

Registered Number 3641769

**AEGIS UNDERWRITING LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2015**



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**AEGIS UNDERWRITING LIMITED**

**DIRECTORS AND ADVISERS**

**Directors**

S C Chandler  
L C Chandler

**Company Secretary**

Argenta Secretariat Limited

**Registered Office**

Fountain House  
130 Fenchurch Street  
London EC3M 5DJ

**Bankers**

Butterfield Private Bank  
99 Gresham Street  
London EC2V 7NG

**Auditor**

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

The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 December 2015.

**Results and Dividends**

The results for the year are set out on pages 8 and 9 of the Financial Statements. Details of the interim dividends declared and paid is given in Note 15 to the Financial Statements. The Directors do not recommend the payment of a final dividend.

**Directors**

The Directors of the company are as in the Directors and Advisors section of the accounts.

**Disclosure of Information to the Auditor**

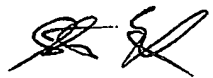
In the case of each of the persons who are Directors at the time this report is approved, the following applies:

- (a) So far as the Directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- (b) 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 auditor is aware of that information.

**Auditor**

The auditor, PKF Littlejohn LLP, has signified its willingness to continue in office.

By Order of the Board



S C Chandler (Director)

Date: 25 Sep 2016

The Directors have pleasure in presenting the Strategic Report together with the Financial Statements for the year ended 31 December 2015.

### Review of the Business

The principal activity of the Company in the period under review was that of a corporate underwriting member of Lloyd's.

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 annual accounting technical result for the year is a profit of £632,271 (2014 – profit of £757,217).

The lack of any major catastrophe losses has seen the company record a strong annual accounting result.

The 2013 year closed at 31 December 2015 with a profit, net of any calendar year run-off movements of £861,885 (2012 profit - £779,314). The 2014 and 2015 open underwriting account will normally close at 31 December 2016 and 2017 respectively.

### Future Developments

The Company continues to write insurance business in the Lloyd's insurance market as a corporate underwriting member of Lloyd's. The capacity being underwritten on the 2016 year of account is £6,383,401 a decrease of £288,729 (4.3%) compared to the 2015 year of account.

### Key Performance Indicators

The Directors consider the following to be the key performance indicators of the Company:

	2015	2014	Change
US\$ exchange rate to £1	1.47	1.56	(5.8)%
Capacity (youngest underwriting year) £'000	6,672	6,106	9.3%
Profit / (loss) after tax	438,802	512,263	(14.3)%
Underwriting profit of latest closed pure year	861,885	779,314	10.6%
as a % of capacity	14.0%	12.9%	8.5%

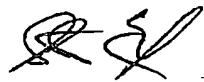
### Other Performance Indicators

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 Syndicate's 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.

**Risk Management**

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 2, these risks are mostly managed by the Managing Agent of the syndicate. This company's role in managing this risk in conjunction with its Members' Agent is limited to selection of syndicate participations and monitoring performance of the syndicates. The Company seeks to achieve a balance of risk and reward in the portfolio of syndicates it chooses to support.

By Order of the Board



S C Chandler (Director)

Date: 25 Sep 2016

**Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Report of the Directors, Strategic Report and Financial Statements in accordance with applicable law and regulations.

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

- select suitable Accounting Policies and then apply them consistently;
- make judgments 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.

**Independent Auditor's Report to the Shareholders of Aegis Underwriting Limited**

We have audited the Financial Statements of Aegis Underwriting 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, the Accounting Policies 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" and FRS 103 "Insurance Contracts".

This report is made solely to the Company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of Directors and Auditor**

As explained more fully in the Statement of Directors' Responsibilities, the Company's 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 Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual 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 profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the Strategic Report and Report of the Directors' 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.



Neil Coulson (Senior statutory auditor)  
For and on behalf of PKF Littlejohn LLP  
Statutory Auditor

Date: 26 September 2016

1 Westferry Circus  
Canary Wharf  
London E14 4HD



**AEGIS UNDERWRITING LIMITED**
**PROFIT AND LOSS ACCOUNT  
Year Ended 31 December 2015**
**TECHNICAL ACCOUNT - GENERAL BUSINESS**

	Note	2015	2014
<b>Gross Premiums Written</b>	3	5,794,653	5,034,089
Outward reinsurance premiums		(1,068,662)	(931,025)
<b>Net Premiums Written</b>		4,725,991	4,103,064
<b>Change in the provision for unearned premiums</b>			
Gross provision	5	(404,635)	(33,124)
Reinsurers' share	5	76,377	16,088
<b>Earned Premiums, Net of Reinsurance</b>		4,397,733	4,086,028
<b>Allocated Investment Return Transferred from the Non-Technical Account</b>		57,660	107,217
<b>Claims Paid</b>			
Gross amount		(2,281,274)	(2,301,441)
Reinsurers' share		335,661	418,751
<b>Net claims paid</b>		(1,945,613)	(1,882,690)
<b>Change in Provision for Claims</b>			
Gross amount	5	194,573	328,856
Reinsurers' share	5	(95,205)	(111,238)
<b>Net change in provision for claims</b>		99,368	217,618
<b>Claims Incurred, Net of Reinsurance</b>		(1,846,245)	(1,665,072)
Net operating expenses	6	(1,976,877)	(1,770,956)
<b>Balance on Technical Account for General Business</b>		£632,271	£757,217

All the amounts above relate to continuing operations.

The Accounting Policies and Notes on pages 14 to 34 form part of these Financial Statements.

**AEGIS UNDERWRITING LIMITED****PROFIT AND LOSS ACCOUNT**  
**Year Ended 31 December 2015****NON TECHNICAL ACCOUNT**

	<b>Note</b>	<b>2015</b>	<b>2014</b>
<b>Balance on the General Business Technical Account</b>		<b>632,271</b>	<b>757,217</b>
Investment income	7	172,374	173,368
Unrealised gains on investments	7	33,619	36,837
Investment expenses and charges	7	(79,725)	(50,388)
Unrealised losses on investments	7	(68,060)	(52,117)
Allocated investment return transferred to the general business technical account		(57,660)	(107,217)
Other income		75,723	-
Profit/(Loss) on exchange - syndicates		35,935	77,519
Other charges		(215,500)	(183,923)
<b>Profit/(Loss) on Ordinary Activities before Taxation</b>	<b>8</b>	<b>528,977</b>	<b>651,296</b>
Tax on profit/(loss) on ordinary activities	9	(90,175)	(139,033)
<b>Profit/(Loss) on Ordinary Activities after Taxation</b>	<b>15</b>	<b>£438,802</b>	<b>£512,263</b>

All operations are continuing.

**STATEMENT OF COMPREHENSIVE INCOME**

	<b>2015</b>	<b>2014</b>
Profit/(Loss) for the financial year	438,802	512,263
<b>Other Comprehensive income:</b>		
Currency translation differences	-	-
	<b>£438,802</b>	<b>£512,263</b>

The Accounting Policies and Notes on pages 14 to 34 form part of these Financial Statements.

**AEGIS UNDERWRITING LIMITED**

Registered Number 3641769

**BALANCE SHEET**  
As at 31 December 2015

		2015			2014		
	Note	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
<b>ASSETS</b>							
<b>Intangible Assets</b>							
Syndicate participation rights	10	-	175,320	175,320	-	311,228	311,228
<b>Investments</b>							
Financial Investments	11	6,984,311	-	6,984,311	6,967,070	-	6,967,070
Deposits with ceding undertakings		502	-	502	2,658	-	2,658
		<u>6,984,813</u>	<u>-</u>	<u>6,984,813</u>	<u>6,969,728</u>	<u>-</u>	<u>6,969,728</u>
<b>Reinsurers' Share of Technical Provisions</b>							
Provision for unearned premiums	5	377,941	-	377,941	283,861	-	283,861
Claims outstanding	5	1,270,939	-	1,270,939	1,317,951	-	1,317,951
		<u>1,648,880</u>	<u>-</u>	<u>1,648,880</u>	<u>1,601,812</u>	<u>-</u>	<u>1,601,812</u>
<b>Debtors</b>							
Arising out of direct insurance operations		-	-	-	-	-	-
Policyholders		-	-	-	-	-	-
Intermediaries		1,318,708	-	1,318,708	1,043,008	-	1,043,008
Arising out of reinsurance operations		1,597,107	-	1,597,107	1,485,168	-	1,485,168
Other debtors	12	755,816	2	755,818	551,277	2	551,279
	12	<u>3,671,631</u>	<u>2</u>	<u>3,671,633</u>	<u>3,079,453</u>	<u>2</u>	<u>3,079,455</u>
<b>Other Assets</b>							
Cash at bank and in hand	13	382,361	669,563	1,051,924	365,071	16,265	381,336
Other		328,010	-	328,010	358,712	-	358,712
		<u>710,371</u>	<u>669,563</u>	<u>1,379,934</u>	<u>723,783</u>	<u>16,265</u>	<u>740,048</u>
<b>Prepayments and Accrued Income</b>							
Accrued interest		13,471	-	13,471	12,423	-	12,423
Deferred acquisition costs	5	693,887	-	693,887	561,581	-	561,581
Other prepayments and accrued income		15,786	-	15,786	14,651	-	14,651
		<u>723,144</u>	<u>-</u>	<u>723,144</u>	<u>588,655</u>	<u>-</u>	<u>588,655</u>
<b>Total Assets</b>		<u>£13,738,839</u>	<u>£844,885</u>	<u>£14,583,724</u>	<u>£12,963,431</u>	<u>£327,495</u>	<u>£13,290,926</u>

The Accounting Policies and Notes on pages 14 to 34 form part of these Financial Statements.

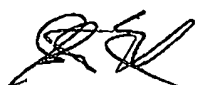
## AEGIS UNDERWRITING LIMITED

Registered Number 3641769

BALANCE SHEET  
As at 31 December 2015

		2015			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	14	-	380	380	-	380	380
Share Premium Account		-	-	-	-	-	-
Profit and Loss Account	15	1,098,237	67,619	1,165,856	1,209,415	(482,361)	727,054
<b>Total Shareholders' Funds</b>	16	<u>1,098,237</u>	<u>67,999</u>	<u>1,166,236</u>	<u>1,209,415</u>	<u>(481,981)</u>	<u>727,434</u>
<b>Technical Provisions</b>							
Provision for unearned premiums		2,671,973	-	2,671,973	2,173,101	-	2,173,101
Claims outstanding - gross amount		7,954,679	-	7,954,679	7,874,947	-	7,874,947
	5	<u>10,626,652</u>	<u>-</u>	<u>10,626,652</u>	<u>10,048,048</u>	<u>-</u>	<u>10,048,048</u>
<b>Provisions for Other Risks</b>							
Deferred Taxation	17	-	492,436	492,436	-	469,348	469,348
<b>Deposits Received from Reinsurers</b>							
		25,995	-	25,995	1,339	-	1,339
<b>Creditors</b>							
Arising out of direct insurance operations		140,193	-	140,193	150,075	-	150,075
Arising out of reinsurance operations		840,558	-	840,558	746,562	-	746,562
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors	18	914,569	236,678	1,151,247	728,802	309,057	1,037,859
	18	<u>1,895,320</u>	<u>236,678</u>	<u>2,131,998</u>	<u>1,625,439</u>	<u>309,057</u>	<u>1,934,496</u>
<b>Accruals and Deferred Income</b>		92,637	47,772	140,409	79,190	31,071	110,261
<b>Total Liabilities</b>		<u>£13,738,841</u>	<u>£844,885</u>	<u>£14,583,726</u>	<u>£12,963,431</u>	<u>£327,495</u>	<u>£13,290,926</u>

Approved by the Board on 26 Sep. 2016

  
 S C Chandler (Director)

The Accounting Policies and Notes on pages 14 to 34 form part of these Financial Statements.

**AEGIS UNDERWRITING LIMITED**
**STATEMENT OF CHANGES IN EQUITY**  
**Year Ended 31 December 2015**

	Share capital	Share premium account	Profit and Loss account	Total
At 1 January 2014	380	-	714,791	715,171
Profit/(loss) for the financial year			512,263	512,263
Other comprehensive income			-	-
Dividends paid			(500,000)	(500,000)
Proceeds from issues of shares			-	-
At 31 December 2014	£380	£-	£727,054	£727,434
At 1 January 2015	380	-	727,054	727,434
Profit/(loss) for the financial year			438,802	438,802
Other comprehensive income			-	-
Dividends paid			-	-
Proceeds from issues of shares			-	-
At 31 December 2015	£380	£-	£1,165,856	£1,166,236

The Accounting Policies and Notes on pages 14 to 34 form part of these Financial Statements.

**AEGIS UNDERWRITING LIMITED**
**CASH FLOW STATEMENT**  
**Year Ended 31 December 2015**

	Note	2015	2014
<b>Net Cash from Operating Activities</b>			
	19	668,245	314,434
Corporation Tax received / (paid)		-	-
Overseas Taxation paid		(3,520)	(502)
<b>Taxation paid</b>		<b>(3,520)</b>	<b>(502)</b>
<b>Net cash generated from operating activities</b>		<b>664,725</b>	<b>313,932</b>
<b>Cash flow from investing activities</b>			
Purchase of syndicate participations rights		-	(311,228)
Proceeds from sale of syndicate participations rights		123,971	-
(Purchase)/Sale of financial assets		-	-
Interest received		548	483
Interest paid on related party loan		-	-
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>		<b>124,519</b>	<b>(310,745)</b>
		<b>789,244</b>	<b>3,187</b>
<b>Financing</b>			
Equity Dividends Paid		-	(500,000)
Funds lent by the Company to the Shareholders to meet expenses and cash calls		(135,946)	3,691
<b>Net Cash (Outflow) from Financing</b>		<b>(135,946)</b>	<b>(496,309)</b>
<b>Net Cash inflow/(outflow) in the year</b>		<b>£653,298</b>	<b>£(493,122)</b>
<b>Decrease/increase in cash and cash equivalents</b>		<b>653,298</b>	<b>(493,122)</b>
Cash and cash equivalents at beginning of year		16,265	509,387
<b>Cash and cash equivalents at the end of the year</b>		<b>£669,563</b>	<b>£16,265</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 Accounting Policies and Notes on pages 14 to 34 form part of these Financial Statements.

**General information**

The Company is a private company limited by shares that was incorporated in England and whose registered office is 130 Fenchurch Street, London, EC3M 5DJ. The Company participates in insurance business as an underwriting member of various syndicates at Lloyd's.

**Accounting Policies****Basis of Preparation**

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

The Company participates in insurance business as an underwriting member of various Syndicates at Lloyd's.

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.

**Going Concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. In addition, the Strategic Report includes the Company's objectives, policies and processes for managing the majority of the risk to the company's future cash flows.

The Company has net assets at 31 December 2015 and participates on the 2014 and 2015 underwriting years of account, which will normally close at 31 December 2016 and 2017 respectively. It has continued this participation since the year end on the 2016 year of account. As a consequence, the Director believe that the company is well placed to manage its business risks successfully.

The Directors have a reasonable expectation that the company has adequate resources to meet its underwriting and other operational obligations for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

**Basis of Accounting**

The Financial Statements are prepared under 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 the movements in the calendar year 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 generally adopted.

**General Business****i. 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.

**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**

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.



**v. Claims Incurred and Reinsurers' Share (continued)**

The level of uncertainty with regard to the estimations within these provisions generally decreases with time since the underlying contracts were exposed to new risks. 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.

**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.

**xi. 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 if interest for a similar debt instrument.

**Subsequent measurement**

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

**xi. Financial assets and financial liabilities (continued)**

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.

**Derecognition of financial assets and liabilities**

Financial assets are derecognized 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 derecognized 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.

**xii. Investment Return**

Investment return comprises all investment income, realised investment gains and losses and 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 current 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 functional and presentational currency of the Company is sterling.

Syndicates maintain separate funds in sterling, United States dollars, Canadian dollars and Euros.

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.

Assets and liabilities are translated into sterling at the rates of exchange at the Balance Sheet date.

Differences arising on the translation of foreign currency amounts in syndicates are included in the technical account or non-technical account depending on the treatment by the underlying syndicates.

**Taxation**

The company is taxed on its results including its share of underwriting results declared by the 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 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.

The taxable results of the syndicates at a syndicate level are calculated by the managing agent and computations submitted to HM Revenue & Customs (HMRC). Any adjustments that may be necessary to the tax provisions established by the Company, as a result of any HMRC enquiry into these computations, 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 probable that they will be recovered.

**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 fixed assets and amortised over a 3 year period beginning in the year after the underwriting commences in respect of the purchased Syndicate participation.

**Cash and cash equivalents**

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

**Share capital**

Ordinary share capital is classified as equity.

**Distributions**

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.

**1 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 5.

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.

**2 Risk management**

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 analysis below provides details of the financial risks the Company is exposed to from syndicate insurance activities as required by FRS 103. Note 5 provides further analysis of sensitivities to reserving and underwriting risks.

**Syndicate risks****i. Liquidity risk**

The syndicates are exposed to daily calls on their available cash resources, principally from claims arising from its insurance business. Liquidity risk arises where cash may not be available to pay 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").

**ii. Credit risk**

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

	AAA	AA	A	BBB or lower	Not rated	Total
<b>2015</b>						
Deposits with ceding undertakings	-	-	-	-	502	502
Reinsurers share of claims outstanding	42,910	398,585	770,991	11,438	47,016	1,270,940
Reinsurance debtors	11,104	1,153,968	426,065	3,746	2,225	1,597,108
Insurance debtors	44,523	413,566	799,969	11,868	48,783	1,318,709
<b>Total</b>	<b>£98,537</b>	<b>£1,966,119</b>	<b>£1,997,025</b>	<b>£27,052</b>	<b>£98,526</b>	<b>£4,187,259</b>

## 2 Risk management (continued)

## Syndicate risks (continued)

## ii. Credit risk (continued)

	AAA	AA	A	BBB or lower	Not rated	Total
<b>2014</b>						
Deposits with ceding undertakings	-	-	-	-	2,658	2,658
Reinsurers share of claims outstanding	44,497	413,329	799,510	11,861	48,755	1,317,951
Reinsurance debtors	10,326	1,073,088	396,202	3,483	2,069	1,485,168
Insurance debtors	35,214	327,102	632,721	9,386	38,584	1,043,008
<b>Total</b>	<b>£90,037</b>	<b>£1,813,519</b>	<b>£1,828,433</b>	<b>£24,730</b>	<b>£92,066</b>	<b>£3,848,785</b>

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

	Neither due nor impaired	Up to three months	Three months to one year	Greater than one year	Financial assets that have been impaired	Total
<b>2015</b>						
Deposits with ceding undertakings	502	-	-	-	-	502
Reinsurers share of claims outstanding	1,266,859	4,015	64	3	-	1,270,941
Reinsurance debtors	1,507,282	67,092	18,668	402	3,663	1,597,107
Insurance debtors	1,233,335	45,827	27,272	12,274	-	1,318,708
<b>Total</b>	<b>£4,007,978</b>	<b>£116,934</b>	<b>£46,004</b>	<b>£12,679</b>	<b>£3,663</b>	<b>£4,187,258</b>

	Neither due nor impaired	Up to three months	Three months to one year	Greater than one year	Financial assets that have been impaired	Total
<b>2014</b>						
Deposits with ceding undertakings	2,658	-	-	-	-	2,658
Reinsurers share of claims outstanding	1,313,718	4,164	66	3	-	1,317,951
Reinsurance debtors	1,401,639	62,389	17,360	374	3,406	1,485,168
Insurance debtors	975,484	36,246	21,570	9,708	-	1,043,008
<b>Total</b>	<b>£3,693,499</b>	<b>£102,799</b>	<b>£38,996</b>	<b>£10,085</b>	<b>£3,406</b>	<b>£3,848,785</b>

## iii. Interest rate and equity price risk

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

## 2 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:

	GBP £	USD converted	EUR converted	CAD converted	Other converted	Total
<b>2015</b>						
Total assets	1,891,520	10,412,227	722,078	662,900	50,115	13,738,840
Total liabilities	(2,353,514)	(9,109,599)	(603,903)	(457,754)	(115,834)	(12,640,604)
Surplus/(deficiency) of assets	£(461,994)	£1,302,628	£118,175	£205,146	£(65,719)	£1,098,236
	GBP £	USD converted	EUR converted	CAD converted	Other converted	Total
<b>2014</b>						
Total assets	1,784,764	9,824,570	681,324	625,486	47,287	12,963,431
Total liabilities	(2,188,443)	(8,470,670)	(561,546)	(425,648)	(107,709)	(11,754,016)
Surplus/(deficiency) of assets	£(403,679)	£1,353,900	£119,778	£199,838	£(60,422)	£1,209,415

The impact of a 5% change in exchange rates between GBP and other currencies would be £78,012 on the result for the year (2014: £80,655).

## 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.



## 3 Class of Business

2015	Gross written premiums	Gross premiums earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
<b>Direct</b>						
Accident and health	284,677	259,356	(114,108)	(117,618)	(16,644)	10,986
Motor (third party liability)	36,028	29,779	(22,661)	(10,962)	2,232	(1,612)
Motor (other classes)	147,396	120,582	(90,127)	(40,639)	513	(9,671)
Marine, aviation and transport	773,581	728,539	(252,061)	(325,653)	(85,802)	65,023
Fire and other damage to property	1,658,133	1,541,424	(562,918)	(580,674)	(236,764)	161,068
Third party liability	1,053,488	931,417	(566,175)	(365,283)	(45,673)	(45,714)
Credit and suretyship	86,535	84,128	(43,447)	(21,486)	(10,336)	8,859
Legal expenses	10,439	14,325	(5,186)	(6,791)	(48)	2,300
Other	37,198	35,865	(12,241)	(15,413)	(4,812)	3,399
<b>Total Direct</b>	<b>4,087,475</b>	<b>3,745,415</b>	<b>(1,668,924)</b>	<b>(1,484,519)</b>	<b>(397,334)</b>	<b>194,638</b>
<b>Reinsurance Business</b>						
Reinsurance balance	1,707,178	1,644,603	(417,777)	(492,357)	(354,495)	379,974
<b>Total Reinsurance</b>	<b>1,707,178</b>	<b>1,644,603</b>	<b>(417,777)</b>	<b>(492,357)</b>	<b>(354,495)</b>	<b>379,974</b>
<b>Total</b>	<b>£5,794,653</b>	<b>£5,390,018</b>	<b>£(2,086,701)</b>	<b>£(1,976,876)</b>	<b>£(751,829)</b>	<b>£574,612</b>

## 2014

## Direct

Accident and health	248,560	245,500	(98,144)	(107,976)	(13,221)	26,159
Motor (third party liability)	26,463	28,502	(18,397)	(9,375)	(99)	631
Motor (other classes)	100,077	99,794	(62,245)	(33,490)	(2,035)	2,024
Marine, aviation and transport	699,945	707,278	(296,068)	(260,230)	(56,550)	94,430
Fire and other damage to property	1,408,211	1,373,805	(467,282)	(486,814)	(211,513)	208,196
Third party liability	807,643	739,941	(469,206)	(278,212)	3,237	(4,240)
Credit and suretyship	83,373	82,917	(53,821)	(19,366)	(5,309)	4,421
Legal expenses	15,870	16,562	(5,944)	(8,527)	(75)	2,016
Other	31,229	31,070	(5,974)	(15,100)	(6,685)	3,311

<b>Total Direct</b>	<b>3,421,371</b>	<b>3,325,369</b>	<b>(1,477,081)</b>	<b>(1,219,090)</b>	<b>(292,250)</b>	<b>336,948</b>
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## Reinsurance Business

Reinsurance balance	1,612,718	1,675,596	(495,504)	(474,348)	(315,174)	390,570
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<b>Total Reinsurance</b>	<b>1,612,718</b>	<b>1,675,596</b>	<b>(495,504)</b>	<b>(474,348)</b>	<b>(315,174)</b>	<b>390,570</b>
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<b>Total</b>	<b>£5,034,089</b>	<b>£5,000,965</b>	<b>£(1,972,585)</b>	<b>£(1,693,438)</b>	<b>£(607,424)</b>	<b>£727,518</b>
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**4 Geographical Analysis****2015****2014****Direct Gross Premium Written In**

United Kingdom	4,087,475	3,421,371
Other EU Member States	-	-
Rest of the World	-	-
	<u>£4,087,475</u>	<u>£3,421,371</u>

**5 Technical Provisions**

	<b>Gross</b>	<b>Reinsurance</b>	<b>2015 Net</b>	<b>Gross</b>	<b>Reinsurance</b>	<b>2014 Net</b>
<b>Movement in claims outstanding</b>						
At 1 January	7,874,947	(1,317,951)	6,556,996	8,244,483	(1,344,119)	6,900,364
Movement in technical account	(194,573)	95,205	(99,368)	(328,856)	111,238	(217,618)
Other movements	274,305	(48,193)	226,112	(40,680)	(85,070)	(125,750)
	<u>£7,954,679</u>	<u>£(1,270,939)</u>	<u>£6,683,740</u>	<u>£7,874,947</u>	<u>£(1,317,951)</u>	<u>£6,556,996</u>

	<b>Gross</b>	<b>Reinsurance</b>	<b>2015 Net</b>	<b>Gross</b>	<b>Reinsurance</b>	<b>2014 Net</b>
<b>Movement in unearned premiums</b>						
At 1 January	2,173,101	(283,861)	1,889,240	2,083,004	(262,084)	1,820,920
Movement in technical account	404,635	(76,377)	328,258	33,124	(16,088)	17,036
Other movements	94,237	(17,703)	76,534	56,973	(5,689)	51,284
	<u>£2,671,973</u>	<u>£(377,941)</u>	<u>£2,294,032</u>	<u>£2,173,101</u>	<u>£(283,861)</u>	<u>£1,889,240</u>

	<b>2015</b>	<b>2014</b>
<b>Movement in deferred acquisitions costs</b>		
At 1 January	561,581	539,394
Movement in technical account	121,056	30,694
Other movements	11,250	(8,507)
	<u>£693,887</u>	<u>£561,581</u>

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.

**Assumptions, changes in assumptions and sensitivity**

As described on page 20 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.

## 5 Technical provisions (continued)

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 £0.03m (2014: £0.04m);
- a 5% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the Company's pre-tax profit/loss by £0.40m (2014: £0.39m);
- a 5% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Company's pre-tax profit/loss by £0.33m (2014: £0.33m).

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:

**Gross basis**

Underwriting year	After 12 months	After 24 months	After 36 months	Ultimate	Cumulative payments	Total
2011 and prior (including RITC)	2,155,235	3,256,764	5,335,114	5,335,114	(2,449,638)	2,885,476
2012	2,135,561	2,941,375	2,736,469	2,736,469	(1,914,757)	821,712
2013	1,546,469	2,609,121	2,535,107	2,535,107	(1,400,442)	1,134,665
2014	1,570,995	2,545,493	-	2,545,493	(860,371)	1,685,122
2015	1,608,610	-	-	1,608,610	(180,906)	1,427,704
				<b>£14,760,793</b>	<b>£(6,806,114)</b>	<b>£7,954,679</b>

**Net basis**

Underwriting year	After 12 months	After 24 months	After 36 months	Ultimate	Cumulative payments	Total
2011 and prior (including RITC)	1,753,013	2,712,588	4,326,575	4,326,575	(1,982,194)	2,344,381
2012	1,748,461	2,507,896	2,325,097	2,325,097	(1,635,320)	689,777
2013	1,329,723	2,292,558	2,220,509	2,220,509	(1,231,686)	988,823
2014	1,328,663	2,227,815	-	2,227,815	(775,082)	1,452,733
2015	1,361,285	-	-	1,361,285	(153,259)	1,208,026
				<b>£12,461,281</b>	<b>£(5,777,541)</b>	<b>£6,683,740</b>

6 Net Operating Expenses	2015	2014
Acquisition costs	1,582,202	1,345,003
Change in deferred acquisition costs	(121,056)	(30,694)
Administrative expenses	516,122	456,647
(Profit)/loss on exchange	(391)	-
	<u>£1,976,877</u>	<u>£1,770,956</u>

7 Investment Income	2015	2014
Income from investments	140,821	139,162
Realised gains on investments	31,005	33,723
Bank Deposit Interest	548	483
	<u>172,374</u>	<u>173,368</u>
Investment income	172,374	173,368
Investment management expenses	9,862	11,396
Losses on the realisation of investments	69,863	38,992
	<u>79,725</u>	<u>50,388</u>
Investment expenses and charges	79,725	50,388
Unrealised gains and losses - net	(34,441)	(15,280)
	<u>£58,208</u>	<u>£107,700</u>
Total investment return	£58,208	£107,700

Analysed as follows:

	2015			2014		
	Investments at fair value through profit or loss	Investments available for sale	Total	Investments at fair value through profit or loss	Investments available for sale	Total
Realised gains or losses	(38,858)	-	(38,858)	(5,269)	-	(5,269)
Unrealised gains or losses	(34,441)	-	(34,441)	(15,280)	-	(15,280)
Other relevant income	-	-	-	-	-	-
	<u>£(73,299)</u>	<u>£-</u>	<u>£(73,299)</u>	<u>£(20,549)</u>	<u>£-</u>	<u>£(20,549)</u>
Interest and similar income, net of expense			131,507			128,249
Total investment return			<u>£58,208</u>			<u>£107,700</u>

8 Profit/(Loss) on Ordinary Activities before Taxation	2015	2014
This is stated after charging/(crediting):		
	£	£
Fees payable to the company's auditor for:		
- audit of the financial statements	2,565	1,900
- taxation services	1,080	800
- other services	1,755	1,300
Directors remuneration	-	-
Amortisation of syndicate capacity	87,660	16,212
(Profit)/loss on sale of syndicate capacity	(75,723)	-
Exchange (gain) or loss - Non Technical Account	(15,573)	11,679
Interest payable on related party loan	-	-
Interest payable - other	-	-

**8 Profit/(Loss) on Ordinary Activities before Taxation (continued)**

The Company has no employees.

**9 Taxation****Analysis of Charge in Year****Current tax**

UK Corporation Tax on profits of the year	80,788	22,983
Adjustments in respect of previous years	(9,233)	(75)

	71,555	22,908
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Double Taxation Relief	(7,988)	-
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	63,567	22,908
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Foreign tax	3,520	502
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Total current tax	67,087	23,410
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**Deferred tax**

Origination and reversal of timing differences	23,088	115,623
Effect of change in tax rate on opening liability or asset	-	-

Total deferred tax	23,088	115,623
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Tax on profit/(loss) on ordinary activities	£90,175	£139,033
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**Factors Affecting Tax Charge for the Year**

The tax assessed for the period is different to the standard rate of corporation tax in the UK. The differences are explained below:

	2015	2014
Profit/(loss) on ordinary activities before tax	£528,977	£651,296

Profit/(loss) on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 20.25% (2014 - 20%)	107,118	130,259
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**Effects of:**

Expenses not deductible for tax purposes	-	7,683
Income not subject to tax	(12,346)	-
Timing differences arising on the taxation of the underwriting results	9,104	664
Trading losses carried back	-	-
Foreign tax	(4,468)	502
Adjustments in respect of previous periods	(9,233)	(75)
Marginal rate adjustment	-	-

Current tax charge/(credit) for year	£90,175	£139,033
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**Factors that may affect Future Tax Charges**

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. In addition, tax only Claims Equalisation Reserves (CER) may further affect the timing of the taxation of underwriting profits.

The above charge for foreign taxes has been estimated after making provision for double taxation relief with the UK. However due to the differences of timings and tax rates some foreign taxes may ultimately not be fully recoverable.

**10 Intangible Assets**

	<b>Syndicate Participation Rights</b>
<b>Cost</b>	
At 1 January 2015	562,417
Additions	-
Disposals	(71,860)
	<hr/>
At 31 December 2015	490,557
<b>Amortisation</b>	
At 1 January 2015	251,189
Charge for the year	87,660
Disposals	(23,612)
	<hr/>
At 31 December 2015	315,237
<b>Net Book Value</b>	
At 31 December 2015	£175,320
	<hr/>
At 31 December 2014	£311,228
	<hr/>

**11 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: priced determined using a valuation technique.

**Other Financial Investments - Syndicate**

	<b>2015</b>		<b>2014</b>	
	<b>Market Value</b>	<b>Cost</b>	<b>Market Value</b>	<b>Cost</b>
Shares and other variable yield securities and units in unit trusts	915,229	892,744	727,995	703,591
Debt securities and other fixed income securities	5,839,585	5,887,966	5,909,535	5,920,926
Participation in investment pools	112,653	99,744	149,077	131,984
Loans secured by mortgage	738	750	16,091	16,036
Other Loans	-	-	46,446	46,443
Deposits with credit institutions	8,110	8,110	5,257	5,257
Overseas deposits	107,085	105,833	111,740	108,826
Other	911	786	929	610
	<hr/>	<hr/>	<hr/>	<hr/>
	£6,984,311	£6,995,933	£6,967,070	£6,933,673
	<hr/>	<hr/>	<hr/>	<hr/>
Listed investments included within the above	£6,867,467	£6,880,454	£6,786,607	£6,756,501
	<hr/>	<hr/>	<hr/>	<hr/>

## 11 Investments (continued)

Other Financial Investments - Syndicate  
2015

	Held at fair value through profit or loss				Amortised	
	Level 1	Level 2	Level 3	Total	Cost	Total
Shares and other variable yield securities and units in unit trusts	91,256	785,326	38,647	915,229	-	915,229
Debt securities and other fixed income securities	2,763,964	2,800,690	274,931	5,839,585	-	5,839,585
Participation in investment pools	29,629	32,308	50,715	112,652	-	112,652
Loans and deposits with credit institutions	86,164	17,661	12,109	115,934	-	115,934
Derivatives	365	-	363	728	-	728
Other investments	-	-	183	183	-	183
Held for sale financial assets	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Fair Value</b>	<b>£2,971,378</b>	<b>£3,635,985</b>	<b>£376,948</b>	<b>£6,984,311</b>	<b>£-</b>	<b>£6,984,311</b>
<b>Cost</b>				<b>£6,995,933</b>	<b>£-</b>	<b>£6,995,933</b>

Other Financial Investments - Syndicate  
2014

	Held at fair value through profit or loss				Amortised	
	Level 1	Level 2	Level 3	Total	Cost	Total
Shares and other variable yield securities and units in unit trusts	72,587	624,667	30,741	727,995	-	727,995
Debt securities and other fixed income securities	2,797,072	2,834,238	278,224	5,909,535	-	5,909,535
Participation in investment pools	39,209	42,754	67,113	149,077	-	149,077
Loans and deposits with credit institutions	133,432	27,349	18,753	179,534	-	179,534
Derivatives	-	-	-	-	-	-
Other investments	-	-	929	929	-	929
Held for sale financial assets	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Fair Value</b>	<b>£3,042,301</b>	<b>£3,529,009</b>	<b>£395,760</b>	<b>£6,967,070</b>	<b>£-</b>	<b>£6,967,070</b>
<b>Cost</b>				<b>£6,933,673</b>	<b>£-</b>	<b>£6,933,673</b>

## 12 Debtors

## Other debtors analysis:

	2015			2014		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Corporation Tax	-	-	-	-	-	-
Related Party Loan Accounts	-	-	-	-	-	-
Other	755,816	2	755,818	551,277	2	551,279
	<b>£755,816</b>	<b>£2</b>	<b>£755,818</b>	<b>£551,277</b>	<b>£2</b>	<b>£551,279</b>

Other debtors includes £Nil (2014 - £Nil) in respect of cash calls paid to Lloyd's syndicates. This amount will be recoverable when the year of account on whose behalf the call was made is closed at a profit, or will be treated as a payment on account if the year is closed at a loss.

Included in total Debtors of £3,671,633 (2014: £3,079,455) is £647,825 (2014: £625,602) due after more than 1 year.

**13 Cash at Bank and in hand**

	2015			2014		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Lloyd's deposit	-	593,449	593,449	-	55	55
Cash at bank and in hand	382,361	76,114	458,475	365,071	16,210	381,281
	<u>£382,361</u>	<u>£669,563</u>	<u>£1,051,924</u>	<u>£365,071</u>	<u>£16,265</u>	<u>£381,336</u>

The Lloyd's deposit represents monies 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.

**14 Called-up Share Capital**

	2015	2014
	Allotted, Called-up and Fully Paid	Allotted, Called-up and Fully Paid
380 Ordinary Shares of £1 each	£380	£380

**15 Profit and Loss Account**

	2015		
	Syndicate Participation	Corporate	Total
Retained profit/(loss) brought forward	1,209,415	(482,361)	727,054
Transfer	(779,384)	779,384	-
Profit/(loss) for the financial year	668,206	(229,404)	438,802
Equity dividends paid and declared	-	-	-
	<u>£1,098,237</u>	<u>£67,619</u>	<u>£1,165,856</u>



# 16 Shareholders' Funds

	2015	2014
Opening shareholders' funds	727,434	715,171
Profit / (loss) for the financial year	438,802	512,263
Equity dividends paid and declared	-	(500,000)
Closing shareholders' funds	£1,166,236	£727,434

# 17 Provision for Deferred Tax

	2015	2014
Liability/(asset) at start of year	469,348	353,725
Deferred tax charge/(credit) in Profit and Loss Account for year	23,088	115,623
Liability/(asset) at end of year	£492,436	£469,348

## Analysis of Provision for Deferred Taxation

Timing differences arising from the taxation of the underwriting results	219,647	241,841
Claims Equalisation Reserves	272,789	227,507
Other timing differences	-	-
Tax losses carried forward	-	-
	£492,436	£469,348

Deferred tax has been calculated at a rate of 20% (2014 - 20%).

18 Creditors	2015			2014		
Other creditors analysis:						
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Other creditors	914,569	-	914,569	728,802	-	728,802
Corporation Tax	-	64,447	64,447	-	880	880
Related party loan accounts	-	172,231	172,231	-	308,177	308,177
	£914,569	£236,678	£1,151,247	£728,802	£309,057	£1,037,859

Included in total Creditors of £2,131,998 (2014: £1,934,496) is £247,245 (2014: £244,204) payable after more than 1 year.

# 19 Reconciliation of Operating Profit / (Loss) to Net Cash Inflow / (Outflow) from Operating Activities

	2015	2014
Operating Profit/(Loss)	528,977	651,296
Interest and dividends received - non-technical account	(548)	(483)
Realised and unrealised profits and losses on corporate investments	-	-
Interest charged - non-technical account	-	-
Underwriting result in year	(668,206)	(834,736)
Closed Year result distributable in year	779,384	464,976
Increase / (Decrease) in creditors	16,701	17,171
(Increase) / Decrease in debtors	-	(2)
(Profit) / Loss on sale of capacity	(75,723)	-
Amortisation of syndicate capacity	87,660	16,212
Net cash Inflow / (Outflow) from operating activities	£668,245	£314,434

**20 Funds at Lloyd's**

In addition to the Funds held in the Lloyd's Deposit (Note 11) the Company's Lloyd's underwriting is supported by a further £1,304,046 (2014: £1,883,017).

**21 Related Party Transactions**

S C Chandler is a Director and the sole shareholder of the Company. Clearbrook Trust is a revocable living trust solely for S C Chandler. During 2015, the Trust provided additional funding of £127,190 (2014 - £449,962), including expenses charged to the company; £263,136 (2014 - £446,271) was repaid. £172,230 is owed to Clearbrook Trust at 31 December 2015 (2014 - £308,177).

**22 Ultimate Controlling Party**

The ultimate controlling party of the company is Mr S C Chandler.

**23 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.

As a consequence of adopting FRS 102 & 103, the majority of exchange gains and losses, except for long term business, are now allocated to the non-technical account. Therefore exchange gains or losses previously reported in the technical account have been presented in the non-technical account.

There has been no change to the overall reported result for 2014 or the closing shareholders' funds at 31 December 2014.

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

	2014 reported result	Adjustment for adoption of FRS 102 and FRS 103	2014 adjusted result
Balance on technical account before operating expenses	2,528,173	-	2,528,173
Operating expenses	(1,693,437)	(77,519)	(1,770,956)
Balance on technical account	834,736	(77,519)	757,217
Non-technical account			
Profit/loss on exchange - syndicate participation	-	77,519	77,519
Other items in the Non-technical account	(322,473)	-	(322,473)
Profit on Ordinary Activities after Taxation	£512,263	£-	£512,263
Reconciliation of shareholders' funds			2014
Closing shareholders' funds as previously reported at 31 December 2014			727,434
Effect of change in foreign exchange accounting policy			-
Closing shareholders' funds at 31 December 2014			£727,434

## 24 Syndicate Participation

Syndicate Managing Agent No.		Allocated capacity per underwriting year			
		2016	2015	2014	2013
		£'000	£'000	£'000	£'000
33	Hiscox Syndicates Limited	780	781	781	741
510	Tokio Marine Kiln Syndicates Limited	1,000	1,000	766	766
557	Tokio Marine Kiln Syndicates Limited	100	100	100	100
609	Atrium Underwriting Limited	1,160	1,160	1,160	1,160
623	Beazley Furlonge Limited	790	706	757	701
727	S A Meacock & Company Limited	450	450	371	371
958	Canopus Managing Agents Limited	-	288	273	343
1884	Charles Taylor Managing Agency Limited	356	142	-	-
1969	Apollo Syndicate Management Limited	-	250	-	-
2010	Cathedral Underwriting Limited	612	612	700	700
2791	Managing Agency Partners Limited	800	800	616	700
4444	Canopus Managing Agents Limited	-	-	-	-
6103	Managing Agency Partners Limited	-	-	50	65
6104	Hiscox Syndicates Limited	-	-	150	250
6105	Ark Syndicate Management Limited	-	84	82	-
6111	Catlin Underwriting Agencies Limited	335	299	300	250
		<u>£6,383</u>	<u>£6,672</u>	<u>£6,106</u>	<u>£6,147</u>