

Company Registration No. 06854026 (England and Wales)

RANSOME'S TRADING HOLDING COMPANY LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

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RANSOME'S TRADING HOLDING COMPANY LIMITED

DIRECTORS AND ADVISERS

Directors	P N R Cooke K L H Cooke C F Nesbit J J F Cooke
Secretary	K L H Cooke
Company number	06854026
Registered office	Cardinal House 46 St Nicholas Street Ipswich IP1 1TT
Auditors	Ensors Accountants LLP Cardinal House 46 St Nicholas Street Ipswich IP1 1TT
Bankers	C Hoare & Co 37 Fleet Street London EC4P 4DQ

RANSOME'S TRADING HOLDING COMPANY LIMITED

CONTENTS

	Page
Strategic report	1 – 2
Directors' report	3 – 4
Independent auditors' report	5 – 6
Consolidated profit and loss account – technical account	7
Consolidated profit and loss account – non - technical account	8
Balance sheets	9 – 12
Statements of changes in equity	13
Consolidated cash flow statement	14
Notes to the financial statements	15 – 46

RANSOME'S TRADING HOLDING COMPANY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors submit their Strategic Report for the group for the year ended 31 December 2016.

Business review

The principal activity of the company is that of a holding company. The principal activity of the group is that of a holding company of subsidiaries trading as a Lloyd's corporate capital member, conducting silviculture and the thinning, felling and sale of the timber crop, and other trading activities.

With regard to the group's activity of trading as a Lloyd's corporate capital member, the financial statements incorporate the annual accounting results of the Syndicates on which the group participates for the 2014, 2015 and 2016 years of account, as well as any 2013 and prior run-off years. The 2014 year closed at 31 December 2016 with a result of £2,487,988 (2013 - £1,784,581). The 2015 and 2016 open underwriting accounts will normally close at 31 December 2017 and 2018 respectively.

Results and dividends

The results for the year are set out on pages 7 to 8 of the financial statements. Dividends totalling £Nil were paid in the year (2015 - £Nil).

Financial risk management objectives and policies

The financial risk management objectives of the group are set by the directors to enable the group to achieve its long term growth objective.

The group 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 group is also directly exposed to investment risks in respect of the Funds deposited at Lloyd's under the Lloyd's Deposit Trust Deed and its other investments. The group is exposed to investment risk, liquidity risk and interest rate risk and ensures these funds and other investments are managed to mitigate these risks by investing in highly rated and readily realisable investments.

Hedge accounting is not used by the group.

RANSOME'S TRADING HOLDING COMPANY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

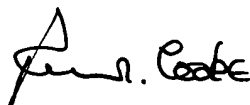
Key performance indicators

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

	2016	2015
Capacity (youngest underwriting year)	£19,094,788	£17,135,318
Gross premium written as a % of capacity	105.4%	95.8%
Underwriting profit of latest closed year:		
as a % of capacity	14.5%	11.4%
Run-off years of account movement	£-	£-
Combined ratio	95.4%	91.9%

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

By order of the board



P N R Cooke
Director

7 September 2017

RANSOME'S TRADING HOLDING COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and audited financial statements of the group for the year ended 31 December 2016.

Principal activities

The principal activity of the company is that of a holding company. The principal activity of the group is that of a holding company of subsidiaries trading as a Lloyd's corporate capital member, conducting silviculture and the thinning, felling and sale of the timber crop, and other trading activities.

Directors

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

P N R Cooke
K L H Cooke
C F Nesbit
J J F Cooke

Political donations

A donation of £5,000 was made to the Conservative Party during the year (2015: £Nil).

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable 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 group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RANSOME'S TRADING HOLDING COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

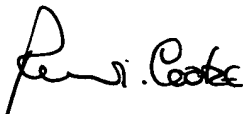
Auditors

Ensors Accountants LLP have signified their willingness to act and continue to be appointed as the group's auditors.

Statement of disclosure to auditors

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

By order of the board



P N R Cooke
Director

7 September 2017

RANSOME'S TRADING HOLDING COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the group and parent company financial statements (the "financial statements") of Ransome's Trading Holding Company Limited for the year ended 31 December 2016 set out on pages 7 to 46. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. ~~To the fullest extent permitted by law, we do not accept or assume~~ responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2016 and of the group's 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.

RANSOME'S TRADING HOLDING COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Opinion on the other matter prescribed by the Companies Act 2006

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

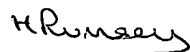
- the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**Helen Rumsey (Senior statutory auditor)
for and on behalf of Ensors Accountants LLP**

**Chartered Accountants
Statutory Auditor**

14 September 2016

Cardinal House
46 St Nicholas Street
Ipswich
IP1 1TT

RANSOME'S TRADING HOLDING COMPANY LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Premiums written			
Gross premiums written	2	20,124,226	16,413,917
Outward reinsurance premiums	2	(3,832,364)	(3,459,529)
Net premiums written		<u>16,291,862</u>	<u>12,954,388</u>
Change in the provision for unearned premiums			
Gross provision	2	(1,050,423)	(398,274)
Reinsurers' share	2	302,460	346,570
Earned premiums, net of reinsurance		<u>15,543,899</u>	<u>12,902,684</u>
Allocated investment return transferred from the non-technical account		128,274	82,340
Claims paid			
Gross amount	2	(8,180,110)	(8,703,976)
Reinsurers' share	2	1,097,328	1,976,926
Net claims paid		<u>(7,082,782)</u>	<u>(6,727,050)</u>
Change in provision for claims			
Gross amount	2	(953,040)	1,297,073
Reinsurers' share	2	216,382	(719,599)
Change in net provision for claims		<u>(736,658)</u>	<u>577,474</u>
Claims incurred, net of reinsurance		(7,819,440)	(6,149,576)
Net operating expenses	2, 3	<u>(7,008,000)</u>	<u>(5,705,330)</u>
Balance on the technical account for general business		<u>844,733</u>	<u>1,130,118</u>

The accounting policies and notes on pages 15 to 46 form part of these financial statements.

RANSOME'S TRADING HOLDING COMPANY LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT NON - TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Balance on technical account for general business		844,733	1,130,118
Investment income	4	1,169,238	143,260
Allocated investment return transferred to the general business technical account		(128,274)	(82,340)
Other income		360,335	163,205
Other charges		(318,809)	(340,027)
Loss on movement in fair value of biological assets		(168,805)	-
Profit on ordinary activities before taxation	5	1,758,418	1,014,216
Tax on profit on ordinary activities	6	(393,365)	19,046
Total comprehensive income	15	1,365,053	1,033,262

All amounts relate to continuing operations.

The accounting policies and notes on pages 15 to 46 form part of these financial statements.

RANSOME'S TRADING HOLDING COMPANY LIMITED

BALANCE SHEET - GROUP AS AT 31 DECEMBER 2016

	Note	Group 2016			Group 2015		
		Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Assets							
Intangible assets	9	-	10,640	10,640	-	53,940	53,940
Tangible assets		-	35,380	35,380	-	35,380	35,380
Biological assets	10	-	1,903,893	1,903,893	-	2,072,698	2,072,698
Investments							
Financial investments	11.1/ 11.3	16,812,569	12,385,347	29,197,916	15,760,269	11,108,940	26,869,209
Deposits with ceding undertakings		1,929	-	1,929	6,243	-	6,243
		16,814,498	14,335,260	31,149,758	15,766,512	13,270,958	29,037,470
Reinsurers' share of technical provisions							
Provision for unearned premiums		1,318,041	-	1,318,041	860,306	-	860,306
Claims outstanding		4,128,987	-	4,128,987	3,491,638	-	3,491,638
		5,447,028	-	5,447,028	4,351,944	-	4,351,944
Debtors							
Arising out of direct insurance operations		4,953,951	-	4,953,951	3,150,235	-	3,150,235
Arising out of reinsurance operations		1,945,993	-	1,945,993	1,674,136	-	1,674,136
Other debtors		1,258,643	42,788	1,301,431	1,584,685	40,654	1,625,339
		8,158,587	42,788	8,201,375	6,409,056	40,654	6,449,710
Other assets							
Cash at bank and in hand		769,947	5,100,573	5,870,520	167,977	6,690,040	6,858,017
Current asset investments – other listed investments	11.2	-	6,088,728	6,088,728	-	4,282,089	4,282,089
Other		1,203,303	-	1,203,303	1,081,529	-	1,081,529
		1,973,250	11,189,301	13,162,551	1,249,506	10,972,129	12,221,635
Prepayments and accrued income							
Accrued interest		2,331	-	2,331	3,102	-	3,102
Deferred acquisitions costs		3,054,211	-	3,054,211	2,304,752	-	2,304,752
Other prepayments and accrued income		102,432	19,051	121,483	116,302	3,019	119,321
		3,158,974	19,051	3,178,025	2,424,156	3,019	2,427,175
Total assets		35,552,337	25,586,400	61,138,737	30,201,174	24,286,760	54,487,934

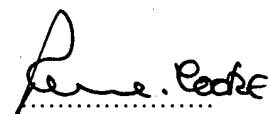
The accounting policies and notes on pages 15 to 46 form part of these financial statements.

RANSOME'S TRADING HOLDING COMPANY LIMITED

BALANCE SHEET - GROUP continued AS AT 31 DECEMBER 2016

		Group 2016			Group 2015		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Liabilities and shareholders' funds							
Capital and reserves							
Called up share capital	13	-	42,000	42,000	-	42,000	42,000
Share premium account	14	-	14,363,394	14,363,394	-	14,363,394	14,363,394
Profit and loss account	15	2,211,261	9,965,658	12,176,919	2,855,758	7,956,108	10,811,866
Shareholders' funds – attributable to equity interests		2,211,261	24,371,052	26,582,313	2,855,758	22,361,502	25,217,260
Technical provisions							
Provision for unearned premiums		10,600,026	-	10,600,026	8,162,336	-	8,162,336
Claims outstanding – gross amount		19,070,078	-	19,070,078	16,177,382	-	16,177,382
Provisions for other risks and charges	16						
Deferred taxation		-	644,179	644,179	-	919,473	919,473
Deposit received from reinsurers		1,844	-	1,844	1,240	-	1,240
Creditors							
Arising out of direct insurance operations		821,079	-	821,079	289,346	-	289,346
Arising out of reinsurance operations		1,635,045	-	1,635,045	1,250,838	-	1,250,838
Other creditors including taxation and social security	11.4	1,558,592	(191,659)	1,366,933	1,963,486	185,308	2,148,794
		33,686,664	452,520	34,139,184	27,844,628	1,104,781	28,949,409
Accruals and deferred income		(345,588)	762,828	417,240	(499,212)	820,477	321,265
Total liabilities		35,552,337	25,586,400	61,138,737	30,201,174	24,286,760	54,487,934

Approved by the Board and authorised for issue on 7 September 2017


P N R Cooke
Director


K L H Cooke
Director

Company Registration No. 06854026

The accounting policies and notes on pages 15 to 46 form part of these financial statements.

RANSOME'S TRADING HOLDING COMPANY LIMITED

BALANCE SHEET - COMPANY AS AT 31 DECEMBER 2016

	Note	Company 2016			Company 2015		
		Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Assets							
Intangible assets	9	-	-	-	-	-	-
Tangible assets							
Biological assets	10	-	-	-	-	-	-
Investments							
Financial investments	11.1/ 11.3	-	14,405,394	14,405,394	-	14,405,394	14,405,394
Deposits with ceding undertakings		-	-	-	-	-	-
		-	14,405,394	14,405,394	-	14,405,394	14,405,394
Reinsurers' share of technical provisions							
Provision for unearned premiums		-	-	-	-	-	-
Claims outstanding		-	-	-	-	-	-
		-	-	-	-	-	-
Debtors							
Arising out of direct insurance operations		-	-	-	-	-	-
Arising out of reinsurance operations		-	-	-	-	-	-
Other debtors		-	-	-	-	-	-
		-	-	-	-	-	-
Other assets							
Cash at bank and in hand		-	-	-	-	-	-
Current asset investments – other listed investments	11.2	-	-	-	-	-	-
Other		-	-	-	-	-	-
		-	-	-	-	-	-
Prepayments and accrued income							
Accrued interest		-	-	-	-	-	-
Deferred acquisitions costs		-	-	-	-	-	-
Other prepayments and accrued income		-	-	-	-	-	-
		-	-	-	-	-	-
Total assets		-	14,405,394	14,405,394	-	14,405,394	14,405,394

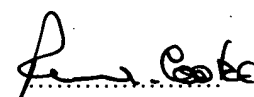
The accounting policies and notes on pages 15 to 46 form part of these financial statements.


RANSOME'S TRADING HOLDING COMPANY LIMITED

BALANCE SHEET - COMPANY continued AS AT 31 DECEMBER 2016

	Note	Company 2016			Company 2015		
		Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Liabilities and shareholders' funds							
Capital and reserves							
Called up share capital	13	-	42,000	42,000	-	42,000	42,000
Share premium account	14	-	14,363,394	14,363,394	-	14,363,394	14,363,394
Profit and loss account	15	-	-	-	-	-	-
Shareholders' funds – attributable to equity interests		-	14,405,394	14,405,394	-	14,405,394	14,405,394
Technical provisions							
Provision for unearned premiums		-	-	-	-	-	-
Claims outstanding – gross amount		-	-	-	-	-	-
Provisions for other risks and charges							
Deferred taxation	16	-	-	-	-	-	-
Creditors							
Arising out of direct insurance operations		-	-	-	-	-	-
Arising out of reinsurance operations		-	-	-	-	-	-
Other creditors including taxation and social security	11.4	-	-	-	-	-	-
Accruals and deferred income		-	-	-	-	-	-
Total liabilities		-	14,405,394	14,405,394	-	14,405,394	14,405,394

Approved by the Board and authorised for issue on 7 September 2017


P N R Cooke
Director


K L H Cooke
Director

Company Registration No. 06854026

The accounting policies and notes on pages 15 to 46 form part of these financial statements.

RANSOME'S TRADING HOLDING COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY - GROUP FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
Opening balance	42,000	14,363,394	9,778,604	24,183,998
Profit for the year	-	-	1,033,262	1,033,262
As at 31 December 2015	42,000	14,363,394	10,811,866	25,217,260
Profit for the year	-	-	1,365,053	1,365,053
As at 31 December 2016	42,000	14,363,394	12,176,919	26,582,313

STATEMENT OF CHANGES IN EQUITY - COMPANY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
Opening balance	42,000	14,363,394	-	14,405,394
Profit for the year	-	-	-	-
As at 31 December 2015	42,000	14,363,394	-	14,405,394
Profit for the year	-	-	-	-
As at 31 December 2016	42,000	14,363,394	-	14,405,394

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

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

The profit and loss account represents cumulative profits and losses of the group/company.

The accounting policies and notes on pages 15 to 46 form part of these financial statements.

RANSOME'S TRADING HOLDING COMPANY LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Operating activities		
Profit on ordinary activities before tax	1,758,418	1,014,216
Loss attributable to syndicate transactions	644,497	962,543
Profit – excluding syndicate transactions	2,402,915	1,976,759
Adjusted for:		
Increase in debtors	(18,166)	(42,407)
Decrease in creditors	(560,738)	(36,284)
Unrealised losses on biological assets	168,805	-
Amortisation of syndicate capacity	43,300	43,300
Realised/unrealised (gains)/losses on investments	(847,940)	140,491
Investment income	(186,474)	(187,028)
Corporation and overseas taxes paid	(542,537)	(265,597)
Net cash inflow from operating activities	459,165	1,629,234
Investing activities		
Investment income	186,474	187,028
Purchase of financial investments	(2,751,143)	(820,355)
Proceeds from sale of financial investments	516,037	971,683
Net cash (outflow)/inflow from investing activities	(2,048,632)	338,356
Financing activities		
Equity dividends paid	-	-
Net cash inflow from financing activities	-	-
Net (decrease)/increase in cash and cash equivalents	(1,589,467)	1,967,590
Cash and cash equivalents at the beginning of the year	6,690,040	4,722,450
Cash and cash equivalents at the end of the year	5,100,573	6,690,040
Consisting of		
Cash at bank and in hand	5,100,573	6,690,040

The group 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 15 to 46 form part of these financial statements.

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Basis of preparation of financial statements

1.1 General information

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

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

1.2 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* ('FRS 102'), FRS 103 *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 cost convention as modified for certain financial instruments and biological assets held at fair value.

1.3 Recognition of insurance transactions

Preparing financial statements in accordance with SI 2008/410 requires the group to recognise its proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates ("the Syndicates") in aggregation with the transactions undertaken by the group 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 group's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the group's profit and loss account. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading "Syndicate"). The Syndicate's assets are held subject to trust deeds for the benefit of the group's insurance creditors.

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

The group 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 group.

1.4 Sources of data

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

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

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Basis of preparation of financial statements (continued)

1.5 Basis of consolidation

The consolidated profit and loss account, balance sheet and cash flow statement include the financial statements of the company and its subsidiary undertakings made up to 31 December 2016. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation. Acquisitions are accounted for under the acquisition method.

1.6 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company and group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.7 Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial period, together with any adjustments arising in the period 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 1.11 below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see 1.11 below). Premiums written by a Syndicate may also include the reinsurance of other syndicates on which the group participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this intersyndicate 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.

1.8 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 period 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.

1.9 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 Group'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.

1.10 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.

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Basis of preparation of financial statements (continued)

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

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

1.12 Financial instruments

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

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

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

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

Where a financial instrument constitutes a financing transaction, it is usually 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.

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Basis of preparation of financial statements (continued)

1.12 Financial instruments (continued)

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 group 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 group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised immediately in the profit and loss.

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

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

Dividend income receivable is recognised when the right to receive the distributions has been established.

1.13 Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The group 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 unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

1.14 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 group 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 group has transferred substantially all the risks and rewards of the asset; or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group 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 derecognised to the extent of the group'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 group could be required to repay. In that case, the group also recognises an associated liability.

1.15 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.

1.16 Net operating expenses

Operating expenses are recognised when incurred. They include the group'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.

1.17 Foreign currencies

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

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Basis of preparation of financial statements (continued)

1.18 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.

1.19 Insurance contracts – product classification

Insurance contracts are those contracts when the group (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 group determines whether it has significant insurance risk, by comparing 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 FRS 102 unless the embedded derivative is itself an insurance contract (ie the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

1.20 Taxation

The group 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.

1.21 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 transactions or other event that resulted in the tax expense.

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

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

1.22 Biological assets

A biological asset is a living animal or plant and is recognised in the balance sheet only when:

- the asset is controlled by an entity;
- it is probable that future economic benefits associated with the asset will flow to an entity;
- the fair value or the cost of the asset can be measured reliably.

Biological assets are measured on initial recognition as well as at each balance sheet date at their fair value less estimated point of sale costs, except for such biological assets whose fair value cannot be estimated reliably. The discounted net cash flow model is used to determine the fair value of an asset.

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Basis of preparation of financial statements (continued)

1.23 Critical accounting judgements and key sources of estimation uncertainty

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

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the group 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 group's accounting policies and that have 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 asset impairments, 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 material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

Estimating value in use

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

Recoverability of receivables

The group 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 individuals 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.

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

2. Class of business

	Gross premiums written £	Gross premiums earned £	Gross claims incurred £	Net operating expenses £	Reinsurance balance £	Total £
2016						
Direct insurance						
Accident and health	552,869	461,456	(241,665)	(200,013)	(28,970)	(9,192)
Motor – third party liability	33,129	35,831	(22,142)	(12,002)	(873)	814
Motor – other classes	135,906	133,583	(101,512)	(48,514)	(7,653)	(24,096)
Marine, aviation and transport	2,957,342	3,119,824	(1,003,584)	(1,351,973)	(337,275)	426,992
Fire and other damage to property	8,500,553	8,516,997	(4,719,841)	(3,056,226)	(822,836)	(81,906)
Third party liability	1,130,594	785,173	(470,395)	(326,548)	(41,602)	(53,372)
Credit and suretyship	465,803	138,838	(82,593)	(49,801)	(17,064)	(10,620)
Legal expenses	12,158	12,409	(5,535)	(6,482)	(4)	388
	13,788,354	13,204,111	(6,647,267)	(5,051,559)	(1,256,277)	249,008
Reinsurance	6,335,872	5,869,692	(2,485,883)	(1,956,441)	(959,917)	467,451
Total	20,124,226	19,073,803	(9,133,150)	(7,008,000)	(2,216,194)	716,459
	Gross premiums written £	Gross premiums earned £	Gross claims incurred £	Net operating expenses £	Reinsurance balance £	Total £
2015						
Direct insurance						
Accident and health	323,946	293,123	(181,038)	(124,501)	2,114	(10,302)
Motor - third party liability	39,440	31,368	(19,517)	(10,825)	2,956	3,982
Motor – other classes	130,488	116,078	(67,390)	(40,174)	(9,062)	(548)
Marine, aviation and transport	2,783,391	3,232,728	(917,668)	(1,390,581)	(204,038)	720,441
Fire and other damage to property	7,648,117	7,572,745	(3,460,596)	(2,596,650)	(1,280,308)	235,191
Third party liability	417,095	296,385	(233,614)	(110,826)	(3,223)	(51,278)
Credit and suretyship	69,964	71,425	(31,409)	(18,084)	(11,680)	10,252
Legal expenses	10,773	11,606	(5,680)	(5,729)	(152)	45
	11,423,214	11,625,458	(4,916,912)	(4,297,370)	(1,503,393)	907,783
Reinsurance	4,990,703	4,390,185	(2,489,991)	(1,407,960)	(352,239)	139,995
Total	16,413,917	16,015,643	(7,406,903)	(5,705,330)	(1,855,632)	1,047,778

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

3. Net operating expenses

	2016 £	2015 £
Acquisition costs	6,119,847	4,896,093
Change in deferred acquisition costs	(337,966)	(167,955)
Administrative expenses	754,607	603,594
Reinsurance commissions and profit participations	(112,584)	(100,546)
Personal expenses	584,096	474,144
	7,008,000	5,705,330

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

4. Investment income	2016	2015
	£	£
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	362,938	348,976
Realised gains and losses	(5,505,762)	51,548
Unrealised gains and losses	6,318,477	(257,015)
	<u>1,175,653</u>	<u>143,509</u>
Financial instruments held-at-amortised cost:		
Interest	<u>1,565</u>	<u>5,721</u>
	<u>1,565</u>	<u>5,721</u>
Investment management expenses, including interest	<u>(7,890)</u>	<u>(5,970)</u>
	<u>(7,890)</u>	<u>(5,970)</u>
	<u>1,169,238</u>	<u>143,260</u>
5. Profit on ordinary activities before taxation	2016	2015
	£	£
Operating profit/(loss) is stated after charging/(crediting):		
Directors' remuneration	-	-
Amortisation of syndicate capacity	43,300	43,300
Profit on disposal of intangible fixed assets	-	-
Profit/(loss) on foreign exchange	(304,575)	30,572
Auditors' remuneration		
Fees payable to the group's auditor for the audit of the group's annual accounts (company £6,500 (2015: £6,000))	12,500	12,000

The group has no employees and no staff costs are met by the group.
The directors are considered to be the key management personnel of the group.

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

6. Taxation	2016 £	2015 £
Analysis of charge in year		
Current tax:		
UK corporation tax on profit for the year	634,524	345,323
Adjustment in respect of previous period	(24,375)	(138,218)
	610,149	207,105
Foreign tax	58,510	72,403
Total current tax	668,659	279,508
Deferred tax:		
Origination and reversal of timing differences	(311,294)	(322,069)
Change in tax rate	36,000	23,515
Total tax	393,365	(19,046)

Factors affecting tax charge for year

The tax assessed for the period is different to the standard rate of corporation tax in the UK of 20.00% (2015 20.25%). The differences are explained below:

Profit on ordinary activities before tax	1,758,418	1,014,216
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	351,684	205,379
Effects of:		
Change in deferred tax rate	43,490	23,515
Creation of tax losses	-	-
Foreign tax	48,806	59,790
Expenses not deductible for tax purposes	164,177	(33,931)
Other corporation computation adjustments	(142,089)	(29,591)
Marginal rates of taxation and prior period adjustment	(72,703)	(244,208)
Total tax charge for the period	393,365	(19,046)

The results of the group's participation on the 2014, 2015 and 2016 years of account and any calendar year movement on 2013 and prior run-offs, will not be assessed to tax until the year ended 31 December 2017, 2018 and 2019 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 20%. The rate will be reduced to 19% from 1 April 2017 and to 17% from 1 April 2020. The effect of these reductions are reflected in the recognised deferred tax liability/(asset).

7. Profit for the financial year

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	2016 £	2015 £
Holding company's profit for the financial year	-	-

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

8. Dividends	2016	2015
	£	£
Amounts recognised as distributions to equity holders in the year:		
Interim dividends paid	-	-
9. Intangible assets	Group	Company
Purchased syndicate capacity	£	£
Cost		
At 1 January 2016	216,500	-
Additions	-	-
Disposals	-	-
At 31 December 2016	216,500	-
Amortisation		
At 1 January 2016	162,560	-
Provided during the year	43,300	-
Disposals	-	-
At 31 December 2016	205,860	-
Net book value		
At 31 December 2016	10,640	-
At 31 December 2015	53,940	-
10. Biological assets	Group	Company
	£	£
Valuation		
At 1 January 2016	2,072,698	-
Additions	-	-
At 31 December 2016	2,072,698	-
Amortisation		
At 1 January 2016	-	-
Provided during the year	168,805	-
At 31 December 2016	168,805	-
Net book value		
At 31 December 2016	1,903,893	-
At 31 December 2015	2,072,698	-

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11. Financial instruments and financial risk management

11.1 Financial investments

GROUP

Other financial investments – Syndicate participation

	2016 Market value £	2015 Market value £
Shares and other variable yield securities and units in unit trusts	6,121,708	59,315
Debt securities and other fixed income securities	10,282,062	10,082,765
Loans with credit institutions	279,778	422,402
Derivative financial instruments	871	43
Deposits with credit institutions	128,150	36,363
Other	-	5,159,381
	<u>16,812,569</u>	<u>15,760,269</u>

Other financial investments - Corporate

Shares and other variable yield securities and units in unit trusts	12,385,347	11,108,940
	<u>12,385,347</u>	<u>11,108,940</u>

COMPANY

Shares in group undertakings

£

Cost

At 1 January and 31 December 2016

14,405,394

Net book value

At 31 December 2016

14,405,394

At 31 December 2015

14,405,394

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11. Financial instruments and financial risk management (continued)

11.1 Financial investments (continued)

COMPANY (continued)

Shares in group undertakings

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Ransome's Trading Limited	England & Wales	Ordinary	100
Ransome's Underwriting Limited *	England & Wales	Ordinary	100
Metsatalu Ou *	Estonia	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Ransome's Trading Limited	Holding company of trading subsidiaries
Ransome's Underwriting Limited *	Lloyd's corporate capital member
Metsatalu Ou *	Silviculture and the thinning, felling and sale of the timber crop

* Ransome's Underwriting Limited and Metsatalu Ou are wholly owned subsidiaries of Ransome's Trading Limited

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11. Financial instruments and financial risk management (continued)

11.2 Current asset investments

The group holds investments in listed equity investments for trading purposes. The fair value of these investments has been determined based on the quoted market price available in an active market. The quoted price used is the current bid price.

	Group 2016			Company 2016		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Other – listed	-	6,088,728	6,088,728	-	-	-
	-	6,088,728	6,088,728	-	-	-

	Group 2015			Company 2015		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Other – listed	-	4,282,089	4,282,089	-	-	-
	-	4,282,089	4,282,089	-	-	-

Current asset investments are valued using quoted market prices with the exception of £854,350 (2015: £741,304) which have been valued using a recent market price.

11.3 Funds at Lloyd's

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

	Group 2016			Company 2016		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	1,435,097	1,435,097	-	-	-
Investments	-	12,385,347	12,385,347	-	-	-
	-	13,820,444	13,820,444	-	-	-

	Group 2015			Company 2015		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	12,096	12,096	-	-	-
Investments	-	11,108,940	11,108,940	-	-	-
	-	11,121,036	11,121,036	-	-	-

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11. Financial instruments and financial risk management (continued)

11.3 Funds at Lloyd's (continued)

Funds at Lloyd's represents assets deposited with the Corporation of Lloyd's (Lloyd's) to support the group's underwriting activities as described in the Accounting Policies. The group 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 group's liabilities in respect of its underwriting.

11.4 Other creditors including taxation and social security

	Group 2016			Company 2016		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Corporation tax	-	303,502	303,502	-	-	-
Other creditors	1,558,592	(495,161)	1,063,431	-	-	-
	<u>1,558,592</u>	<u>(191,659)</u>	<u>1,366,933</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Group 2015			Company 2015		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Corporation tax	-	177,380	177,380	-	-	-
Other creditors	1,963,486	7,928	1,971,414	-	-	-
	<u>1,963,486</u>	<u>185,308</u>	<u>2,148,794</u>	<u>-</u>	<u>-</u>	<u>-</u>

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11. Financial instruments and financial risk management (continued)

11.5 Classification of financial instruments – Group only

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

Other financial investments – Syndicate participation

	2016			2015		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
Financial assets						
Investments	16,812,569	-	16,812,569	15,760,269	-	15,760,269
Deposits with ceding undertakings	-	1,929	1,929	-	6,243	6,243
Insurance debtors	-	4,953,951	4,953,951	-	3,150,235	3,150,235
Reinsurance debtors	-	1,945,993	1,945,993	-	1,674,136	1,674,136
Other debtors	-	1,258,643	1,258,643	-	1,584,685	1,584,685
Cash at bank and in hand	-	769,947	769,947	-	167,977	167,977
Other assets	1,203,303	-	1,203,303	1,081,529	-	1,081,529
	<u>18,015,872</u>	<u>8,930,463</u>	<u>26,946,335</u>	<u>16,841,798</u>	<u>6,583,276</u>	<u>23,425,074</u>
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	353	-	353	-	-	-
Insurance creditors	-	821,079	821,079	-	289,346	289,346
Reinsurance creditors	-	1,635,045	1,635,045	-	1,250,838	1,250,838
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors	-	-	-	-	-	-
	<u>353</u>	<u>2,456,124</u>	<u>2,456,477</u>	<u>-</u>	<u>1,540,184</u>	<u>1,540,184</u>

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11. Financial instruments and financial risk management (continued)

11.5 Classification of financial instruments – Group only (continued)

Other financial investments – Corporate

	2016			2015		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
Financial assets						
Investments	12,385,347	-	12,385,347	11,108,940	-	11,108,940
Other debtors	-	42,788	42,788	-	40,654	40,654
Cash at bank and in hand	-	5,100,573	5,100,573	-	6,690,040	6,690,040
Other assets	6,088,728	-	6,088,728	4,282,089	-	4,282,089
	<u>18,474,075</u>	<u>5,143,361</u>	<u>23,617,436</u>	<u>15,391,029</u>	<u>6,730,694</u>	<u>22,121,723</u>
Financial liabilities						
Other creditors	-	(191,659)	(191,659)	-	185,308	185,308
	<u>-</u>	<u>(191,659)</u>	<u>(191,659)</u>	<u>-</u>	<u>185,308</u>	<u>185,308</u>

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

	2016		2015	
	Notional amount £	Fair value £	Notional amount £	Fair value £
Foreign exchange forward contracts	69,266	871	-	-
Interest rate future contracts	-	-	-	-
Foreign exchange options	-	-	-	-
Equity options	-	-	-	-
Foreign exchange contract for difference	-	-	2,266	44
Other	-	-	-	-
	<u>69,266</u>	<u>871</u>	<u>2,266</u>	<u>44</u>

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11. Financial instruments and financial risk management (continued)

11.6 Financial instruments held at fair value through profit or loss – Group only

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 the 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 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.

The tables below set out the group'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 £
2016						
Financial assets						
Shares and other variable yield securities and units in unit trusts	2,082,561	4,039,131	16	6,121,708	-	6,121,708
Debt securities and other fixed income securities	5,110,781	5,171,281	-	10,282,062	-	10,282,062
Participation in investment pools	-	-	-	-	-	-
Loans and deposits with credit institutions	128,150	279,778	-	407,928	-	407,928
Overseas deposits	372,375	830,928	-	1,203,303	-	1,203,303
Derivatives	871	-	-	871	-	871
Financial assets classified as held for sale	-	-	-	-	-	-
	<u>7,694,738</u>	<u>10,321,118</u>	<u>16</u>	<u>18,015,872</u>	<u>-</u>	<u>18,015,872</u>

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11. Financial instruments and financial risk management (continued)

11.6 Financial instruments held at fair value through profit or loss – Group only (continued)

Other financial investments – Syndicate participation (continued)

	Level (a)	Level (b)	Level (c)	Fair value total	Held at amortised cost	Total
	£	£	£	£	£	£
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	(353)	-	-	(353)	-	(353)
Financial liabilities classified as held for sale	-	-	-	-	-	-
	<u>(353)</u>	<u>-</u>	<u>-</u>	<u>(353)</u>	<u>-</u>	<u>(353)</u>

2015

Financial assets

Shares and other variable yield securities and units in unit trusts	2,231,021	2,987,559	115	5,218,695	-	5,218,695
Debt securities and other fixed income securities	5,520,114	4,166,434	396,216	10,082,764	-	10,082,764
Participation in investment pools	-	-	-	-	-	-
Loans and deposits with credit institutions	43,512	368,360	46,893	458,765	-	458,765
Overseas deposits	793,003	288,526	-	1,081,529	-	1,081,529
Derivatives	43	-	-	43	-	43
Financial assets classified as held for sale	-	-	-	-	-	-
	<u>8,587,693</u>	<u>7,810,879</u>	<u>443,224</u>	<u>16,841,796</u>	<u>-</u>	<u>16,841,796</u>

Financial liabilities

Borrowings	-	-	-	-	-	-
Derivative liabilities	(228)	-	-	(228)	-	(228)
Financial liabilities classified as held for sale	-	-	-	-	-	-
	<u>(228)</u>	<u>-</u>	<u>-</u>	<u>(228)</u>	<u>-</u>	<u>(228)</u>

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11. Financial instruments and financial risk management (continued)

11.6 Financial instruments held at fair value through profit or loss – Group only (continued)

Other financial investments – Corporate

	Level (a)	Level (b)	Level (c)	Fair value total	Held at amortised cost	Total
	£	£	£	£	£	£
2016						
Financial assets						
Shares and other variable yield securities and units in unit trusts	17,619,725	854,350	-	18,474,075	-	18,474,075
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	<u>17,619,725</u>	<u>854,350</u>	<u>-</u>	<u>18,474,075</u>	<u>-</u>	<u>18,474,075</u>

2015

Financial assets

Shares and other variable yield securities and units in unit trusts	14,649,725	741,304	-	15,391,029	-	15,391,029
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	<u>14,649,725</u>	<u>741,304</u>	<u>-</u>	<u>15,391,029</u>	<u>-</u>	<u>15,391,029</u>

11.7 Financial risk management – Group only

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

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

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

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11. Financial instruments and financial risk management (continued)

11.7 Financial risk management – Group only (continued)

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the group 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.

Credit risk

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

The group 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 group 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 group's financial assets represents the group's maximum exposure to credit risk.

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11. Financial instruments and financial risk management (continued)

11.7 Financial risk management – Group only (continued)

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 £
2016						
Shares and other variable yield securities and units in unit trusts	2,096,727	682,813	-	-	3,342,168	6,121,708
Debt securities and other fixed income securities	5,677,608	2,089,726	2,165,548	345,406	3,774	10,282,062
Participation in investment pools	-	-	-	-	-	-
Loans secured with credit institutions	279,778	-	-	-	-	279,778
Deposits with credit institutions	-	-	128,150	-	-	128,150
Overseas deposits	682,537	211,365	147,344	103,716	58,341	1,203,303
Derivative investments	-	-	-	871	-	871
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	-	-	-	-	1,929	1,929
Reinsurers share of claims outstanding	55,816	408,170	3,506,441	3,941	154,619	4,128,987
Reinsurance debtors	188,113	26,105	197,937	9,512	12,544	434,211
Cash at bank and in hand	-	-	766,206	3,741	-	769,947
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	<u>8,980,579</u>	<u>3,418,179</u>	<u>6,911,626</u>	<u>467,187</u>	<u>3,573,375</u>	<u>23,350,946</u>

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11. Financial instruments and financial risk management (continued)

11.7 Financial risk management – Group only (continued)

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
2015						
Shares and other variable yield securities and units in unit trusts	2,271,194	-	-	-	2,947,387	5,218,581
Debt securities and other fixed income securities	5,134,284	2,862,560	1,589,542	494,218	2,162	10,082,766
Participation in investment pools	-	-	-	-	-	-
Loans secured with credit institutions	379,045	-	43,357	-	-	422,402
Deposits with credit institutions	-	-	36,363	-	-	36,363
Overseas deposits	607,849	198,505	155,793	116,530	2,852	1,081,529
Derivative investments	-	-	43	-	-	43
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	-	-	-	-	6,243	6,243
Reinsurers share of claims outstanding	41,764	488,033	2,784,432	2,446	174,963	3,491,638
Reinsurance debtors	6,533	4,646	3,703	350	245	15,477
Cash at bank and in hand	-	-	165,365	2,611	-	167,976
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	8,440,669	3,553,744	4,778,598	616,155	3,133,852	20,523,018

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11. Financial instruments and financial risk management (continued)

11.7 Financial risk management – Group only (continued)

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 £
2016						
Shares and other variable yield securities and units in unit trusts	6,121,692	-	-	-	16	6,121,708
Debt securities and other fixed income securities	10,282,062	-	-	-	-	10,282,062
Participation in investment pools	-	-	-	-	-	-
Loans secured with credit institutions	279,778	-	-	-	-	279,778
Deposits with credit institutions	128,150	-	-	-	-	128,150
Overseas deposits	1,203,303	-	-	-	-	1,203,303
Derivative investments	871	-	-	-	-	871
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	1,929	-	-	-	-	1,929
Reinsurers share of claims outstanding	4,128,987	-	-	-	-	4,128,987
Reinsurance debtors	49,983	376,646	7,408	174	-	434,211
Cash at bank and in hand	769,947	-	-	-	-	769,947
Insurance debtors	4,587,940	255,738	42,891	67,382	-	4,953,951
Other debtors	6,885,143	-	-	7,452	-	6,892,595
	34,439,785	632,384	50,299	75,008	16	35,197,492

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11. Financial instruments and financial risk management (continued)

11.7 Financial risk management – Group only (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 £
2015						
Shares and other variable yield securities and units in unit trusts	5,218,580	-	-	-	115	5,218,695
Debt securities and other fixed income securities	10,082,765	-	-	-	-	10,082,765
Participation in investment pools	-	-	-	-	-	-
Loans secured with credit institutions	422,402	-	-	-	-	422,402
Deposits with credit institutions	36,363	-	-	-	-	36,363
Overseas deposits	1,081,529	-	-	-	-	1,081,529
Derivative investments	43	-	-	-	-	43
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	6,243	-	-	-	-	6,243
Reinsurers share of claims outstanding	3,491,638	-	-	-	-	3,491,638
Reinsurance debtors	15,478	295,298	2,479	22,656	-	335,911
Cash at bank and in hand	167,977	-	-	-	-	167,977
Insurance debtors	4,256,464	159,452	32,484	40,060	-	4,488,460
Other debtors	111,999	-	-	-	-	111,999
	24,891,481	454,750	34,963	62,716	115	25,444,025

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

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11. Financial instruments and financial risk management (continued)

11.7 Financial risk management – Group only (continued)

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 group 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 group'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 group 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
	£	£	£	£	£	£
2016						
Derivative financial instruments	-	353	-	-	-	353
Deposits received from reinsurers	-	1,844	-	-	-	1,844
Claims outstanding	-	8,025,599	6,898,602	2,446,539	1,699,338	19,070,078
Creditors	-	3,020,866	62,513	17,591	-	3,100,970
Other	-	-	-	-	-	-
	-	11,048,662	6,961,115	2,464,130	1,699,338	22,173,245
2015						
Derivative financial instruments	-	228	-	-	-	228
Deposits received from reinsurers	-	1,240	-	-	-	1,240
Claims outstanding	-	7,293,462	5,953,735	1,798,971	1,131,214	16,177,382
Creditors	-	1,977,780	281,314	12,557	-	2,271,651
Other	-	-	-	-	-	-
	-	9,272,710	6,235,049	1,811,528	1,131,214	18,450,501

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

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11. Financial instruments and financial risk management (continued)

11.7 Financial risk management – Group only (continued)

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 group 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 group 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 group.

Syndicate participation

	2016	2015
	£	£
Impact of 50 basis point increase on profit or loss	(78,160)	(83,370)
Impact of 50 basis point decrease on profit or loss	49,235	30,941
Impact of 50 basis point increase on equity	(78,160)	(83,370)
Impact of 50 basis point decrease on equity	49,235	30,941

At the Corporate level the group 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 group is exposed to equity price risk in respect of its equity investments.

At the Corporate level the group 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.

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11. Financial instruments and financial risk management (continued)

11.7 Financial risk management – Group only (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 group.

Syndicate participation

	2016 £	2015 £
Impact on profit or loss of 5% increase in Stock Market Prices	206	(1,614)
Impact on profit or loss of 5% decrease in Stock Market Prices	(206)	1,614
Impact on equity of 5% increase in Stock Market Prices	206	(1,614)
Impact on equity of 5% decrease in Stock Market Prices	(206)	1,614

At the Corporate level the group 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 group 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 with changes in foreign exchange rates.

At the Corporate level the group 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 group's principal foreign exchange exposures in aggregate.

Net assets and liabilities

	Syndicate Participation £	2016 Corporate £	Syndicate Participation £	2015 Corporate £
Sterling	(504,721)	5,313,645	462,473	2,720,173
United States Dollar	441,661	-	475,375	-
Euro	337,688	-	110,136	-
Canadian Dollar	601,888	-	364,274	-
Australian Dollar	566,543	-	437,625	-
Japanese Yen	97,104	-	-	-
Other	(127,637)	-	122,507	-

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11. Financial instruments and financial risk management (continued)

11.7 Financial risk management – Group only (continued)

The group 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 group'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 2016		31 December 2015	
	Increase	Decrease	Increase	Decrease
Effect of sterling exchange movement by 10%				
United States Dollar	-	-	-	-
Euro	-	-	-	-
Canadian Dollar	-	-	-	-
Australian Dollar	-	-	-	-
Japanese Yen	-	-	-	-
Other	-	-	-	-

11.8 Capital management – Group only

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. The capital uplift applied for 2016 was 35% of the member's SCR to 'ultimate'.

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11. Financial instruments and financial risk management (continued)

11.8 Capital management – Group only (continued)

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 group to participate on the Syndicates. Refer to note 11.3 for further information.

12. Insurance contracts – Group only

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

	2016			2015		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	16,177,382	3,491,638	12,685,744	16,813,190	4,039,539	12,773,651
Movements in the year	953,040	216,382	736,658	(1,250,509)	(719,599)	(530,910)
Exchange differences	1,939,656	420,967	1,518,689	614,701	171,698	443,003
At 31 December	19,070,078	4,128,987	14,941,091	16,177,382	3,491,638	12,685,744

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

	2016			2015		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	8,162,336	860,306	7,302,030	7,443,965	482,121	6,961,844
Movements in the year	1,050,423	302,460	747,963	398,274	346,570	51,704
Exchange differences	1,387,267	155,275	1,231,992	320,097	31,615	288,482
At 31 December	10,600,026	1,318,041	9,281,985	8,162,336	860,306	7,302,030

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

12. Insurance contracts – Group only (continued)

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

	2016 £	2015 £
At 1 January	2,304,752	2,060,882
Movements in the year	337,966	167,955
Exchange difference	411,493	75,915
At 31 December	<u>3,054,211</u>	<u>2,304,752</u>

12.1 Risks arising from insurance contracts

The group 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 assumptions and judgements made, and the objectives, policies and processes for managing risk arising from insurance contracts, are not presented in these financial statements.

13. Share capital

	2016 Allotted, called-up and fully paid No	2015 Allotted, called-up and fully paid No
Ordinary £1 shares	<u>42,000</u>	<u>42,000</u>

14. Share premium account

	Group 2016			Company 2016		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
At 1 January and 31 December 2016	-	14,363,394	14,363,394	-	14,363,394	14,363,394
	Group 2015			Company 2015		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
At 1 January and 31 December 2015	-	14,363,394	14,363,394	-	14,363,394	14,363,394

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

15. Profit and loss account

	Group 2016			Company 2016		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
At 1 January 2016	2,855,758	7,956,108	10,811,866	-	-	-
Reallocate distribution	(1,784,582)	1,784,582	-	-	-	-
Profit for the financial year	1,140,085	224,968	1,365,053	-	-	-
Retained profit carried forward	2,211,261	9,965,658	12,176,919	-	-	-

	Group 2015			Company 2015		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
At 1 January 2015	3,818,301	5,960,303	9,778,604	-	-	-
Reallocate distribution	(2,061,186)	2,061,186	-	-	-	-
Profit for the financial year	1,098,643	(65,381)	1,033,262	-	-	-
Retained profit carried forward	2,855,758	7,956,108	10,811,866	-	-	-

16. Provision for other risks and charges

Deferred taxation	Group 2016 £	Company 2016 £
Opening balance	919,473	-
Profit and loss account charge	(275,294)	-
Closing balance	644,179	-

	Group 2015 £	Company 2015 £
Opening balance	1,218,027	-
Profit and loss account charge	(298,554)	-
Closing balance	919,473	-

RANSOME'S TRADING HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

17. Related party disclosure

Due to the fact that the subsidiary companies are consolidated into these accounts, advantage is taken of Section 33 of FRS 102 – Related Party Disclosure – not to disclose transactions and balances with group companies and investees of the group.

During the year Ransome's Trading Limited paid a management charge of £10,000 (2015: £10,000) to Ransome's Dock Limited - a company ultimately controlled by P N R Cooke.

At 31 December 2016 an amount of £500,000 was due to Ransome's Underwriting Limited from Ransome's Dock Limited – a company ultimately controlled by P N R Cooke (2015: £Nil).

18. Directors' transactions

During the year an amount of £6,788 was advanced to a director by Ransome's Trading Limited. This amount was outstanding at 31 December 2016 (2015: £Nil) and was repaid in full on 30 June 2017.

19. Ultimate controlling party

The company was under the control of one of the directors – P N R Cooke – throughout the year.