Statements

# Cantco Limited

## Profit and Loss Account

### Non - Technical Account

for the year ended 31 December 2015

	Note	2015 £	2014 £
<b>Balance on technical account for general business</b>		59,813	110,344
Investment income	9	17,142	24,109
Unrealised gains on investments	9	3,204	4,628
Investment expenses and charges	9	(7,161)	(6,001)
Unrealised losses on investments	9	(7,607)	(6,479)
Allocated investment return transferred to the general business technical account		(6,752)	(16,182)
Other income		-	(600)
Other charges		(19,369)	(5,398)
<b>Profit/(loss) on ordinary activities before taxation</b>	10	39,270	104,421
Tax on profit/(loss) on ordinary activities	11	(7,092)	(29,884)
<b>Profit/(loss) for the financial year</b>		32,178	74,537

## Statement of Comprehensive Income

		2015 £	2014 £
<b>Profit/(loss) for the financial year</b>		32,178	74,537
Other comprehensive income			
Currency translation differences		3,845	5,810
Tax on other comprehensive income		(731)	(1,162)
<b>Total comprehensive income for the financial year</b>	16	35,292	79,185

All amounts relate to continuing operations

The Notes are an integral part of these Financial Statements

# Cantco Limited

## Balance Sheet as at 31 December 2015

		31 December 2015			31 December 2014		
	Note	Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
<b>Assets</b>							
<b>Intangible assets</b>	12	-	32,918	32,918	-	45,600	45,600
<b>Investments</b>							
Financial investments	13	811,874	-	811,874	889,983	-	889,983
Deposits with ceding undertakings		72	-	72	178	-	178
		811,946	-	811,946	890,161	-	890,161
<b>Reinsurers' share of technical provisions</b>							
Provision for unearned premiums	7	43,006	-	43,006	28,223	-	28,223
Claims outstanding	7	171,729	-	171,729	201,623	-	201,623
Other technical provisions		1 111	-	1,111	4,853	-	4,853
		215,846	-	215,846	234,699	-	234,699
<b>Debtors</b>							
Arising out of direct insurance operations		-	-	-	-	-	-
- Policyholders		-	-	-	-	-	-
- Intermediaries		164,788	-	164,788	180,913	-	180,913
Arising out of reinsurance operations		223,582	-	223,582	302,303	-	302,303
Other debtors	14	91,400	2,424	93,824	102,358	6,533	108,891
		479,770	2,424	482,194	585,574	6,533	592,107
<b>Other assets</b>							
Cash at bank and in hand		41,005	38,675	79,680	48,691	25,256	73,947
Other		46,693	-	46,693	51,573	-	51,573
		87,698	38,675	126,373	100,264	25,256	125,520
<b>Prepayments and accrued income</b>							
Accrued interest		702	-	702	821	-	821
Deferred acquisition costs	7	150,875	-	150,875	111,588	-	111,588
Other prepayments and accrued income		2,385	-	2,385	2,655	-	2,655
		153,962	-	153,962	115,064	-	115,064
<b>Total assets</b>		1,749,222	74,017	1,823,239	1,925,762	77,389	2,003,151

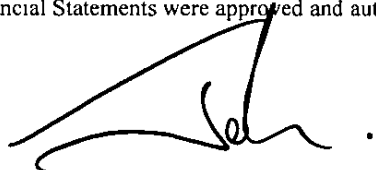
The Notes are an integral part of these Financial Statements

# Cantco Limited

## Balance Sheet as at 31 December 2015

		31 December 2015			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	15	-	290	290	-	290	290
Share premium account		-	-	-	-	-	-
Profit and loss account	16	147,231	(52,141)	95,090	193,842	(65,292)	128,550
<b>Shareholders' funds</b>		<b>147,231</b>	<b>(51,851)</b>	<b>95,380</b>	<b>193,842</b>	<b>(65,002)</b>	<b>128,840</b>
<b>Technical provisions</b>							
Provision for unearned premiums	7	383,873	-	383,873	320,003	-	320,003
Claims outstanding – gross amount	7	976,942	-	976,942	1,121,897	-	1,121,897
Other technical provisions		-	-	-	-	-	-
		<b>1,360,815</b>	<b>-</b>	<b>1,360,815</b>	<b>1,441,900</b>	<b>-</b>	<b>1,441,900</b>
<b>Provisions for other risks and charges</b>							
Deferred taxation	17	-	53,203	53,203	-	60,110	60,110
Other		-	-	-	-	-	-
			<b>53,203</b>	<b>53,203</b>	<b>-</b>	<b>60,110</b>	<b>60,110</b>
<b>Deposits received from reinsurers</b>		<b>1,012</b>	<b>-</b>	<b>1,012</b>	<b>239</b>	<b>-</b>	<b>239</b>
<b>Creditors</b>							
Arising out of direct insurance operations		39,529	-	39,529	65,905	-	65,905
Arising out of reinsurance operations		110,658	-	110,658	136,241	-	136,241
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors including taxation and social security	18	95,612	34,675	130,287	84,639	38,880	123,519
		<b>245,799</b>	<b>34,675</b>	<b>280,474</b>	<b>286,785</b>	<b>38,880</b>	<b>325,665</b>
<b>Accruals and deferred income</b>		<b>(5,635)</b>	<b>37,990</b>	<b>32,355</b>	<b>2,996</b>	<b>43,401</b>	<b>46,397</b>
<b>Total liabilities</b>		<b>1,601,991</b>	<b>125,868</b>	<b>1,727,859</b>	<b>1,731,920</b>	<b>142,391</b>	<b>1,874,311</b>
<b>Total liabilities and shareholders' funds</b>		<b>1,749,222</b>	<b>74,017</b>	<b>1,823,239</b>	<b>1,925,762</b>	<b>77,389</b>	<b>2,003,151</b>

The Financial Statements were approved and authorised for issue by the Board of Directors on 2 August 2016 and signed on its behalf by



Jeremy Richard Holt Evans  
Director

Company registration number 3635302

The Notes are an integral part of these Financial Statements

## Cantco Limited

### Statement of Changes in Shareholders' Equity for the year ended 31 December 2015

	Note	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2014		290	-	86,525	86,815
Profit/(loss) for the financial year	21	-	-	74,537	74,537
Other comprehensive income		-	-	4,648	4,648
Dividends paid	16	-	-	(37,160)	(37,160)
Proceeds from issue of shares	15	-	-	-	-
At 31 December 2014	21	290	-	128,550	128,840
At 1 January 2015		290	-	128,550	128,840
Profit/(loss) for the financial year		-	-	32,178	32,178
Other comprehensive income		-	-	3,114	3,114
Dividends paid	16	-	-	(68,752)	(68,752)
Proceeds from issue of shares	15	-	-	-	-
At 31 December 2015		290	-	95,090	95,380

The Notes are an integral part of these Financial Statements

# Cantco Limited

## Cash Flow Statement for the year ended 31 December 2015

	2015 £	2014 £
<b>Cash flows from operating activities</b>		
Profit/(loss) on ordinary activities before tax	39,270	104,421
Deduction of (profit)/loss attributed to syndicate transactions	(74,297)	(130,530)
Distribution/(collection) of closed year result from/(to) syndicates	124,753	71,640
Profit/(loss) excluding syndicate transactions	89,726	45,531
Adjustments for		
(Increase)/decrease in debtors	4,109	(20)
Increase/(decrease) in creditors	(5,411)	45,118
(Profit)/loss on disposal of intangible assets	-	600
Amortisation of syndicate capacity	12,982	-
Investment income	(26)	(75)
Realised/unrealised (gains)/losses on investments	-	-
Income tax paid	(18,935)	(6,268)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>82,445</b>	<b>84,886</b>
<b>Cash flows from investing activities</b>		
Investment income	26	75
Purchase of syndicate capacity	(300)	(46,200)
Proceeds from sale of syndicate capacity	-	-
Purchase of investments	-	-
Proceeds from sale of investments	-	-
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(274)</b>	<b>(46,125)</b>
<b>Cash flows from financing activities</b>		
Equity dividends paid	(68,752)	(37,160)
Issue of shares	-	-
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(68,752)</b>	<b>(37,160)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>13,419</b>	<b>1,601</b>
Cash and cash equivalents at beginning of year	25,256	23,655
Effect of exchange rate changes on cash and cash equivalents	-	-
<b>Cash and cash equivalents at end of year</b>	<b>38,675</b>	<b>25,256</b>
<b>Cash and cash equivalents comprise</b>		
Cash at bank and in hand	38,675	25,256
Other financial investments	-	-
<b>Cash and cash equivalents</b>	<b>38,675</b>	<b>25,256</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.

The Notes are an integral part of these Financial Statements

# **Cantco Limited**

## **Notes to the Financial Statements 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 whose registered office is 40 Gracechurch Street, London, EC3V 0BT. The Company participates in insurance business as an underwriting member of various syndicates at Lloyd's.

### **2. Accounting policies**

#### **Basis of preparation**

These Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts", the Companies Act 2006 and Schedule 3 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations, 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**

These 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 Balance Sheet and Profit and Loss Account are explained below and in the notes.

#### **Going concern**

The Company participates as an underwriting member of Lloyd's. Its underwriting is supported by Funds at Lloyd's, either made available by the Company directly or by its members. The Directors are of the opinion that the Company has adequate resources to meet its underwriting and other operational obligations for the foreseeable future. Accordingly, the going concern concept has been adopted in the preparation of the Financial Statements.

#### **Basis of accounting**

The Financial Statements are prepared under the historical cost basis of accounting modified to include the revaluation through profit and loss of certain financial instruments held at fair value through profit or loss.

The Financial Statements are prepared using the annual basis of accounting. Under the annual basis of accounting a result is determined at the end of each accounting period, reflecting the profit or loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

Amounts reported in the general business technical account relate to movements in the period in respect of all relevant years of account of the syndicates on which the Company participates.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the syndicates' managing agents. Accordingly, these assets and liabilities have been shown separately in the Balance Sheet as "Syndicate participation". Other assets and liabilities are shown as "Corporate". The syndicate assets are held subject to trust deeds for the benefit of the syndicates' insurance creditors.

The information included in these Financial Statements in respect of the syndicates has been supplied by managing agents based upon the various accounting policies they have adopted. The following describes the policies they have adopted.

### **General business**

#### **1. Premiums**

Premiums written comprise the total premiums receivable in respect of business inception during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the syndicates on which the Company participates, less an allowance for cancellations. All premiums are shown gross of commission payable to intermediaries and exclude taxes and duties levied on them.



# Cantco Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2015

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### 2 Accounting policies (continued)

#### 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.

#### 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

Managing agents enter into reinsurance contracts on behalf of syndicates, in the normal course of business, in order to limit the potential losses arising from certain exposures. 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 incurred and reinsurers' share

Claims incurred comprise claims and settlement expenses (both internal and external) occurring in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and settlement expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount included in respect of IBNR is based on statistical techniques of estimation applied by each syndicate's in-house reserving team and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to each syndicate's reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. Each syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly the two most critical assumptions made by each syndicate's managing agent as regards 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 including pricing models for recent business are reasonable indicators of the likely level of ultimate claims to be incurred.

The level of uncertainty with regard to the estimations within these provisions generally decreases with time as the exposure period recedes. In addition the nature of short tail claims such as property where claims are typically notified and settled within a short period of time will normally have less uncertainty after a few years than long tail risks such as some liability business where it may be several years before claims are fully advised and settled. In addition to these factors if there are disputes regarding coverage under policies or changes in the relevant law regarding a claim this may increase the uncertainty in the estimation of the outcomes.

The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses. The provisions for gross claims and related reinsurance recoveries have been assessed on the basis of the information currently available to the directors of each syndicate's managing agent. 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 the amounts of claims provisions established in prior years are reflected in the Financial Statements for the period in which the adjustments are made. The provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used, and the estimates made, are reviewed regularly.

# **Cantco Limited**

## **Notes to the Financial Statements (continued) for the year ended 31 December 2015**

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### **2 Accounting policies (continued)**

#### **vi Unexpired risks provision**

Provisions for unexpired risks are made where the costs of outstanding claims, related expenses and deferred acquisition costs are expected to exceed the unearned premium provision carried forward at the Balance Sheet date. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return. The provision is made on a syndicate by syndicate basis by the relevant managing agent.

#### **vii 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.

#### **viii 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.

#### **ix Net operating expenses (including acquisition costs)**

Net operating costs include acquisition costs, profit and loss on exchange and other amounts incurred by the syndicates on which the Company participates.

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the Balance Sheet date.

#### **x 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.

# Cantco Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2015

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### 2. Accounting policies (continued)

#### x1 Financial assets and financial liabilities

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

Debtors/creditors arising from insurance/reinsurance operations shown in the Balance Sheet include the totals of all the syndicates' 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 costs), except for those financial assets classified as at fair value through profit or loss, 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 profit or loss.

##### De-recognition of financial assets and liabilities

Financial assets are derecognised when and only when a) the contractual rights to 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.

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 profit and loss immediately.

# **Cantco Limited**

## **Notes to the Financial Statements (continued) for the year ended 31 December 2015**

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### **2 Accounting policies (continued)**

#### **XII Investment return**

Investment return comprises all investment income, realised investment gains and losses, movements in unrealised gains and losses, net of investment expenses and charges

Realised and unrealised gains and losses are measured by reference to the original cost of the investment if purchased in the year, or if held at the beginning of the year by reference to the fair value at that date

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting the underwriting business

#### **XIII Basis of currency translation**

The presentational and functional currency of the Company is Pound Sterling, which is the currency of the primary economic environment in which it operates. Supported syndicates may have different functional currencies

Income and expenditure in US dollars, Canadian dollars and Euros is translated at the average rate of exchange for the year. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed

Monetary assets and liabilities, which according to FRS 103 are deemed to include unearned premiums and deferred acquisition costs, are translated into Pound Sterling at the rates of exchange at the Balance Sheet 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 been retranslated at period end to the functional currency at the closing rate

Differences arising on translation to the functional currency of the syndicates where the functional currency was not Pound Sterling are reported in the Statement of Other Comprehensive Income. All other exchange differences are reported within the Profit and Loss Account, Non-Technical Account (or the Technical Account in respect of Life syndicates)

### **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 (iv) and (v) above

### **Taxation**

The Company is taxed on its results including its share of underwriting results declared by the syndicates. These are deemed to accrue evenly 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 at previous year ends may not have been 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

### **Deferred taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the Balance Sheet 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

# **Cantco Limited**

## **Notes to the Financial Statements (continued) for the year ended 31 December 2015**

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### **2. Accounting policies (continued)**

#### **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 five year period beginning in the year following the purchase of the syndicate participation

The intangible assets are reviewed for impairment where there are indicators for impairment, and any impairment is charged to the Profit and Loss Account for the period

#### **Cash and cash equivalents and cash flow statement**

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

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 syndicates at Lloyd's

#### **Share capital**

Ordinary share capital is classified as equity. The difference between fair value of the consideration received and the nominal value of the share capital being issued, is taken to the share premium account. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of taxes, from the proceeds

#### **Dividend distributions to shareholders**

Dividend distributions to the Company's shareholders are recognised in the Financial Statements in the period in which the dividends are approved by the shareholders. These amounts are recognised in the Statement of Changes in Shareholders' Equity

### **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

#### **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 five years. This is on the basis that this is the life over which the original value of the capacity acquired is used up

# Cantco Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2015

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### 3. Key accounting judgements and estimation uncertainties (continued)

#### Assessing indicators of impairment

In assessing whether there have been any indicators of impairment 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.

#### Recoverability of receivables:

The Company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability, factors such as the aging of the receivables, past experience of recoverability, and the credit profile of individual or 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 a reinsurer fails to meet their share of a claim. The management of the syndicate's funds is exposed to risks of investment, 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 support 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 insurance risks by participating across several syndicates as detailed in Note 24.

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. Note 7 provides further analysis of sensitivities to reserving and underwriting risks.

#### Syndicate risks

##### 1. 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 obligation 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').

# Cantco Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2015

### 4. Risk management (continued)

#### Syndicate risks (continued)

##### 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

2015	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
Deposits with ceding undertakings	-	-	-	-	72	72
Reinsurers share of claims outstanding	6,704	64,590	93,725	1,080	5,630	171,729
Reinsurance debtors	14,567	83,455	16,402	244	12,712	127,380
Insurance debtors	-	-	-	-	-	-
	21,271	148,045	110,127	1,324	18,414	299,181

2014	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
Deposits with ceding undertakings	-	-	152	-	26	178
Reinsurers share of claims outstanding	11,103	73,527	105,844	2,373	8,776	201,623
Reinsurance debtors	9,054	121,401	28,524	301	7,121	166,401
Insurance debtors	-	-	-	-	-	-
	20,157	194,928	134,520	2,674	15,923	368,202

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

2015	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 £
Deposits with ceding undertakings	72	-	-	-	-	72
Reinsurers share of claims outstanding	171,497	4	-	-	228	171,729
Reinsurance debtors	124,791	759	1,339	213	278	127,380
Insurance debtors	213,547	1,805	1,815	3,362	(94)	220,435
	509,907	2,568	3,154	3,575	412	519,616

2014	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 £
Deposits with ceding undertakings	178	-	-	-	-	178
Reinsurers share of claims outstanding	197,755	-	-	-	3,868	201,623
Reinsurance debtors	164,622	538	340	599	302	166,401
Insurance debtors	244,028	1,940	2,679	2,312	(116)	250,843
	606,583	2,478	3,019	2,911	4,054	619,045

##### iii Interest rate and equity price risk

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

# Cantco Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2015

### 4. Risk management (continued)

#### Syndicate risks (continued)

##### 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 table below provides details of syndicate assets and liabilities by currency.

2015	GBP £ converted	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
Total assets	414,705	1,071,511	125,207	102,004	35,795	1,749,222
Total liabilities	(476,817)	(903,033)	(141,324)	(62,251)	(18,566)	(1,601,991)
Surplus/(deficiency) of assets	(62,112)	168,478	(16,117)	39,753	17,229	147,231
2014	GBP £ converted	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
Total assets	446,718	1,136,820	176,987	119,410	45,827	1,925,762
Total liabilities	(490,837)	(980,465)	(168,702)	(70,640)	(21,276)	(1,731,920)
Surplus/(deficiency) of assets	(44,119)	156,355	8,285	48,770	24,551	193,842

The impact of a 5% change in exchange rates between GBP and other currencies would be £10,467 on shareholders' funds (2014 £11,898).

#### 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 Balance Sheet date and the distribution of the underwriting profits and losses, which is usually in the May following the closure of a 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.



# Cantco Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2015

### 5. Class of business

2015	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Net operating expenses £	Reinsurance balance £	Total £
<b>Direct insurance</b>						
Accident and health	34,098	33,782	(16,235)	(16,902)	(909)	(264)
Motor – third party liability	4,144	4,411	(2,826)	(1,795)	371	161
Motor – other classes	16,784	14,807	(9,752)	(5,025)	(218)	(188)
Marine, aviation and transport	66,922	70,960	(25,467)	(28,986)	(6,814)	9,693
Fire and other damage to property	194,517	167,663	(57,144)	(70,158)	(26,879)	13,482
Third party liability	150,388	124,521	(69,920)	(47,766)	(4,718)	2,117
Credit and suretyship	38,043	27,784	(10,040)	(15,114)	(2,451)	179
Legal expenses	1,589	2,070	(758)	(1,137)	(28)	147
Assistance	-	-	-	-	-	-
Miscellaneous	8,690	36,194	(23,467)	(23,521)	3,667	(7,127)
<b>Total direct</b>	<b>515,175</b>	<b>482,192</b>	<b>(215,609)</b>	<b>(210,404)</b>	<b>(37,979)</b>	<b>18,200</b>
Reinsurance inwards	169,477	176,764	(52,748)	(57,438)	(32,828)	33,750
<b>Total</b>	<b>684,652</b>	<b>658,956</b>	<b>(268,357)</b>	<b>(267,842)</b>	<b>(70,807)</b>	<b>51,950</b>

2014	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Net operating expenses £	Reinsurance balance £	Total £
<b>Direct insurance</b>						
Accident and health	36,905	38,088	(15,834)	(19,513)	(992)	1,749
Motor – third party liability	3,296	3,844	(2,442)	(1,432)	(147)	(177)
Motor – other classes	13,362	25,762	(17,004)	(8,807)	640	591
Marine, aviation and transport	73,178	85,974	(38,419)	(31,236)	(4,851)	11,468
Fire and other damage to property	194,928	178,852	(63,770)	(69,601)	(26,775)	18,706
Third party liability	98,237	103,689	(59,046)	(38,419)	(4,300)	1,924
Credit and suretyship	44,598	28,664	(17,500)	(13,592)	657	(1,771)
Legal expenses	2,480	2,595	(1,004)	(1,589)	(38)	(36)
Assistance	-	-	-	-	-	-
Miscellaneous	57,540	170,381	(60,359)	(81,299)	(4,667)	24,056
<b>Total direct</b>	<b>524,524</b>	<b>637,849</b>	<b>(275,378)</b>	<b>(265,488)</b>	<b>(40,473)</b>	<b>56,510</b>
Reinsurance inwards	187,485	210,039	(68,238)	(68,520)	(35,629)	37,652
<b>Total</b>	<b>712,009</b>	<b>847,888</b>	<b>(343,616)</b>	<b>(334,008)</b>	<b>(76,102)</b>	<b>94,162</b>

### 6. Geographical analysis

	2015 £	2014 £
<b>Direct gross premium written in</b>		
United Kingdom	427,647	444,387
Other EU Member States	4,774	4,199
Rest of the World	82,754	75,938
	<b>515,175</b>	<b>524,524</b>

# Cantco Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2015

### 7. Technical provisions

Movement in claims outstanding	Gross £	Reinsurance £	2015 Net £	Gross £	Reinsurance £	2014 Net £
At 1 January	1,121,897	201,623	920,274	1,144,958	233,253	911,705
Movement of reserves	(81,023)	(27,278)	(53,745)	(104,339)	(25,877)	(78,462)
Other movements	(63,932)	(2,616)	(61,316)	81,278	(5,753)	87,031
At 31 December	976,942	171,729	805,213	1,121,897	201,623	920,274

Movement in unearned premiums	Gross £	Reinsurance £	2015 Net £	Gross £	Reinsurance £	2014 Net £
At 1 January	320,003	28,223	291,780	383,513	43,759	339,754
Movement of reserves	25,696	5,147	20,549	(135,879)	(20,110)	(115,769)
Other movements	38,174	9,636	28,538	72,369	4,574	67,795
At 31 December	383,873	43,006	340,867	320,003	28,223	291,780

Movement in deferred acquisition costs	2015 Net £	Restated 2014 Net £
At 1 January	111,588	98,729
Movement in deferred acquisition costs	22,695	(22,558)
Other movements	16,592	35,417
At 31 December	150,875	111,588

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

# Cantco Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2015

### 7 Technical provisions (continued)

#### Assumptions, changes in assumptions and sensitivity

As described in Note 4 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:

- 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 Balance Sheet date,
- 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 Balance Sheet date, including appropriate allowance for anticipated losses in excess of the unearned premium,
- 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 Balance Sheet date,
- the potential ultimate result of run-off year results has been accurately estimated by the managing agents, and
- the values of investments and other assets and liabilities are correctly stated at their realisable values at the Balance Sheet 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:

- a 5% increase/decrease in net earned premium (with all other underwriting elements assumed to change pro-rata with premium) will increase/decrease the Company's pre-tax profit/loss by £27,648 (2014: £35,962),
- a 5% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the Company's pre-tax profit/loss by £48,847 (2014: £56,095),
- a 5% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Company's pre-tax profit/loss by £40,261 (2014: £46,014).

The 5% movement has been selected to give an indication of the possible variations in the assumptions used.

The historical gross and net claims development is as follows:

#### Claims development - Gross

	After 12 months £	After 24 months £	After 36 months £	Profit/(loss) on RITC received £
Underwriting pure year				
2011	296,671	507,916	495,712	30,455
2012	336,694	522,427	526,576	17,670
2013	275,050	487,914	490,347	-
2014	166,172	285,970		
2015	162,378	-		

#### Claims development - Net

	After 12 months £	After 24 months £	After 36 months £	Profit/(loss) on RITC received £
Underwriting pure year				
2011	242,843	428,118	419,041	33,281
2012	274,178	438,592	441,684	19,581
2013	238,768	425,076	425,429	-
2014	141,921	252,235		
2015	139,831	-		

# Cantco Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2015

8	Net operating expenses	2015 £	2014 £
	Acquisition costs	209,551	220,010
	Change in deferred acquisition costs	(22,695)	22,558
	Administrative expenses	82,144	93,824
	Loss/(profit) on exchange	(1,158)	(2,384)
		<u>267,842</u>	<u>334,008</u>

9.	Investment return	2015 £	2014 £
	Investment income	12,606	16,459
	Dividend income	468	684
	Interest on cash at bank	249	563
	Other interest and similar income	732	1,343
	Realised gains on investments	3,087	5,060
	<b>Investment income</b>	<u>17,142</u>	<u>24,109</u>
	Investment management expenses	(2,405)	(1,677)
	Realised losses on investments	(4,756)	(4,324)
	<b>Investment expenses and charges</b>	<u>(7,161)</u>	<u>(6,001)</u>
	Unrealised gains and losses, net	(4,403)	(1,851)
	<b>Total investment return</b>	<u>5,578</u>	<u>16,257</u>

### Analysed as follows

	Investments at fair value through profit or loss 2015 £	Investments available for sale 2015 £	Total 2015 £	Investments at fair value through profit or loss 2014 £	Investments available for sale 2014 £	Total 2014 £
Realised gains and losses	(1,664)	(5)	(1,669)	755	(19)	736
Unrealised gains and losses	(4,395)	(8)	(4,403)	(1,964)	113	(1,851)
Other relevant income	(16)	-	(16)	(9)	-	(9)
	<u>(6,075)</u>	<u>(13)</u>	<u>(6,088)</u>	<u>(1,218)</u>	<u>94</u>	<u>(1,124)</u>
Interest and similar income, net of expenses			11,666			17,381
<b>Total investment return</b>			<u>5,578</u>			<u>16,257</u>

# Cantco Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2015

10. Profit/(loss) on ordinary activities before taxation	2015 £	2014 £
This is stated after charging		
Key management personnel remuneration	-	-
Amortisation of syndicate capacity	12,982	-
Interest on bank loan and overdrafts	-	-
Interest on other loans	-	-
The Company has no employees		

The auditors, PKF Littlejohn LLP, charge a fixed fee to Nomina Plc for the provision of the audit of the Company. This fee is included within the service fee charged to the Company by Nomina Plc and equates to approximately £72 (2014: £74).

11. Taxation	2015 £	2014 £
<b>Analysis of charge in year</b>		
Current tax		
UK corporation tax on profit/(loss) of the year	-	4,205
Adjustment in respect of previous years	(4,205)	-
Foreign tax	18,935	6,268
Total current tax	14,730	10,473
Deferred tax		
Origination and reversal of timing differences	(4,633)	19,411
Change in tax rate	(3,005)	-
Total deferred tax	(7,638)	19,411
Tax on profit/(loss) on ordinary activities	7,092	29,884

### Factors affecting tax charge for year

The tax assessed for the year 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	39,270	104,421
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 20.00%)	7,952	20,884
Effects of		
Adjustment in respect of previous years	(4,205)	-
Group relief claimed	-	-
Income not taxable	-	-
Permanent differences	246	(31)
Foreign tax	18,935	6,268
Rate change adjustments	(15,836)	2,763
Tax on charge/(credit) for the year	7,092	29,884

The results of the Company's participation on the 2013, 2014 and 2015 years of account and the 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.

# Cantco Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2015

12. Intangible assets	2015	2014
<b>Purchased syndicate capacity</b>	<b>£</b>	<b>£</b>
<b>Cost</b>		
At 1 January	114,722	69,164
Additions	300	46,200
Disposals	-	(642)
At 31 December	115,022	114,722
<b>Amortisation</b>		
At 1 January	69,122	69,164
Provided during the year	12,982	-
Disposals	-	(42)
At 31 December	82,104	69,122
<b>Net book value</b>		
At 31 December 2015 / 2014	32,918	45,600
At 31 December 2014 / 2013	45,600	-

## 13 Financial investments

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

Financial investments Syndicate	Financial investments held at fair value through profit or loss				Held at amortised cost	Total
	Level 1	Level 2	Level 3	Total		
2015	£	£	£	£	£	£
Shares and other variable yield securities and units in unit trusts	33,619	124,826	6,587	165,032	-	165,032
Debt securities and other fixed income securities	213,588	237,951	122,896	574,435	-	574,435
Participation in investment pools	1,095	3,011	6,488	10,594	-	10,594
Loans and deposits with credit institutions	42,155	10,745	8,608	61,508	-	61,508
Derivatives	42	-	258	300	-	300
Other investments	-	-	5	5	-	5
Financial assets classified as held for sale	-	-	-	-	-	-
<b>Fair value</b>	<b>290,499</b>	<b>376,533</b>	<b>144,842</b>	<b>811,874</b>	<b>-</b>	<b>811,874</b>
<b>Cost</b>				<b>809,805</b>	<b>-</b>	<b>809,805</b>

# Cantco Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2015

### 13. Financial investments (continued)

Financial investments Syndicate	Financial investments held at fair value through profit or loss				Held at amortised cost £	Total £
	Level 1 £	Level 2 £	Level 3 £	Total £		
<b>2014</b>						
Shares and other variable yield securities and units in unit trusts	24,895	110,665	24,564	160,124	-	160,124
Debt securities and other fixed income securities	185,387	288,101	162,718	636,206	-	636,206
Participation in investment pools	5,200	3,382	8,961	17,543	-	17,543
Loans and deposits with credit institutions	53,457	10,578	11,458	75,493	-	75,493
Derivatives	121	-	491	612	-	612
Other investments	-	-	5	5	-	5
Financial assets classified as held for sale	-	-	-	-	-	-
<b>Fair value</b>	<b>269,060</b>	<b>412,726</b>	<b>208,197</b>	<b>889,983</b>	<b>-</b>	<b>889,983</b>
						<b>Total £</b>
<b>Cost</b>				<b>869,379</b>	<b>-</b>	<b>869,379</b>
Financial investments Corporate	Financial investments held at fair value through profit or loss				Held at amortised cost £	Total £
	Level 1 £	Level 2 £	Level 3 £	Total £		
<b>2015</b>						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
<b>Fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
						<b>Total £</b>
<b>Cost</b>				<b>-</b>	<b>-</b>	<b>-</b>
Financial investments Corporate	Financial investments held at fair value through profit or loss				Held at amortised cost £	Total £
	Level 1 £	Level 2 £	Level 3 £	Total £		
<b>2014</b>						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
<b>Fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
						<b>Total £</b>
<b>Cost</b>				<b>-</b>	<b>-</b>	<b>-</b>

# Cantco Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2015

### 14. Other debtors

	2015			2014		
	Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
Amounts due from group undertakings	-	-	-	-	-	-
Proprietors' loan accounts	-	-	-	-	-	-
Funds at Lloyd's	-	35	35	-	6,533	6,533
Deferred tax asset (Note 17)	-	-	-	-	-	-
Other	91,400	2,389	93,789	102,358	-	102,358
	<u>91,400</u>	<u>2,424</u>	<u>93,824</u>	<u>102,358</u>	<u>6,533</u>	<u>108,891</u>

Funds at Lloyd's ('FAL') 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 retains the rights to the economic benefit of these assets. Where FAL is comprised of financial investments, to meet Lloyd's requirements these investments will usually be the equivalent of Level 1 as defined in Note 13. 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. The Company's underwriting is supported by assets made available to it by the shareholders of the Company.

### 15. Share capital

#### Allotted, called-up and fully paid

	2015		2014	
	Issued	Value £	Issued	Value £
Ordinary £1 shares	290	290	290	290

### 16. Profit and loss account

	2015			2014		
	Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
Retained profit/(loss) brought forward	193,842	(65,292)	128,550	129,142	(42,617)	86,525
Reallocate distribution	(124,753)	124,753	-	(71,640)	71,640	-
Profit/(loss) and other comprehensive income for the financial year	78,142	(42,850)	35,292	136,340	(57,155)	79,185
Equity dividends	-	(68,752)	(68,752)	-	(37,160)	(37,160)
Retained profit/(loss) carried forward	<u>147,231</u>	<u>(52,141)</u>	<u>95,090</u>	<u>193,842</u>	<u>(65,292)</u>	<u>128,550</u>



# Cantco Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2015

### 16 Profit and loss account (continued)

The result for each underwriting year of account is generated over a three year period. These Financial Statements, which cover the period from 1 January 2015 to 31 December 2015, show movements in the first twelve months of the 2015 year of account, the second twelve months of the 2014 year of account and the final twelve months of the 2013 year of account.

Future cash flows will arise when profits/(losses) are distributed/(collected) by Lloyd's after each year of account has closed. Subject to certain conditions, Lloyd's can allow the partial early release of some profits or in the event of an expected loss require advance funding prior to the year of account closing.

The cumulative profit and loss account on all open underwriting years of account is shown in the Balance Sheet under 'Syndicate participation' as detailed in the table below.

	2015	2014
	£	£
Underwriting year of account (cumulative)		
2012 after 36 months	-	124,517
2013 after 36 months / 24 months	110,791	72,279
2014 after 24 months / 12 months	41,873	(2,954)
2015 after 12 months	(5,433)	-
	147,231	193,842

### 17 Deferred taxation assets/(liabilities)

	2015	2014
	£	£
Opening balance	(60,110)	(39,537)
Profit and loss account (charge)/credit	7,638	(19,411)
Other comprehensive income (charge)/credit	(731)	(1,162)
Closing balance	(53,203)	(60,110)

The deferred tax balance consists of timing differences relating to the taxation of underwriting results. Deferred tax assets are shown within Other debtors (Note 14).

### 18. Other creditors including taxation and social security

	2015			2014		
	Syndicate participation	Corporate	Total	Syndicate participation	Corporate	Total
	£	£	£	£	£	£
Corporation tax	-	-	-	-	4,205	4,205
Proprietors' loan accounts	-	34,675	34,675	-	34,675	34,675
Third party funds	-	-	-	-	-	-
Other creditors	95,612	-	95,612	84,639	-	84,639
Amount due to group undertakings	-	-	-	-	-	-
	95,612	34,675	130,287	84,639	38,880	123,519

# Cantco Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2015

### 19 Financial liabilities

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

Financial liabilities Syndicate	Financial liabilities held at fair value through profit or loss				Held at amortised cost	Total
	Level 1	Level 2	Level 3	Total		
2015	£	£	£	£	£	£
Borrowings	-	-	-	-	-	-
Derivative liabilities	118	-	386	504	-	504
Financial liabilities classified as held for sale	-	-	-	-	-	-
<b>Fair value</b>	<b>118</b>	<b>-</b>	<b>386</b>	<b>504</b>	<b>-</b>	<b>504</b>

Financial liabilities Syndicate	Financial liabilities held at fair value through profit or loss				Held at amortised cost	Total
	Level 1	Level 2	Level 3	Total		
2014	£	£	£	£	£	£
Borrowings	-	-	-	-	-	-
Derivative liabilities	91	-	93	184	-	184
Financial liabilities classified as held for sale	-	-	-	-	-	-
<b>Fair value</b>	<b>91</b>	<b>-</b>	<b>93</b>	<b>184</b>	<b>-</b>	<b>184</b>

All other financial liabilities of the syndicate participation, including creditors arising out of direct insurance operations, creditors arising out of reinsurance operations and other creditors, are measured at amortised cost

#### Financial liabilities - Corporate

All corporate financial liabilities are measured at amortised cost

20. Dividends	2015	2014
	£	£
Equity dividends declared and paid	68,752	37,160

# Cantco Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2015

### 21 Transition to FRS 102 and FRS 103

This is the first year that syndicates on which the Company participates and the Company have presented their results under FRS 102 and FRS 103. The previous Financial Statements under previous UK GAAP were for the period ended 31 December 2014. The date of transition to FRS 102 and FRS 103 was 1 January 2014. As a consequence, syndicates and the Company 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:

- Where a syndicate has changed their functional currency from Pounds Sterling, and
- 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:

#### Reconciliation of profit/(loss) for the financial year

	Restated 2014 £
Profit/(loss) for the financial year 2014 as previously reported	84,886
Effect of change in foreign exchange accounting policy	(10,349)
Restated profit/(loss) for the financial year 2014	<u>74,537</u>

#### Reconciliation of shareholders' funds

	Restated 2014 £
Closing shareholders' funds as previously reported at 31 December 2014	130,146
Effect of change in foreign exchange accounting policy	(1,306)
Restated closing shareholders' funds at 31 December 2014	<u>128,840</u>

### 22. Related party transactions

Nomina plc, a director of the Company, provides administration services to the Company. Nomina plc charged a management fee of £2,900 (2014: £2,750) to cover all the costs of basic administration of the Company.

### 23. Ultimate controlling party

The Company is controlled by Han Ngok Steve Cheng.

# Cantco Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2015

### 24. Syndicate participation

The principal syndicates or members' agent pooling arrangements ("MAPA") in which the Company participates as an underwriting member are as follows

Syndicate or MAPA number	Managing agent	2016 Allocated capacity £	2015 Allocated capacity £	2014 Allocated capacity £	2013 Allocated capacity £
33	Hiscox Syndicates Limited	58,072	58,072	53,072	50,419
218	ERS Syndicate Management Limited	-	-	-	30,359
308	Tokio Marine Kiln Syndicates Limited	-	-	-	103,055
386	QBE Underwriting Limited	67,212	67,212	23,741	23,741
510	Tokio Marine Kiln Syndicates Limited	131,818	131,818	131,818	211,818
557	Tokio Marine Kiln Syndicates Limited	25,011	25,011	25,011	25,011
609	Atrium Underwriters Limited	68,721	68,721	68,721	68,721
623	Beazley Furlonge Limited	84,092	75,082	80,559	94,591
727	S A Meacock & Company Limited	6,009	6,009	6,009	6,009
779	ANV Syndicates Limited	-	-	-	100,000
958	Canopus Managing Agents Limited	-	17,173	16,245	20,423
1200	Argo Managing Agency Limited	119	98	98	98
1729	Asta Managing Agency Limited	30,000	25,000	25,000	-
1910	Asta Managing Agency Limited	14,923	-	-	-
2010	Cathedral Underwriting Limited	17,231	17,231	19,692	19,692
2014	Pembroke Managing Agency Limited	39,000	30,000	47,458	-
2121	Argenta Syndicate Management Limited	-	-	-	28,571
2525	Asta Managing Agency Limited	-	-	-	7,726
2526	AmTrust at Lloyd's Limited	-	-	-	3,931
2791	Managing Agency Partners Limited	66,890	66,890	70,789	100,387
4444	Canopus Managing Agents Limited	18,101	-	-	-
5820	ANV Syndicates Limited	30,000	30,000	60,000	60,000
6103	Managing Agency Partners Limited	-	-	-	18,956
6104	Hiscox Syndicates Limited	-	-	-	19,298
6105	Ark Syndicate Management Limited	-	34,675	34,675	10,974
6106	Amlin Underwriting Limited	-	-	-	34,004
6107	Beazley Furlonge Limited	-	-	-	8,500
6110	Pembroke Managing Agency Limited	-	-	-	33,500
6111	Catlin Underwriting Agencies Limited	22,849	20,587	20,910	19,690
6117	Asta Managing Agency Limited	22,376	16,504	25,000	-
7217	Members' Agents Pooling Arrangement	10,704	10,141	9,015	9,015
7227	Members' Agents Pooling Arrangement	1,788	954	-	-