

**Company Registration Number: 3846492**

**Lazonby Underwriting Limited**

**Annual Report  
31 December 2018**

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## **Lazonby Underwriting Limited**

### **Company Information**

#### **Directors**

Mrs V L A Pilkington  
Miss L A M Stapleton  
Mrs S J C Williams-Ellis

#### **Company Secretary**

Argenta Secretariat Limited

#### **Registered Office**

5th Floor, 70 Gracechurch Street  
London  
EC3V 0XL

#### **Auditors**

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

## Lazonby Underwriting Limited Strategic Report

The Directors submit their Strategic Report for the Company for the year ended 31 December 2018.

### Business Review

The Company continues to write insurance business in the Lloyd's insurance market as a Lloyd's Corporate Capital Member.

The Financial Statements incorporate the annual accounting results of the Syndicates on which the Company participates for the 2016, 2017 and 2018 years of account, as well as any 2015 and prior run-off years. The 2016 year closed at 31 December 2018 with a result of £233,287 (2015 - £425,328). The 2017 and 2018 open underwriting accounts will normally close at 31 December 2019 and 2020 respectively.

### Results and Dividends

The results for the year are set out on pages 8 to 9 of the Financial Statements. Dividends totalling £1,018,500 were declared in the year (2017 - £222,000).

### Financial Risk Management Objectives and Policies

The Company is principally exposed to financial risk through its participation on Lloyd's Syndicates. It has delegated sole management and control of its underwriting through each Syndicate to the managing agent of that Syndicate and it looks to the managing agents to implement appropriate policies, procedures and internal controls to manage each Syndicate's exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The Company is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the Company.

Hedge accounting is not used by the Company.

### Key Performance Indicators


	2018	2017
Capacity (youngest underwriting year)	£ 4,424,101	£ 3,600,321
Gross premium written as a % of capacity	94.7%	102.3%
Underwriting profit of latest closed year:		
as a % of capacity	6.5%	12.1%
Run-off years of account movement	£ -	£ -
Combined ratio	101.0%	109.0%

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

### Brexit

The Brexit talks continue with parliament debating the EU Withdraw Bill. At present the insurance sector still needs certainty on the UK's future trading relationship with the EU. The priority is to ensure mutual insurance and reinsurance market access if the UK leaves the EU. Lloyd's have established a subsidiary, Lloyd's Brussels, which opened for business on 13 November 2018 and provides certainty for the market and Lloyd's clients. All legacy European Economic Area business will be moving to Lloyd's Brussels before the end of 2020 via a part VII transfer. The Directors are monitoring the Lloyd's market's preparations along with general market conditions to identify if it is appropriate to make any changes to the current strategy of the Group.

Approved by the Board on 04/07/2019  
and signed on its behalf by:



V L A PILKINGTON

Director

## **Lazonby Underwriting Limited**

### **Report of the Directors**

The Directors submit their Report together with the audited Financial Statements of the Company for the year ended 31 December 2018.

#### **Principal Activities**

The principal activity of the Company is that of trading as a Lloyd's Corporate Capital Member. The Company continues to underwrite for the 2019 year of account.

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

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Accounting Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under Company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Directors**

The Directors who served at any time during the year and to the date of this report were as follows:

Mrs V L A Pilkington  
Miss L A M Stapleton  
Mrs S J C Williams-Ellis

**Lazonby Underwriting Limited**  
**Report of the Directors (continued)**

**Auditors**

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

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

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

Approved by the Board on 04/07/ 2019  
and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'V L A Pilkington', with a stylized flourish at the end.

V L A PILKINGTON

Director

# **Lazonby Underwriting Limited**

## **Independent Auditor's Report**

### **Independent auditor's report to the members of Lazonby Underwriting Limited**

#### **Opinion**

We have audited the Financial Statements of Lazonby Underwriting Limited (the 'Company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **The impact of uncertainties due to the United Kingdom exiting the European Union on our audit**

The Directors' view on the impact of Brexit is disclosed on page 2.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

#### **Conclusions relation to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## **Lazonby Underwriting Limited**

### **Independent Auditor's Report (continued)**

#### **Other information (continued)**

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

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

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

We have nothing to report in respect of the following matters in relation to which 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 specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of Directors**

As explained more fully in the Statement of Directors' responsibilities set out on page 3, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Lazonby Underwriting Limited**

### **Independent Auditor's Report (continued)**

#### **Use of the audit report**

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.

  
Amanda Barker (Jul 10, 2019)

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

10/07/2019



**Lazonby Underwriting Limited**  
**Statement of Comprehensive Income**  
**Technical Account – general business**  
**For the year ended 31 December 2018**

	Note	2018 £	2017 £
<b>Premiums</b>			
Gross premiums written	1	4,188,728	3,683,129
Outward reinsurance premiums	1	(1,007,661)	(838,778)
<b>Net premiums written</b>		<u>3,181,067</u>	<u>2,844,351</u>
<b>Change in the provision for unearned premiums</b>			
Gross provision	1	(266,854)	19,913
Reinsurers' share	1	74,038	32,589
<b>Earned premiums, net of reinsurance</b>		<u>2,988,251</u>	<u>2,896,853</u>
<b>Allocated investment return transferred from the non-technical account</b>		45,537	85,605
Other technical income, net of reinsurance		-	-
<b>Claims paid</b>			
Gross amount	1	(2,051,471)	(1,788,666)
Reinsurers' share	1	485,007	284,946
<b>Net claims paid</b>		<u>(1,566,464)</u>	<u>(1,503,720)</u>
<b>Change in provision for claims</b>			
Gross amount	1	(495,582)	(1,113,425)
Reinsurers' share	1	252,132	642,814
<b>Change in net provision for claims</b>		<u>(243,450)</u>	<u>(470,611)</u>
<b>Claims incurred, net of reinsurance</b>		<u>(1,809,914)</u>	<u>(1,974,331)</u>
Changes in other technical provisions, net of reinsurance		(2,708)	-
Net operating expenses	1,2	(1,207,377)	(1,183,285)
Other technical charges, net of reinsurance	1	-	-
<b>Balance on the technical account for general business</b>		<u>13,789</u>	<u>(175,158)</u>

The accounting policies and notes on pages 14 to 41 form part of these Financial Statements.

**Lazonby Underwriting Limited**  
**Statement of Comprehensive Income**  
**Non Technical Account**  
**For the year ended 31 December 2018**

	Note	2018 £	2017 £
<b>Balance on technical account for general business</b>		13,789	(175,158)
Investment income	3	237,418	666,002
Allocated investment return transferred to the general business technical account		(45,537)	(85,605)
Other income		-	11,693
Other charges, including value adjustments		(150,768)	(185,286)
<b>Profit on ordinary activities before taxation</b>	4	<u>54,902</u>	<u>231,646</u>
Tax on profit on ordinary activities	5	(5,276)	(38,845)
<b>Profit for the financial year</b>		<u>49,626</u>	<u>192,801</u>
<b>Other comprehensive income:</b>			
Currency translation differences		(17,984)	(3,534)
Tax on other comprehensive expenditure		2,984	809
<b>Total comprehensive income</b>	10	<u>34,626</u>	<u>190,076</u>

All amounts relate to continuing operations.

The accounting policies and notes on pages 14 to 41 form part of these Financial Statements.

**Lazonby Underwriting Limited**  
**Statement of Financial Position**  
**As at 31 December 2018**

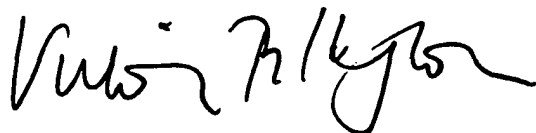
		31 December 2018			31 December 2017		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
<b>Assets</b>							
<b>Intangible assets</b>	6	-	55,195	55,195	-	142,684	142,684
<b>Investments</b>							
Other financial investments	7	3,861,656	3,818,857	7,680,513	3,936,195	4,064,168	8,000,363
Deposits with ceding undertakings		333	-	333	317	-	317
		3,861,989	3,818,857	7,680,846	3,936,512	4,064,168	8,000,680
<b>Reinsurers' share of technical provisions</b>							
Provision for unearned premiums	8	368,613	-	368,613	277,855	-	277,855
Claims outstanding	8	1,905,637	-	1,905,637	1,622,549	-	1,622,549
Other technical provisions		-	-	-	-	-	-
		2,274,250	-	2,274,250	1,900,404	-	1,900,404
<b>Debtors</b>							
Amounts falling due within one year	7	1,826,143	59,334	1,885,477	1,510,709	-	1,510,709
Amounts falling due after one year	7	479,142	39,265	518,407	462,338	-	462,338
		2,305,285	98,599	2,403,884	1,973,047	-	1,973,047
<b>Other assets</b>							
Cash at bank and in hand		182,850	348,087	530,937	172,558	549,364	721,922
Other		384,038	-	384,038	391,835	-	391,835
		566,888	348,087	914,975	564,393	549,364	1,113,757
<b>Prepayments and accrued income</b>							
Accrued interest		9,171	-	9,171	7,746	-	7,746
Deferred acquisitions costs	8	520,275	-	520,275	447,873	-	447,873
Other prepayments and accrued income		18,848	-	18,848	11,264	-	11,264
		548,294	-	548,294	466,883	-	466,883
<b>Total assets</b>		9,556,706	4,320,738	13,877,444	8,841,239	4,756,216	13,597,455

The accounting policies and notes on pages 14 to 41 form part of these Financial Statements.

**Lazonby Underwriting Limited**  
**Statement of Financial Position**  
**As at 31 December 2018**

		31 December 2018			31 December 2017		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
<b>Liabilities and shareholders' funds</b>							
<b>Capital and reserves</b>							
Called up share capital	9	-	1,061,290	1,061,290	-	1,061,290	1,061,290
Capital redemption		-	-	-	-	-	-
Capital contribution		-	-	-	-	-	-
Share premium account		-	94,724	94,724	-	94,724	94,724
Profit and loss account	10	(556,052)	2,767,125	2,211,073	(132,460)	3,327,407	3,194,947
<b>Shareholders' funds – attributable to equity interests</b>		<b>(556,052)</b>	<b>3,923,139</b>	<b>3,367,087</b>	<b>(132,460)</b>	<b>4,483,421</b>	<b>4,350,961</b>
<b>Technical provisions</b>							
Provision for unearned premiums	8	1,903,920	-	1,903,920	1,569,432	-	1,569,432
Claims outstanding	8	6,769,427	-	6,769,427	6,170,401	-	6,170,401
Other technical provisions		2,826	-	2,826	-	-	-
<b>Provisions for other risks</b>							
Deferred taxation	11	-	-	-	-	36,699	36,699
Other		-	-	-	-	-	-
<b>Deposit received from reinsurers</b>		<b>24,501</b>	<b>-</b>	<b>24,501</b>	<b>677</b>	<b>-</b>	<b>677</b>
<b>Creditors</b>							
Amounts falling due within one year	7	1,110,048	363,262	1,473,310	958,627	195,189	1,153,816
Amounts falling due after one year	7	185,544	-	185,544	171,558	-	171,558
		1,295,592	363,262	1,658,854	1,130,185	195,189	1,325,374
<b>Accruals and deferred income</b>		<b>116,492</b>	<b>34,337</b>	<b>150,829</b>	<b>103,004</b>	<b>40,907</b>	<b>143,911</b>
<b>Total liabilities</b>		<b>9,556,706</b>	<b>4,320,738</b>	<b>13,877,444</b>	<b>8,841,239</b>	<b>4,756,216</b>	<b>13,597,455</b>

Approved and authorised for issue by the Board of Directors on 04/07/2019  
and signed on its behalf by:



V L A PILKINGTON  
Director

Company registration number: 3846492

The accounting policies and notes on pages 14 to 41 form part of these Financial Statements.

**Lazonby Underwriting Limited**  
**Statement of Changes in Equity**  
**For the year ended 31 December 2018**

	Called up share capital £	Capital redemption reserve £	Share premium account £	Profit and loss account £	Capital contribution reserve £	Total £
<b>Opening balance</b>	1,061,290	-	94,724	3,226,871	-	4,382,885
Profit for the year	-	-	-	192,801	-	192,801
Other comprehensive expenditure	-	-	-	(2,725)	-	(2,725)
<b>Total comprehensive income</b>	-	-	-	190,076	-	190,076
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	(222,000)	-	(222,000)
<b>As at 31 December 2017</b>	<b>1,061,290</b>	<b>-</b>	<b>94,724</b>	<b>3,194,947</b>	<b>-</b>	<b>4,350,961</b>
Profit for the year	-	-	-	49,626	-	49,626
Other comprehensive expenditure	-	-	-	(15,000)	-	(15,000)
<b>Total comprehensive income</b>	-	-	-	34,626	-	34,626
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends declared	-	-	-	(1,018,500)	-	(1,018,500)
<b>As at 31 December 2018</b>	<b>1,061,290</b>	<b>-</b>	<b>94,724</b>	<b>2,211,073</b>	<b>-</b>	<b>3,367,087</b>

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

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

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

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

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

The accounting policies and notes on pages 14 to 41 form part of these Financial Statements.

**Lazonby Underwriting Limited**  
**Statement of Cash Flows**  
**For the year ended 31 December 2018**

	2018 £	2017 £
<b>Operating activities</b>		
Profit on ordinary activities before tax	54,902	231,646
Loss attributable to Syndicate transactions	405,608	708,759
Profit - excluding Syndicate transactions	<u>460,510</u>	<u>940,405</u>
Adjusted for:		
(Increase)/decrease in debtors	(39,265)	3,198
Increase/(decrease) in creditors	254,616	(4,320)
Loss on disposal of intangible assets	-	(24)
Amortisation of Syndicate capacity	107,989	800
Realised/unrealised losses on investments	(170,481)	(557,857)
Investment income	(63,934)	(57,688)
Corporation and overseas taxes losses	<u>(191,437)</u>	<u>(280,594)</u>
Net cash inflow from operating activities	<u>357,998</u>	<u>43,920</u>
<b>Investing activities</b>		
Investment income	63,934	57,688
Purchase of Syndicate capacity	(20,500)	(139,484)
Proceeds from sale of Syndicate capacity	-	73
Purchase of financial investments	(1,282,987)	(695,898)
Proceeds from sale of financial investments	<u>1,698,778</u>	<u>713,098</u>
Net cash inflow/(outflow) from investing activities	<u>459,225</u>	<u>(64,523)</u>
<b>Financing activities</b>		
Issue of shares	-	-
Share issue expenses	-	-
Capital contribution/redemption	-	-
Equity dividends paid	<u>(1,018,500)</u>	<u>(222,000)</u>
Net cash outflow from financing activities	<u>(1,018,500)</u>	<u>(222,000)</u>
Net cash decrease in cash and cash equivalents	(201,277)	(242,603)
Effect of exchange rates on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	<u>549,364</u>	<u>791,967</u>
Cash and cash equivalents at the end of the year	<u>348,087</u>	<u>549,364</u>
Consisting of:		
Cash at bank and in hand	348,087	549,364
Cash equivalents	<u>-</u>	<u>-</u>
	<u>348,087</u>	<u>549,364</u>

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 41 form part of these Financial Statements.

# **Lazonby Underwriting Limited**

## **Notes to the Financial Statements**

### **For the year ended 31 December 2018**

#### **Basis of preparation of Financial Statements**

##### **General information**

The Company is a private company limited by shares and incorporated in the United Kingdom.

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

##### **Basis of preparation**

These Financial Statements have been prepared in accordance with FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland*, FRS103 *Insurance Contracts* and applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI 2008/410"). These Financial Statements have been prepared under the historical costs convention as modified for certain financial instruments held at fair value.

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

The Company recognises its proportion of all the transactions undertaken by the Lloyd's Syndicates in which it participates ("the Syndicates") in aggregation with the transactions undertaken by the Company at entity level ("the Corporate").

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

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

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

The Company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate ("the Managing Agent") and it has further undertaken not to interfere with the exercise of such management and control. The Managing Agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised by the Company.

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

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

The format of the Returns is established by Lloyd's. Lloyd's collates this data at a Syndicate level analysing it into corporate member level results which reflects the relevant data in respect of all the Syndicates in which the Company participates.

**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

**Accounting policies**

**i Going concern**

These Financial Statements have been prepared on a going concern basis.

**ii Premiums**

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years. Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax. Gross premiums written may include "reinsurance to close" premiums receivable (see vii below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see vii below). Premiums written by a Syndicate may also include the reinsurance of other Syndicates on which the Company participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this inter - Syndicate reinsurance. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

**iii Claims incurred**

Claims incurred include the costs of claims handling expenses. Recoverable amounts arising out of subrogation or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from prior years differ from the provision at the beginning of the year.

**iv Provision for claims outstanding**

Claims outstanding comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR). Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision is based on the Returns and reports from the Managing Agents and the Company's licensed adviser or Members' Agent. When appropriate, statistical methods have been applied to past experience of claims frequency and severity.

The two most critical assumptions with regards to claims provisions are that the past is a reasonable predictor of the likely level of claims development, and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The Directors consider the provision for gross claims and related reinsurance recoveries, as based on the Returns to be fairly stated. However, ultimate liability will vary as a result of subsequent information and events, and this may result in significant adjustments to the amounts provided. Adjustments to amounts of claims provisions established in prior years are reflected in the Financial Statements for the period in which the adjustments are made.

**v Unexpired risk provision**

A provision for unexpired risk is made by the underlying Syndicates where claims, related expenses and deferred acquisition costs, likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

**vi Deferred acquisition costs**

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



**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

**Accounting policies (continued)**

**vii Reinsurance to close**

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's Syndicates. Under it, underwriting members (the reinsured members) who are members of a Syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another Syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that Syndicate and allocated to the closed year in consideration of:

- (1) a premium; and
  - (2) either
- (a) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business); or
  - (b) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharges of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account of the same Syndicate, the Managing Agent has a duty to ensure both sets of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members. To the extent that the Company participates on successive years of account of the same Syndicate and there is a reinsurance to close between those years, the Company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the Company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the Company has assumed a greater proportion of the business of the Syndicate. If the Company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the Company's exposure to risks previously written by the Syndicate. The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims. However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a Syndicate year of account and it is treated for accounts purposes as settling all the Company's outstanding gross liabilities in respect of the business so reinsured.

**viii Financial instruments**

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

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

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

Basic financial instruments are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment in the case of financial assets. Amounts that are receivable/payable within one year are measured at the undiscounted amount of the cash expected to be received/settled. Financial instruments subsequently measured at amortised cost include cash, debtors and creditors.

**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

**Accounting policies (continued)**

**viii Financial instruments (continued)**

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

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

At the end of each reporting year, the Company assesses whether there is objective evidence that any financial asset may be impaired. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised immediately in the profit and loss.

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

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

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

**ix Derivative financial instruments**

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

**x Derecognition of financial assets**

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- The rights to the cash flows from the asset have expired; or
- The Company retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. In that case, the Company also recognises an associated liability.

**xi Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if there is a currently enforceable legal right to offset the recognised amounts; and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

**Accounting policies (continued)**

**xii Net operating expenses**

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

**xiii Foreign currencies**

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

**xiv Intangible assets**

Intangible assets include purchased rights to participate on Syndicates. The purchase cost is capitalised and amortised on a straight line basis over the useful life of the rights which is five years.

**xv Insurance contracts – product classification**

Insurance contracts are those contracts when the Company (the insurer/reinsurer) has accepted significant insurance risk from another party (the policyholder/reinsured) by agreeing to compensate the policyholder if a specified uncertain future event (the re/insured event) adversely affects the policyholder. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with sections 11 and 12 of FRS102 unless the embedded derivative is itself an insurance contract (i.e. the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

**xvi Taxation**

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

**xvii Deferred taxation**

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

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

**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

**Accounting policies (continued)**

**xvii Deferred taxation (continued)**

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

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

**xviii Critical accounting judgements and key sources of estimated uncertainty**

In applying the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The estimates and underlying assumptions are reviewed on an ongoing basis.

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Company looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate. The critical accounting judgements and key sources of estimation uncertainty set out below therefore relate to those made by the Directors in respect of the Corporate only, and do not include estimates and judgements made in respect of the Syndicates.

**Critical accounting judgements**

The critical judgements that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the statutory Financial Statements are discussed below.

*Assessing indicators of impairment*

In assessing whether there have been any indicators of impairment assets, the Directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

**Key sources of estimation uncertainty**

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

*Impairment review*

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

*Recoverability of receivables*

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

*Determining the useful life of purchased Syndicate capacity*

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

**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

**1. Class of Business**

<b>2018</b>	<b>Gross Premiums Written £</b>	<b>Gross Premiums Earned £</b>	<b>Gross Claims Incurred £</b>	<b>Net Operating Expenses £</b>	<b>Reinsurance Balance £</b>	<b>Total £</b>
<b>Direct Insurance</b>						
Accident and health	166,870	172,391	(88,309)	(74,652)	(3,992)	5,438
Motor – third party liability	12,513	12,967	(6,642)	(4,137)	(1,562)	626
Motor – other classes	80,265	73,889	(42,779)	(25,435)	(2,984)	2,691
Marine, aviation and transport	377,186	360,148	(160,210)	(136,065)	(41,426)	22,447
Fire and other damage to property	1,200,479	1,080,388	(655,826)	(334,216)	(129,655)	(39,309)
Third party liability	1,132,297	1,037,120	(661,078)	(366,239)	30,203	40,006
Credit and suretyship	102,160	90,056	(40,505)	(30,704)	(4,661)	14,186
Legal expenses	5,494	5,534	(1,828)	(3,647)	36	95
Assistance	-	-	-	-	-	-
Miscellaneous	28,414	24,935	(11,229)	(8,501)	(3,127)	2,078
	<b>3,105,678</b>	<b>2,857,428</b>	<b>(1,668,406)</b>	<b>(983,596)</b>	<b>(157,168)</b>	<b>48,258</b>
<b>Reinsurance</b>	<b>1,083,050</b>	<b>1,064,446</b>	<b>(878,647)</b>	<b>(223,781)</b>	<b>(39,316)</b>	<b>(77,298)</b>
<b>Total</b>	<b>4,188,728</b>	<b>3,921,874</b>	<b>(2,547,053)</b>	<b>(1,207,377)</b>	<b>(196,484)</b>	<b>(29,040)</b>

<b>2017</b>	<b>Gross Premiums Written £</b>	<b>Gross Premiums Earned £</b>	<b>Gross Claims Incurred £</b>	<b>Net Operating Expenses £</b>	<b>Reinsurance Balance £</b>	<b>Total £</b>
<b>Direct Insurance</b>						
Accident and health	169,331	169,162	(87,493)	(73,418)	(6,600)	1,651
Motor – third party liability	10,808	12,535	(10,285)	(4,119)	326	(1,543)
Motor – other classes	81,986	76,178	(63,289)	(25,455)	2,553	(10,013)
Marine, aviation and transport	342,534	376,567	(198,397)	(147,281)	(18,603)	12,286
Fire and other damage to property	955,903	949,477	(766,409)	(319,117)	30,033	(106,016)
Third party liability	1,027,773	972,378	(565,548)	(349,261)	(21,354)	36,215
Credit and suretyship	74,265	79,851	(52,046)	(29,724)	602	(1,317)
Legal expenses	4,490	4,864	(2,764)	(2,521)	(4)	(425)
Assistance	-	-	-	-	-	-
Miscellaneous	23,064	20,454	(13,357)	(8,275)	(1,716)	(2,894)
	<b>2,690,154</b>	<b>2,661,466</b>	<b>(1,759,588)</b>	<b>(959,171)</b>	<b>(14,763)</b>	<b>(72,056)</b>
<b>Reinsurance</b>	<b>992,975</b>	<b>1,041,576</b>	<b>(1,142,503)</b>	<b>(224,114)</b>	<b>136,334</b>	<b>(188,707)</b>
<b>Total</b>	<b>3,683,129</b>	<b>3,703,042</b>	<b>(2,902,091)</b>	<b>(1,183,285)</b>	<b>121,571</b>	<b>(260,763)</b>

All insurance business is underwritten in the United Kingdom in the Lloyd's insurance market. Consequently all insurance contracts are deemed to be concluded in the United Kingdom.

**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

**2. Net Operating Expenses**

	2018 £	2017 £
Acquisition costs	1,105,833	1,018,627
Change in deferred acquisition costs	(57,184)	(9,807)
Administrative expenses	219,952	200,936
Reinsurance commissions and profit participations	(167,995)	(135,990)
Personal expenses	106,771	109,519
	<u>1,207,377</u>	<u>1,183,285</u>

**3. Investment Income**

	2018 £	2017 £
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	151,062	136,379
Realised gains and losses	(65,333)	97,365
Unrealised gains and losses	197,746	469,917
Other	-	-
	<u>283,475</u>	<u>703,661</u>
Financial instruments held at amortised cost:		
Interest	936	3,621
Other	-	-
	<u>936</u>	<u>3,621</u>
Investment management expenses, including interest	(46,993)	(41,280)
	<u>(46,993)</u>	<u>(41,280)</u>
	<u>237,418</u>	<u>666,002</u>

**4. Profit on Ordinary Activities before Taxation**

	2018 £	2017 £
Operating profit is stated after charging:		
Directors' remuneration	-	-
Amortisation of Syndicate capacity	107,989	800
Profit on disposal of intangible fixed assets	-	(24)
(Profit)/loss on exchange	(2,050)	109,372

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

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

The auditors charge a fixed fee to Argenta Private Capital Limited of £365 for the provision of the statutory audit, they also provide non-audit services through an outsourcing arrangement of approximately £515.

**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

5. Taxation	2018 £	2017 £
<b>Analysis of charge in year</b>		
Current tax:		
UK corporation tax on profit of the year	97,575	190,689
Adjustment in respect of previous period	(5,639)	(4,276)
	<u>91,936</u>	<u>186,413</u>
Foreign tax	6,389	5,259
	<u>98,325</u>	<u>191,672</u>
Total current tax		
Deferred tax:		
Origination and reversal of timing differences	(107,776)	(148,973)
Change in tax rate	11,743	(4,663)
	<u>2,292</u>	<u>38,036</u>
Total tax		
	<u>2,292</u>	<u>38,036</u>
<b>Factors affecting tax charge for period</b>		
The tax assessed for the period is different to the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:		
Profit on ordinary activities before tax	<u>54,902</u>	<u>231,646</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%)	10,431	44,592
Effects of:		
Change in deferred tax rate	11,743	(4,663)
Deferred tax asset previously unrecognised	-	-
Foreign tax	5,175	4,247
Expenses not deductible for tax purposes	-	-
Other corporation computation adjustments	(11,970)	(10,408)
Prior period and other adjustments	(13,087)	4,268
	<u>2,292</u>	<u>38,036</u>
Total tax charge for the period		
	<u>2,292</u>	<u>38,036</u>

The results of the Company's participation on the 2016, 2017 and 2018 years of account and any calendar year movement on 2015 and prior run-offs, will not be assessed to tax until the year ended 31 December 2019, 2020 and 2021 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.

The current UK corporation tax rate is 19%. The rate will be reduced to 17% from 1 April 2020. The effect of this reduction is reflected in the recognised deferred tax liability/(asset).

**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

6.	Intangible Assets	Total £
	<b>Purchased Syndicate Capacity</b>	
	<b>Cost</b>	
	At 1 January 2018	801,279
	Additions	20,500
	Disposals	-
	At 31 December 2018	821,779
	<b>Amortisation</b>	
	At 1 January 2018	658,595
	Additions	107,989
	Disposals	-
	At 31 December 2018	766,584
	<b>Net Book Value</b>	
	At 31 December 2018	55,195
	At 31 December 2017	142,684

**7. Financial Instruments and Financial Risk Management**

**7.1 Financial Investments**

**Other financial investments – Syndicate participation**

	2018 Market Value £	2017 Market Value £
Shares and other variable yield securities and units in unit trusts	459,937	422,602
Debt securities and other fixed income securities	3,259,429	3,356,314
Participation in investment pools	56,724	69,251
Loans with credit institutions	55	129
Derivative financial instruments	2,622	13,017
Other investments	3,626	3,160
Deposits with credit institutions	12,974	14,927
Other	66,289	56,795
	<u>3,861,656</u>	<u>3,936,195</u>

**Other financial investments – Corporate**

Shares and other variable yield securities and units in unit trusts	3,818,857	4,064,168
Debt securities and other fixed income securities	-	-
Other investments	-	-
	<u>3,818,857</u>	<u>4,064,168</u>



**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

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

**7.2 Debtors**

	<b>2018</b>			<b>2017</b>		
	<b>Syndicate Participation £</b>	<b>Corporate £</b>	<b>Total £</b>	<b>Syndicate Participation £</b>	<b>Corporate £</b>	<b>Total £</b>
<b>Amounts falling due within one year:</b>						
Arising out of direct insurance operations	905,916	-	905,916	759,527	-	759,527
Arising out of reinsurance operations	698,394	-	698,394	617,409	-	617,409
<b>Other Debtors:</b>						
Amounts due from group undertakings	-	-	-	-	-	-
Other	221,833	59,334	281,167	133,773	-	133,773
<b>Total Amounts falling due within one year</b>	<b>1,826,143</b>	<b>59,334</b>	<b>1,885,477</b>	<b>1,510,709</b>	<b>-</b>	<b>1,510,709</b>
<b>Amounts falling due after one year:</b>						
Arising out of direct insurance operations	35,240	-	35,240	17,213	-	17,213
Arising out of reinsurance operations	412,411	-	412,411	407,144	-	407,144
<b>Other Debtors:</b>						
Amounts due from group undertakings	-	-	-	-	-	-
Other	31,491	39,265	70,756	37,981	-	37,981
<b>Total Amounts falling due after one year</b>	<b>479,142</b>	<b>39,265</b>	<b>518,407</b>	<b>462,338</b>	<b>-</b>	<b>462,338</b>
	<b>2,305,285</b>	<b>98,599</b>	<b>2,403,884</b>	<b>1,973,047</b>	<b>-</b>	<b>1,973,047</b>

**7.3 Funds at Lloyd's**

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

	<b>2018</b>			<b>2017</b>		
	<b>Syndicate Participation £</b>	<b>Corporate £</b>	<b>Total £</b>	<b>Syndicate Participation £</b>	<b>Corporate £</b>	<b>Total £</b>
Cash	-	2,084	2,084	-	107,693	107,693
Investments	-	3,807,274	3,807,274	-	3,483,363	3,483,363
	<b>-</b>	<b>3,809,358</b>	<b>3,809,358</b>	<b>-</b>	<b>3,591,056</b>	<b>3,591,056</b>

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

**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

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

**7.4 Creditors**

	<b>2018</b>		<b>2017</b>	
	<b>Syndicate Participation £</b>	<b>Corporate £</b>	<b>Syndicate Participation £</b>	<b>Corporate £</b>
<b>Amounts falling due within one year:</b>				
Arising out of direct insurance operations	126,316	-	144,184	-
Arising out of reinsurance operations	543,799	-	419,646	-
Amounts owed to credit institutions	-	-	9,375	-
<b>Other creditors:</b>				
Corporation tax	-	97,576	-	190,689
Directors' loan accounts	-	-	-	-
Third party funds	-	-	-	-
Other creditors	439,933	265,686	385,422	4,500
Amount due to group undertakings	-	-	-	-
<b>Total Amounts falling due within one year</b>	<b>1,110,048</b>	<b>363,262</b>	<b>958,627</b>	<b>195,189</b>
<b>Amounts falling due after one year:</b>				
Arising out of direct insurance operations	1,615	-	989	-
Arising out of reinsurance operations	167,868	-	147,144	-
Amounts owed to credit institutions	-	-	-	-
<b>Other creditors:</b>				
Corporation tax	-	-	-	-
Directors' loan accounts	-	-	-	-
Third party funds	-	-	-	-
Other creditors	16,061	-	23,425	-
Amount due to group undertakings	-	-	-	-
<b>Total Amounts falling due after one year</b>	<b>185,544</b>	<b>-</b>	<b>171,558</b>	<b>-</b>
	<b>1,295,592</b>	<b>363,262</b>	<b>1,130,185</b>	<b>195,189</b>

**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

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

**7.5 Classification of Financial Instruments**

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

**Other financial investments – Syndicate participation**

	2018			2017		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
<b>Financial assets</b>						
Investments	3,861,656	-	3,861,656	3,936,195	-	3,936,195
Deposits with ceding undertakings	-	333	333	-	317	317
Insurance debtors	-	941,156	941,156	-	776,740	776,740
Reinsurance debtors	-	1,110,805	1,110,805	-	1,024,553	1,024,553
Other debtors	-	253,324	253,324	-	171,754	171,754
Cash at bank and in hand	-	182,850	182,850	-	172,558	172,558
Other assets	384,038	-	384,038	391,835	-	391,835
	<b>4,245,694</b>	<b>2,488,468</b>	<b>6,734,162</b>	<b>4,328,030</b>	<b>2,145,922</b>	<b>6,473,952</b>
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	2,176	-	2,176	634	-	634
Insurance creditors	-	127,931	127,931	-	145,173	145,173
Reinsurance creditors	-	711,667	711,667	-	566,790	566,790
Amounts owed to credit institutions	-	-	-	-	9,375	9,375
Other creditors	-	-	-	-	-	-
	<b>2,176</b>	<b>839,598</b>	<b>841,774</b>	<b>634</b>	<b>721,338</b>	<b>721,972</b>

**Other financial investments – Corporate**

	2018			2017		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
<b>Financial assets</b>						
Investments	3,818,857	-	3,818,857	4,064,168	-	4,064,168
Other debtors	-	98,599	98,599	-	-	-
Cash at bank and in hand	-	348,087	348,087	-	549,364	549,364
Other assets	-	-	-	-	-	-
	<b>3,818,857</b>	<b>446,686</b>	<b>4,265,543</b>	<b>4,064,168</b>	<b>549,364</b>	<b>4,613,532</b>
<b>Financial liabilities</b>						
Other creditors	-	363,262	363,262	-	195,189	195,189
	<b>-</b>	<b>363,262</b>	<b>363,262</b>	<b>-</b>	<b>195,189</b>	<b>195,189</b>

**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

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

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

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

	2018		2017	
	Notional amount £	Fair value £	Notional amount £	Fair value £
Foreign exchange forward contracts	253,862	2,623	367,049	12,615
Interest rate future contracts	-	-	27,727	80
Foreign exchange options	-	-	-	-
Equity options	-	-	-	-
Foreign exchange contract for difference	-	-	-	-
Other	-	(1)	-	322
	<u>253,862</u>	<u>2,622</u>	<u>394,776</u>	<u>13,017</u>

**7.6 Financial Instruments held at fair value through profit or loss**

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

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

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

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

**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

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

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

The tables below set out Company's financial instruments held at fair value through profit or loss by level of hierarchy.

**Other financial investments – Syndicate participation**

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
<b>2018</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	133,650	302,468	23,819	459,937	-	459,937
Debt securities and other fixed income securities	796,038	2,463,391	-	3,259,429	-	3,259,429
Participation in investment pools	35,084	10,066	11,574	56,724	-	56,724
Loans and deposits with credit institutions	12,915	114	3,626	16,655	-	16,655
Overseas deposits	233,424	207,467	9,396	450,287	-	450,287
Derivatives	1,757	865	-	2,622	-	2,622
Other investments	-	40	-	40	-	40
Financial assets classified as held for sale	-	-	-	-	-	-
	<b>1,212,868</b>	<b>2,984,411</b>	<b>48,415</b>	<b>4,245,694</b>	<b>-</b>	<b>4,245,694</b>
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative liabilities	1,998	178	-	2,176	-	2,176
Financial liabilities classified as held for sale	-	-	-	-	-	-
	<b>1,998</b>	<b>178</b>	<b>-</b>	<b>2,176</b>	<b>-</b>	<b>2,176</b>

**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

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

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

**Other financial investments – Syndicate participation (continued)**

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
<b>2017</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	29,512	354,006	39,084	422,602	-	422,602
Debt securities and other fixed income securities	707,336	2,648,978	-	3,356,314	-	3,356,314
Participation in investment pools	39,503	11,342	18,406	69,251	-	69,251
Loans and deposits with credit institutions	14,878	178	3,160	18,216	-	18,216
Overseas deposits	137,542	304,232	6,818	448,592	-	448,592
Derivatives	2,131	10,886	-	13,017	-	13,017
Other investments	-	38	-	38	-	38
Financial assets classified as held for sale	-	-	-	-	-	-
	<b>930,902</b>	<b>3,329,660</b>	<b>67,468</b>	<b>4,328,030</b>	<b>-</b>	<b>4,328,030</b>
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative liabilities	621	13	-	634	-	634
Financial liabilities classified as held for sale	-	-	-	-	-	-
	<b>621</b>	<b>13</b>	<b>-</b>	<b>634</b>	<b>-</b>	<b>634</b>

**Other financial investments – Corporate**

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
<b>2018</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	3,818,857	-	-	3,818,857	-	3,818,857
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	<b>3,818,857</b>	<b>-</b>	<b>-</b>	<b>3,818,857</b>	<b>-</b>	<b>3,818,857</b>

**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

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

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

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

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
<b>2017</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	4,064,168	-	-	4,064,168	-	4,064,168
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	<u>4,064,168</u>	<u>-</u>	<u>-</u>	<u>4,064,168</u>	<u>-</u>	<u>4,064,168</u>

**7.7 Financial Risk Management**

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

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

- Credit risk
- Liquidity risk
- Interest rate risk
- Equity price risk; and
- Currency risk

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Company looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate, including those in respect of financial risk management. The following qualitative risk management disclosures made by the Directors therefore relate to the Corporate only. The quantitative disclosures are made in respect of both the Corporate and the Syndicates.

**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

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

**7.7 Financial Risk Management (continued)**

**Credit risk**

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

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

The carrying amount of the Company's financial assets represents the Company's maximum exposure to credit risk.

The tables below show the credit quality of financial assets that are neither past due nor impaired.

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
<b>2018</b>						
Shares and other variable yield securities and units in unit trusts	51,376	11,384	81,305	-	315,872	459,937
Debt securities and other fixed income securities	700,929	1,033,860	1,012,690	399,804	112,146	3,259,429
Participation in investment pools	1,903	40,179	3,068	-	11,574	56,724
Loans secured with credit institutions	-	55	-	-	3,626	3,681
Deposits with credit institutions	-	-	8,354	-	4,620	12,974
Overseas deposits	217,596	96,930	25,781	35,806	74,174	450,287
Derivative investments	-	-	1,490	267	865	2,622
Other investments	-	-	-	-	40	40
Deposits with ceding undertakings	-	-	-	-	333	333
Reinsurers share of claims outstanding	181,447	329,056	1,246,818	2,542	145,774	1,905,637
Reinsurance debtors	4,219	18,928	76,245	4	18,093	117,489
Cash at bank and in hand	1,691	3,424	140,010	13,763	23,962	182,850
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	<b>1,159,161</b>	<b>1,533,816</b>	<b>2,595,761</b>	<b>452,186</b>	<b>711,079</b>	<b>6,452,003</b>



**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

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

**7.7 Financial Risk Management (continued)**

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
<b>2017</b>						
Shares and other variable yield securities and units in unit trusts	29,102	8,282	52,464	14,751	318,003	422,602
Debt securities and other fixed income securities	755,320	1,006,283	1,159,317	362,720	72,674	3,356,314
Participation in investment pools	28,315	17,432	6,841	-	16,663	69,251
Loans secured with credit institutions	-	129	-	-	3,160	3,289
Deposits with credit institutions	-	-	9,372	-	5,555	14,927
Overseas deposits	207,085	110,103	29,730	41,299	60,375	448,592
Derivative investments	-	265	1,606	340	10,806	13,017
Other investments	-	-	-	-	38	38
Deposits with ceding undertakings	-	-	-	-	317	317
Reinsurers share of claims outstanding	6,528	309,077	1,155,787	12,790	138,367	1,622,549
Reinsurance debtors	-	11,589	36,043	828	22,802	71,262
Cash at bank and in hand	27,245	9,764	117,858	14,455	3,236	172,558
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	1,053,595	1,472,924	2,569,018	447,183	651,996	6,194,716

The tables below show the ageing and impairment of financial assets by class of instruments.

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
<b>2018</b>						
Shares and other variable yield securities and units in unit trusts	459,937	-	-	-	-	459,937
Debt securities and other fixed income securities	3,259,429	-	-	-	-	3,259,429
Participation in investment pools	56,724	-	-	-	-	56,724
Loans secured with credit institutions	3,681	-	-	-	-	3,681
Deposits with credit institutions	12,974	-	-	-	-	12,974
Overseas deposits	450,287	-	-	-	-	450,287
Derivative investments	2,622	-	-	-	-	2,622
Other investments	40	-	-	-	-	40
Deposits with ceding undertakings	333	-	-	-	-	333
Reinsurers share of claims outstanding	1,905,637	-	-	-	-	1,905,637
Reinsurance debtors	87,174	30,239	117	(41)	-	117,489
Cash at bank and in hand	182,850	-	-	-	-	182,850
Insurance debtors	868,936	45,477	10,166	16,577	-	941,156
Other debtors	2,098,359	2,240	1,061	-	-	2,101,660
	9,388,983	77,956	11,344	16,536	-	9,494,819

**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

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

**7.7 Financial Risk Management (continued)**

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
<b>2017</b>						
Shares and other variable yield securities and units in unit trusts	422,602	-	-	-	-	422,602
Debt securities and other fixed income securities	3,356,314	-	-	-	-	3,356,314
Participation in investment pools	69,251	-	-	-	-	69,251
Loans secured with credit institutions	3,289	-	-	-	-	3,289
Deposits with credit institutions	14,927	-	-	-	-	14,927
Overseas deposits	448,592	-	-	-	-	448,592
Derivative investments	13,017	-	-	-	-	13,017
Other investments	38	-	-	-	-	38
Deposits with ceding undertakings	317	-	-	-	-	317
Reinsurers share of claims outstanding	1,622,549	-	-	-	-	1,622,549
Reinsurance debtors	60,620	9,074	727	841	-	71,262
Cash at bank and in hand	172,558	-	-	-	-	172,558
Insurance debtors	698,199	39,957	11,305	27,072	207	776,740
Other debtors	1,787,697	1,678	114	-	-	1,789,489
	8,669,970	50,709	12,146	27,913	207	8,760,945

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

**Liquidity risk**

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

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

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date of which the Company can be required to pay.

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
<b>2018</b>						
Derivative financial instruments	-	2,176	-	-	-	2,176
Deposits received from reinsurers	-	24,501	-	-	-	24,501
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	1	2,449,802	2,467,481	982,287	869,856	6,769,427
Creditors	322	903,534	187,696	37,168	-	1,128,720
Other	-	-	-	-	-	-
	323	3,380,013	2,655,177	1,019,455	869,856	7,924,824

**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

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

**7.7 Financial Risk Management (continued)**

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
<b>2017</b>						
Derivative financial instruments	-	634	-	-	-	634
Deposits received from reinsurers	-	677	-	-	-	677
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	4,238	2,229,246	2,307,704	932,312	696,901	6,170,401
Creditors	7,914	864,343	141,982	33,666	20	1,047,925
Other	-	-	-	-	-	-
	12,152	3,094,900	2,449,686	965,978	696,921	7,219,637

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

**Interest rate risk**

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

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

At the Corporate level the Company manages interest rate risk by maintaining an appropriate mix between fixed and floating rate financial instruments.

The table below shows the impact of changes in interest rates on the profit or loss for the period and on the equity of the Company.

Syndicate participation	2018 £	2017 £
Impact of 50 basis point increase on profit or loss	(35,490)	(35,346)
Impact of 50 basis point decrease on profit or loss	33,956	34,549
Impact of 50 basis point increase on equity	(35,490)	(35,346)
Impact of 50 basis point decrease on equity	33,956	34,549

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

**Equity price risk**

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

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

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

**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
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**7. Financial Instruments and Financial Risk Management (continued)**

**7.7 Financial Risk Management (continued)**

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

**Syndicate participation**

	2018 £	2017 £
Impact on profit or loss of 5% increase in Stock Market Prices	15,752	6,081
Impact on profit or loss of 5% decrease in Stock Market Prices	(15,752)	(6,081)
Impact on equity of 5% increase in Stock Market Prices	15,752	6,081
Impact on equity of 5% decrease in Stock Market Prices	(15,752)	(6,081)

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

**Currency risk**

The Company holds both assets and liabilities denominated in currencies other than Sterling, its functional currency. It is therefore exposed to currency risk as the value of the foreign currency assets and liabilities will fluctuate in line with changes in foreign exchange rates.

At the Corporate level the Company manages currency risk by ensuring that exchange rate exposures are managed within approved policy parameters.

The table below considers financial assets and financial liabilities denominated in the currencies of the Company's principal foreign exchange exposures in aggregate.

**Net assets and liabilities**

	2018	2017
	Syndicate Participation £	Syndicate Participation £
	Corporate £	Corporate £
Sterling	(889,504)	(782,025)
United States Dollar	(348,356)	(100,154)
Euro	201,880	220,694
Canadian Dollar	356,805	363,015
Australian Dollar	63,990	83,867
Japanese Yen	(4,598)	(1,388)
Other	46,942	34,656
		194,712

**Lazonby Underwriting Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

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

**7.7 Financial Risk Management (continued)**

The Company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate and it has further undertaken not to interfere with the exercise of such management and control. The managing agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised. As such, disclosures in respect of the assumptions and judgements made, and the objectives, policies and processes for managing currency risk arising from assets and liabilities are only presented for the Corporate in these Financial Statements.

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

	Corporate Profit and loss			
	31 December 2018		31 December 2017	
	Increase	Decrease	Increase	Decrease
	£	£	£	£
<b>Effect of Sterling exchange movement by 10%</b>				
United States Dollar	304,477	(372,138)	304,996	(372,773)
Euro	56,768	(69,383)	-	-
Canadian Dollar	-	-	-	-
Australian Dollar	-	-	-	-
Japanese Yen	-	-	-	-
Other	-	-	-	-

**7.8 Capital Management**

**Lloyd's capital setting process**

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

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

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

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

Effective 1 January 2016, Lloyd's is subject to the Solvency II capital regime and the Solvency I figures are no longer applicable from that date. Although the capital regime has changed, this has not significantly impacted the solvency capital requirement of the Syndicate, since this has been previously calculated using Solvency II principles.

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

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**8. Insurance Contracts**

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

	<b>2018</b>			<b>2017</b>		
	<b>Gross provision £</b>	<b>Reinsurance asset £</b>	<b>Net £</b>	<b>Gross provision £</b>	<b>Reinsurance asset £</b>	<b>Net £</b>
At 1 January	6,170,401	1,622,549	4,547,852	5,362,979	1,021,919	4,341,060
Movements in the year	466,929	252,132	214,797	1,091,213	642,814	448,399
Exchange differences	132,097	30,956	101,141	(283,791)	(42,184)	(241,607)
At 31 December	<u>6,769,427</u>	<u>1,905,637</u>	<u>4,863,790</u>	<u>6,170,401</u>	<u>1,622,549</u>	<u>4,547,852</u>

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

	<b>2018</b>			<b>2017</b>		
	<b>Gross provision £</b>	<b>Reinsurance asset £</b>	<b>Net £</b>	<b>Gross provision £</b>	<b>Reinsurance asset £</b>	<b>Net £</b>
At 1 January	1,569,432	277,855	1,291,577	1,712,989	271,249	1,441,740
Movements in the year	266,854	74,038	192,816	(19,913)	32,589	(52,502)
Exchange differences	67,634	16,720	50,914	(123,644)	(25,983)	(97,661)
At 31 December	<u>1,903,920</u>	<u>368,613</u>	<u>1,535,307</u>	<u>1,569,432</u>	<u>277,855</u>	<u>1,291,577</u>

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

	<b>2018 £</b>	<b>2017 £</b>
At 1 January	447,873	445,735
Movements in the year	57,184	9,807
Exchange differences	15,218	(7,669)
At 31 December	<u>520,275</u>	<u>447,873</u>

**8.1 Risks arising from Insurance Contracts**

The Company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate and it has further undertaken not to interfere with the exercise of such management and control. The managing agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised. As such, disclosures in respect of the assumptions and judgements made, and the objectives, policies and processes for managing risk arising from insurance contracts, are not presented in these Financial Statements.

The development of insurance liabilities provides a measure of the managing agent's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the estimate of total claims outstanding for each accident year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

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**8. Insurance Contracts (continued)**

**8.1 Risks arising from Insurance Contracts (continued)**

**Claims development - gross**

	At end of reporting year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later
2011	1,286,042	1,951,938	1,947,346	1,933,177	1,902,771	1,882,980	1,844,423	1,828,715
2012	1,297,089	1,855,172	1,814,187	1,748,815	1,729,740	1,698,954	1,692,890	
2013	1,000,954	1,707,373	1,665,241	1,611,099	1,570,281	1,556,419		
2014	993,968	1,666,607	1,698,903	1,647,761	1,721,831			
2015	920,983	1,742,054	1,739,423	1,715,098				
2016	1,122,505	2,179,056	2,228,144					
2017	2,011,175	2,954,370						
2018	1,811,821							
	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received					
2011	1,674,381	154,333	(125,898)					
2012	1,497,351	195,539	(215,781)					
2013	1,323,943	232,476	(189,665)					
2014	1,256,645	465,186	(207,083)					
2015	1,161,841	553,256	(175,379)					
2016	1,125,860	1,102,284						
2017	1,130,457	1,823,913						
2018	220,066	1,591,754						

**Claims development - net**

	At end of reporting year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later
2011	1,034,338	1,579,862	1,569,343	1,523,267	1,485,264	1,480,239	1,458,744	1,441,645
2012	1,018,907	1,521,979	1,490,732	1,427,633	1,412,768	1,398,018	1,392,153	
2013	833,804	1,466,945	1,420,318	1,379,867	1,350,116	1,332,637		
2014	828,042	1,447,886	1,483,161	1,427,716	1,455,950			
2015	776,791	1,495,424	1,491,962	1,469,390				
2016	882,909	1,749,212	1,806,021					
2017	1,254,805	1,998,546						
2018	1,247,928							

**Lazonby Underwriting Limited**  
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**8. Insurance Contracts (continued)**

**8.1 Risks arising from Insurance Contracts (continued)**

**Claims development – net (continued)**

	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received
2011	1,330,446	111,199	(153,283)
2012	1,227,695	164,459	(205,930)
2013	1,126,282	206,355	(190,804)
2014	1,120,496	335,454	(189,796)
2015	1,007,670	461,720	(174,129)
2016	921,710	884,311	
2017	793,836	1,204,709	
2018	183,949	1,063,979	

**9. Called-up Share Capital**

Issued and fully paid	Number of shares			At 31 December
	At 1 January	Issued during the year	Redeemed during the year	
Par value per share				
800,000 'A' Ordinary £1 shares	800,000	-	-	800,000
47,058 'B' Ordinary £1 shares	47,058	-	-	47,058
53,558 'C' Ordinary £1 shares	53,558	-	-	53,558
53,558 'D' Ordinary £1 shares	53,558	-	-	53,558
53,558 'E' Ordinary £1 shares	53,558	-	-	53,558
53,558 'F' Ordinary £1 shares	53,558	-	-	53,558
<b>Total</b>	<b>1,061,290</b>	<b>-</b>	<b>-</b>	<b>1,061,290</b>

The Ordinary £1 shares each hold one voting right. There are no restrictions on the distribution of dividends and the repayments of capital.



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**10. Profit and Loss Account**

	<b>2018</b>			<b>2017</b>		
	<b>Syndicate Participation £</b>	<b>Corporate £</b>	<b>Total £</b>	<b>Syndicate Participation £</b>	<b>Corporate £</b>	<b>Total £</b>
Retained profit brought forward	(132,460)	3,327,407	3,194,947	579,833	2,647,038	3,226,871
Reallocate distribution	(425,325)	425,325	-	(567,482)	567,482	-
Profit for the financial year	1,733	32,893	34,626	(144,811)	334,887	190,076
Equity dividends	-	(1,018,500)	(1,018,500)	-	(222,000)	(222,000)
Retained profit carried forward	(556,052)	2,767,125	2,211,073	(132,460)	3,327,407	3,194,947

**11. Deferred Tax**

	<b>2018</b>			
	<b>Syndicate Results £</b>	<b>Tax losses £</b>	<b>Claims Equalisation Reserve £</b>	<b>Total £</b>
At 1 January	(17,331)	-	64,004	36,699
Movement in the year	(74,393)	-	(16,773)	(96,033)
At 31 December	(91,724)	-	47,231	(59,334)

	<b>2017</b>			
	<b>Syndicate Results £</b>	<b>Tax losses £</b>	<b>Claims Equalisation Reserve £</b>	<b>Total £</b>
At 1 January	111,587	-	80,999	190,335
Movement in the year	(128,918)	-	(16,995)	(153,636)
At 31 December	(17,331)	-	64,004	36,699

The unused tax losses carried forward at the Statement of Financial Position date are £Nil. Unused tax losses are expected to be recoverable against the future profits of the Company and have no expiry date.

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

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**12. Related Party Disclosure**

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

**13. Ultimate Controlling Party**

The Company is controlled by Mrs V L A Pilkington who holds 31.4% of the issued £1,061,290 ordinary share capital.