

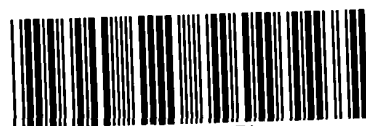
Company registration number (England and Wales): 9625479

## **FORTUNA FORTIS LIMITED**

***DIRECTOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED 31 DECEMBER 2016***

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# FORTUNA FORTIS LIMITED

## CONTENTS

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	Page
Company information	1
Strategic report	2
Report of the director	3
Independent auditors' report	4
Consolidated income statement	5 - 6
Consolidated statement of comprehensive income	6
Consolidated statement of financial position	7 - 8
Company statement of financial position	9 - 10
Statement of changes in shareholders' equity	11
Consolidated statement of cash flows	12
Accounting policies	13 - 21
Notes to the financial statements	22 - 34

# FORTUNA FORTIS LIMITED

## COMPANY INFORMATION

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### COMPANY PERSONNEL

Director	Mr A J Taylor
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### COMPANY ADDRESSES

Registered office	The Farmhouse Blatherwycke Road Bulwick, Corby Northamptonshire NN17 3EU
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Auditors	Humphrey & Co 7 - 9 The Avenue Eastbourne East Sussex BN21 3YA
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# FORTUNA FORTIS LIMITED

## STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

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The director presents his strategic report for the year ended 31 December 2016.

### Review of the business

The principal activity of the group is carrying on the trade of underwriting at Lloyd's of London and providing the Funds at Lloyd's required to support the group's underwriting activities.

The result for the year is in respect of the 2016 annual accounting year, which consists of movements in the 2014, 2015 and 2016 years of account as well as any 2013 and prior run-off years.

Gross premiums written increased from £634,668 to £708,608 compared to the previous year and the overall balance in the technical account increased from £39,775 to £41,491 as a result of the level of claims experienced.

The group has continued to underwrite on the 2017 underwriting account where the market conditions are considered favourable for a profitable outcome subject to the level of claims experienced.

The key business risks and uncertainties affecting the group are considered to relate to insurance risk, investment and currency risk and regulatory risk.

### Financial risk management objectives and policies

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 Agent to implement appropriate policies, procedures and internal controls to manage each Syndicates' exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The group is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the group.

Hedge accounting is not used by the group.

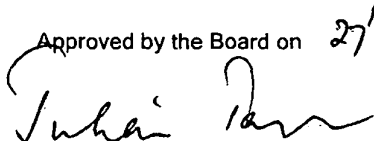
### Key performance indicators

The director monitors the performance of the group by reference to the following key performance indicators:

	2016	2015
Capacity	£745,574	£728,758
Gross premium written as a % of capacity	95.04%	87.09%
Combined ratio	95.45%	93.67%

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

Approved by the Board on 27<sup>th</sup> September 2017 and signed on its behalf by :



A J Taylor  
Director

# FORTUNA FORTIS LIMITED

## DIRECTOR'S REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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The director has pleasure in presenting his report together with the financial statements for the year ended 31 December 2016.

### Results and dividends

The loss for the year after taxation was £76,610 (2015: loss £63,351). Interim dividends of £Nil (2015: £Nil) were paid during the year. The director does not recommend the payment of a final dividend.

### Director

The director who held office at any time during the year is listed below:

Mr A J Taylor

### Statement of director's responsibilities

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he has satisfied himself that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 2006.

The director is 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.

### Auditors

The auditors, Humphrey & Co, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

### Statement of disclosure to auditors

So far as the director is aware, there is no relevant audit information of which the company's or the group's auditors are unaware. Additionally, the director has taken all the necessary steps that he ought to have taken as director in order to make himself aware of all relevant audit information and to establish that the group's auditors are aware of that information.

Approved by the Board on 27<sup>th</sup> September 2017 and signed on its behalf by:

  
A J Taylor  
Director

**FORTUNA FORTIS LIMITED**  
**INDEPENDENT AUDITORS REPORT**  
**TO THE SHAREHOLDERS OF FORTUNA FORTIS LIMITED**

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We have audited the financial statements of Fortuna Fortis Limited for the year ended 31 December 2016 on pages 5 to 34. 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 group'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 group's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the group'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 Director's Responsibilities Statement set out on page 3, the director is 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 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 parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the director; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Strategic Report and Director's Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially incorrect with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion, based on the work undertaken in the course of our audit, the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report 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 audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Andrew Robinson (Senior Statutory Auditor)**  
for and on behalf of Humphrey & Co  
Chartered Accountants  
Statutory Auditor

Date: 28 September 2017

Humphrey & Co  
7 - 9 The Avenue  
Eastbourne  
East Sussex  
BN21 3YA

# FORTUNA FORTIS LIMITED

## CONSOLIDATED INCOME STATEMENT - TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Gross premiums written	5	708,608	634,668
Outward reinsurance premiums		(137,624)	(115,809)
<b>Net premiums written</b>		<b>570,984</b>	<b>518,859</b>
<b>Change in the provision for unearned premiums</b>			
Gross provision		(13,111)	(8,476)
Reinsurers' share		7,372	687
<b>Net change in the provision for unearned premiums</b>		<b>(5,739)</b>	<b>(7,789)</b>
<b>Earned premiums net of reinsurance</b>		<b>565,245</b>	<b>511,070</b>
Allocated investment income	8	17,083	8,574
<b>Claims paid</b>			
Gross amount		(346,291)	(307,181)
Reinsurers' share		55,956	63,590
<b>Net claims paid</b>		<b>(290,335)</b>	<b>(243,591)</b>
<b>Change in provision for claims</b>			
Gross amount		(104,219)	(8,681)
Reinsurers' share		69,592	(9,342)
<b>Net change in provision for claims</b>		<b>(34,627)</b>	<b>(18,023)</b>
<b>Claims incurred net of reinsurance</b>		<b>(324,962)</b>	<b>(261,614)</b>
Net operating expenses	9	(214,560)	(217,109)
Investment expenses and charges	8	(1,315)	(1,146)
<b>Balance on technical account for general business</b>		<b>41,491</b>	<b>39,775</b>

# **FORTUNA FORTIS LIMITED**

## **CONSOLIDATED INCOME STATEMENT - NON TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £	2015 £
Balance on the general business technical account		41,491	39,775
Investment income	8	25	17
Other income	10	-	-
Other charges		(94,620)	(93,957)
Loss on ordinary activities before taxation	11	(53,104)	(54,165)
Tax on loss on ordinary activities	20	(23,506)	(9,186)
Loss for the financial year		(76,610)	(63,351)
Non-controlling interest - technical		-	-
Non-controlling interest - non-technical		-	-
Retained loss for the group		(76,610)	(63,351)

## **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Retained loss for the group	(76,610)	(63,351)
Other comprehensive income:	-	-
Loss for the financial year	(76,610)	(63,351)

All amounts above relate to continuing operations.



# FORTUNA FORTIS LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

Company registration number (England and Wales): 9625479

ASSETS	Note	Syndicate Assets £	Corporate £	2016 Total £	2015 Total £
<b>Fixed assets</b>					
Tangible assets	12	-	-	-	-
<b>Intangible assets</b>					
Intangible assets	13	-	240,283	240,283	294,095
<b>Investments</b>					
Financial investments	14	988,193	-	988,193	889,502
Deposits with ceding undertakings		60	-	60	50
<b>Total investments</b>		<b>988,253</b>	<b>-</b>	<b>988,253</b>	<b>889,552</b>
<b>Reinsurers' share of technical provisions</b>					
Provision for unearned premiums	7	55,679	-	55,679	42,876
Claims outstanding	7	145,950	-	145,950	125,638
Other technical provisions		169,859	-	169,859	100,362
<b>Total reinsurers' share of technical provisions</b>		<b>371,488</b>	<b>-</b>	<b>371,488</b>	<b>268,876</b>
<b>Debtors</b>					
Arising out of direct insurance operations	15				
Policyholders		16	-	16	10
Intermediaries		170,555	-	170,555	151,053
Arising out of reinsurance operations	15	11,849	-	11,849	22,626
Other debtors	16	173,936	-	173,936	164,240
<b>Total debtors</b>		<b>356,356</b>	<b>-</b>	<b>356,356</b>	<b>337,929</b>
<b>Other assets</b>					
Cash at bank	17	146,644	3,616	150,260	115,609
Other		310	-	310	600
<b>Total other assets</b>		<b>146,954</b>	<b>3,616</b>	<b>150,570</b>	<b>116,209</b>
<b>Prepayments and accrued income</b>					
Accrued interest		2,369	-	2,369	1,395
Deferred acquisition costs	7	87,326	-	87,326	74,206
Other prepayments and accrued income		4,291	-	4,291	4,204
<b>Total prepayments and accrued income</b>		<b>93,986</b>	<b>-</b>	<b>93,986</b>	<b>79,805</b>
<b>Total assets</b>		<b>1,957,037</b>	<b>243,899</b>	<b>2,200,936</b>	<b>1,986,466</b>

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page seven

# FORTUNA FORTIS LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2016

Company registration number (England and Wales): 9625479

	Note	Syndicate Liabilities £	Corporate £	2016 Total £	2015 Total £
<b>LIABILITIES</b>					
<b>Capital and reserves</b>					
Called-up share capital	18	-	100	100	100
Profit and loss account	19	51,772	(191,733)	(139,961)	(63,351)
<b>Shareholder's funds attributable to equity interests</b>		<b>51,772</b>	<b>(191,633)</b>	<b>(139,861)</b>	<b>(63,251)</b>
<b>Technical provisions</b>					
Provision for unearned premiums	7	348,532	-	348,532	300,949
Claims outstanding - gross amount	7	1,329,687	-	1,329,687	1,135,969
<b>Total technical provisions</b>		<b>1,678,219</b>	<b>-</b>	<b>1,678,219</b>	<b>1,436,918</b>
<b>Provisions for other risks and charges</b>					
Provision for taxation	20	-	31,000	31,000	8,000
<b>Deposits received from reinsurers</b>		<b>10,669</b>	<b>-</b>	<b>10,669</b>	<b>4,571</b>
<b>Creditors</b>					
Arising out of direct insurance operations		18,801	-	18,801	20,597
Arising out of reinsurance operations		87,286	-	87,286	72,295
Amounts due to credit institutions	22	-	-	-	1,957
Other creditors	21	95,214	396,702	491,916	488,890
<b>Total creditors</b>		<b>201,301</b>	<b>396,702</b>	<b>598,003</b>	<b>583,739</b>
<b>Accruals and deferred income</b>					
Other accruals and deferred income		15,076	7,830	22,906	16,489
<b>Total liabilities</b>		<b>1,957,037</b>	<b>243,899</b>	<b>2,200,936</b>	<b>1,986,466</b>

Approved by the Board on

27<sup>th</sup> September

2017 and signed on its behalf by :

*A J Taylor*

A J Taylor  
Director

# FORTUNA FORTIS LIMITED

## COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

Company registration number (England and Wales): 9625479

ASSETS	Note	Syndicate Assets £	Corporate £	2016 Total £	2015 Total £
<b>Fixed assets</b>					
Tangible fixed assets	12	-	-	-	-
<b>Investments</b>					
Financial investments	14	-	413,889	413,889	431,759
Deposits with ceding undertakings		-	-	-	-
<b>Total investments</b>		-	413,889	413,889	431,759
<b>Reinsurers' share of technical provisions</b>					
Provision for unearned premiums		-	-	-	-
Claims outstanding		-	-	-	-
Other technical provisions		-	-	-	-
<b>Total reinsurers' share of technical provisions</b>		-	-	-	-
<b>Debtors</b>					
Arising out of direct insurance operations					
Policyholders		-	-	-	-
Intermediaries		-	-	-	-
Arising out of reinsurance operations		-	-	-	-
Other debtors	16	-	-	-	-
<b>Total debtors</b>		-	-	-	-
<b>Other assets</b>					
Cash at bank	17	-	3,615	3,615	520
Other		-	-	-	-
<b>Total other assets</b>		-	3,615	3,615	520
<b>Prepayments and accrued income</b>					
Accrued interest		-	-	-	-
Deferred acquisition costs		-	-	-	-
Other prepayments and accrued income		-	274	274	620
<b>Total prepayments and accrued income</b>		-	274	274	620
<b>Total assets</b>		-	417,778	417,778	432,899

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# FORTUNA FORTIS LIMITED

## COMPANY STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2016

Company registration number (England and Wales): 9625479

	Note	Syndicate Liabilities £	Corporate £	2016 Total £	2015 Total £
<b>LIABILITIES</b>					
<b>Capital and reserves</b>					
Called-up share capital	18	-	100	100	100
Profit and loss account		-	15,197	15,197	17,537
<b>Shareholder's funds attributable to equity interests</b>		-	15,297	15,297	17,637
<b>Technical provisions</b>					
Provision for unearned premiums		-	-	-	-
Claims outstanding - gross amount		-	-	-	-
<b>Total technical provisions</b>		-	-	-	-
<b>Provisions for other risks and charges</b>					
Provision for taxation	20	-	31,000	31,000	8,000
<b>Deposits received from reinsurers</b>		-	-	-	-
<b>Creditors</b>					
Arising out of direct insurance operations		-	-	-	-
Arising out of reinsurance operations		-	-	-	-
Amounts due to credit institutions		-	-	-	-
Other creditors	21	-	363,651	363,651	403,422
<b>Total creditors</b>		-	363,651	363,651	403,422
<b>Accruals and deferred income</b>					
Other accruals and deferred income		-	7,830	7,830	3,840
<b>Total liabilities</b>		-	417,778	417,778	432,899

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £2,340 (2015: £17,537 profit).

Approved by the Board on 27<sup>th</sup> September

2017 and signed on its behalf by :

*Julian Taylor*

A J Taylor  
Director

# FORTUNA FORTIS LIMITED

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Company registration number (England and Wales): 9625479

**AS AT 31 DECEMBER 2016**

Group	Called up share capital £	Share premium account £	Retained earnings £	Total £
At 1 January 2015	-	-	-	-
Profit/(loss) for the financial year	-	-	(63,351)	(63,351)
Other comprehensive income	-	-	-	-
Dividends paid	-	-	-	-
Proceeds from issue of shares	100	-	-	100
At 31 December 2015	100	-	(63,351)	(63,251)
At 1 January 2016	100	-	(63,351)	(63,251)
Profit/(loss) for the financial year	-	-	(76,610)	(76,610)
Other comprehensive income	-	-	-	-
Dividends paid	-	-	-	-
Proceeds from issue of shares	-	-	-	-
At 31 December 2016	100	-	(139,961)	(139,861)

Company	Called up share capital £	Share premium account £	Retained earnings £	Total Equity £
At 1 January 2015	-	-	-	-
Profit/(loss) for the financial year	-	-	17,537	17,537
Other comprehensive income	-	-	-	-
Dividends paid	-	-	-	-
Proceeds from issue of shares	100	-	-	100
At 31 December 2015	100	-	17,537	17,637
At 1 January 2016	100	-	17,537	17,637
Profit/(loss) for the financial year	-	-	(2,340)	(2,340)
Other comprehensive income	-	-	-	-
Dividends paid	-	-	-	-
Proceeds from issue of shares	-	-	-	-
At 31 December 2016	100	-	15,197	15,297

# FORTUNA FORTIS LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Cash inflow from operating activities	23	71,991	(21,177)
Interest received		25	17
Foreign tax paid		(506)	(1,186)
<b>Net cash inflow from operating activities</b>		<b>71,510</b>	<b>(22,346)</b>
Cash (outflow) from investing activities			
Purchase of intangible assets		(30,829)	(378,470)
<b>Net cash (outflow) from investing activities</b>		<b>(30,829)</b>	<b>(378,470)</b>
Cash outflow from financing activities			
Funds (withdrawn from)/lent to the company by the company's shareholders		(39,771)	403,422
Issue of share capital		-	100
<b>Net cash (outflow) from financing activities</b>		<b>(39,771)</b>	<b>403,522</b>
<b>Increase in cash</b>		<b>910</b>	<b>2,706</b>
Net funds at 1 January		2,706	-
Increase in cash in the year		910	2,706
<b>Net funds at 31 December</b>		<b>3,616</b>	<b>2,706</b>

The group has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the Statement of Cash Flows is prepared reflecting only the movement in corporate funds, which includes transfers to and from the Syndicates at Lloyd's.

# FORTUNA FORTIS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 General Information

The Company is a private company limited by shares that was incorporated in England and whose registered office is given on page one of these financial statements. The group participates in insurance business as an underwriting member of various syndicates at Lloyd's.

### 2 Accounting policies

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts", the Companies Act 2006 and Regulation 6 of Schedule 3 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, relating to insurance.

The director does not consider the Group to be a financial institution under FRS 102.

#### Basis of accounting

The Financial Statements are prepared under the historical cost basis of accounting modified to include the revaluation of certain financial instruments held at fair value, through the income statement.

The technical account has been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums net of re-insurance. Amounts reported in the technical account relate to movements in the period in respect of all relevant years of account of the Syndicates on which the company participates.

Accounting information in respect of the Syndicate participations has been provided by the Syndicate managing agents through an information exchange facility operated by Lloyd's and has been reported on by the Syndicate auditors.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents and are shown separately on the Statement of Financial Position as "Syndicate Assets" and "Syndicate Liabilities". The assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

In continuing to apply the going concern basis to this group's financial statements the following factors have been taken into account: the likely timing of any underwriting and non-underwriting cash flows, any Funds at Lloyd's supporting the group's underwriting and not reflected in the group's Statement of Financial Position and the continued support of the Directors and Shareholders including the potential deferral of balances due to them.

#### Basis of consolidation

The group financial statements consolidate the financial statements of Fortuna Fortis Limited and all its subsidiary undertakings for the year ended 31 December 2016.

The consolidated financial statements are based on the financial statements of subsidiary undertakings which are coterminous with those of the parent company.

Acquisitions of companies or LLPs that are consolidated are accounted for using the purchase method, by allocating their acquisition cost to the acquired identifiable assets and liabilities (including contingent liabilities) at the time of acquisition. Where the acquisition cost exceeds the net fair value of the acquired assets and liabilities, the difference is recognised as goodwill.

All expenses, income, debtors, creditors and provisions from transactions between consolidated companies are eliminated.

## FORTUNA FORTIS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

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#### General business

##### i Premiums

Gross premiums are accounted for in the period in which the risk commences, together with adjustments to premiums written in previous accounting periods. Future premiums relating to risks commencing in the period are based upon estimates made by the Syndicates' management. Other adjustments are accounted for as arising.

##### ii Unearned premiums

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the statement of financial position date, calculated on a time apportionment basis having regard where appropriate, to the incidence of risk. The specific basis adopted by each Syndicate is determined by the relevant managing agent.

##### iii Deferred acquisition costs

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

##### iv Reinsurance premiums

Reinsurance premium costs are allocated by the Managing Agent of each Syndicate to reflect the protection arranged in respect of the business written and earned.

##### v Claims

Provision is made for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date, and for the related cost of settlement. Claims incurred comprise amounts paid or provided in respect of claims occurring during the current year, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year.

The claims provision determined by the managing agent will have been based on information that was currently available at the time. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided and will be reflected in the financial statements for the period in which the adjustment is made.

##### vi Closed years of account

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling costs.

Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring Syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The company has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current period, and no further provision is made for any potential variation in the ultimate liability of that year of account.



# FORTUNA FORTIS LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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**vii Run-off years of account**

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

**viii Investments and allocated investment income**

In accordance with Lloyd's current accounting practice, investments are stated at market value, including accrued interest at the financial reporting date. Investment income is included in the General Business Technical Account reflecting that earned on the investment portfolio managed by the Syndicates. The allocated investment income therefore comprises income received and investment profits and losses arising in the calendar year including appreciation/depreciation and accrued interest consequent upon the revaluation of investments at 31 December. All gains and losses on investments are treated as realised at the financial reporting date.

**ix Financial assets and financial liabilities**

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

Debtors/creditors arising from insurance/reinsurance operations shown in the Statement of Financial Position include the totals of all the syndicate's outstanding debit and credit transactions as processed by the Lloyd's central facility. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

Recognition

Financial assets and liabilities are recognised when the syndicate becomes party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the syndicate after deducting all of its liabilities.

Initial measurement

All financial assets and liabilities are initially measured at transaction price (including transaction cost), except for those financial assets classified as at fair value through the income statement, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Subsequent measurement

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

Debt instruments that are classified as payable or receivable within one financial year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

Other debt instruments are measured at fair value through the income statement.

Derecognition of financial assets and liabilities

Financial assets are derecognised when and only when a) the contractual rights of the cash flow from the financial asset expire or are settled, b) the syndicates transfer to another party substantially all of the risks and rewards of ownership of the financial asset or c) the syndicates, despite having retained some significant risks and rewards of ownership, have transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

## FORTUNA FORTIS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

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#### Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse in time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the syndicates estimate the fair value by using a valuation technique.

#### Impairment of financial instruments measured at amortised cost or cost

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, i.e. using the effective interest method.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in the income statement immediately.

#### **x Basis of currency translation**

Syndicates maintain separate funds in Sterling, United States and Canadian dollars, and may also do so in certain other currencies. All transactions where separate currencies are maintained are translated into Sterling at the rates of exchange ruling at the financial reporting date. Transactions during the period in other overseas currencies are expressed in Sterling at the rates ruling at the transaction date.

Monetary assets and liabilities, which according to FRS 103 are deemed to include unearned premiums and deferred acquisition costs, are translated into Sterling at the rates of exchange at the financial reporting date.

Any non-monetary items are translated into the functional currency using the rate of exchange prevailing at the time of the transaction. FRS 103 states that insurance assets and liabilities (unearned premiums and deferred acquisition costs) are required to be treated as monetary items. These assets and liabilities have been translated at period end to the functional currency at the closing rate.

#### **xi Debtors/creditors arising from insurance/reinsurance operations**

The amounts shown in the Statement of Financial Position include the totals of all the Syndicates outstanding debit and credit transactions. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the Syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

#### **xii Distribution of profits and collection of losses**

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between Syndicates and their members. Lloyd's continues to require membership of Syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the Syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The Syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

# FORTUNA FORTIS LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

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### xii Distribution of profits and collection of losses

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between Syndicates and their members. Lloyd's continues to require membership of Syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the Syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The Syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

### 2.2 Reinsurance at corporate level

Where considered applicable by the Directors, the group may purchase additional reinsurance to that purchased through the syndicates. Any such reinsurance premiums and related reinsurance recoveries are treated in the same manner as described for syndicates in Note 2.1 (iv) and (v).

### 2.3 Taxation

The Company is taxed on its results including its share of underwriting results declared by the syndicates. These are deemed to accrue evenly over the calendar year in which they are declared. The syndicate results included in these financial statements are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for corporation tax in relation to open years of account. However, full provision is made for deferred tax on underwriting results not subject to current corporation tax.

HM Revenue & Customs agrees the taxable results of the syndicates at a syndicate level on the basis of computations submitted by the managing agent. At the date of the approval of these financial statements the syndicate taxable results of years of account closed at this and at previous year ends may not have fully agreed with HM Revenue & Customs. Any adjustments that may be necessary to the tax provisions established by the Company, as a result of HM Revenue & Customs agreement of syndicate results, will be reflected in the financial statements of subsequent periods.

### 2.4 Deferred Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the financial reporting date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities have not been discounted.

### 2.5 Goodwill

In accordance with FRS 102, goodwill arising on the acquisition of subsidiary undertakings is capitalised as an intangible asset and amortised against profit over its useful life of 3 years.

### 2.6 Intangible assets

Costs incurred by the group in the Corporation of Lloyd's auctions in order to acquire rights to participate on Syndicates' underwriting years are included within intangible assets and amortised over a 5 year period beginning with the respective year of Syndicate participation. The intangible assets are reviewed for impairment where there are indicators for impairment and any impairment is charged to the income statement for the period.

### 2.7 Investments

Investments held directly by the group, by trustees of the Premium Trust Fund, or as the Lloyd's Deposit, are stated at fair value.

# FORTUNA FORTIS LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

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### 2.8 Cash and cash equivalents

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

### 3 Key accounting judgements and estimation uncertainties

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

The measurement of the provision for claims outstanding is the most significant judgement involving estimation uncertainty regarding amounts recognised in these financial statements in relation to underwriting by the syndicates and this is disclosed further in Note 4.

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the group looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate.

The key accounting judgements and sources of estimation uncertainty set out below therefore relate to those made in respect of the group only, and do not include estimates and judgements made in respect of the Syndicates.

#### i Purchased syndicate capacity

Estimating value in use:

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

Determining the useful life of purchased syndicate capacity:

The assessed useful life of syndicate capacity is 5 years. This is on the basis that this is the life over which the original value of the capacity is used up.

#### ii Assessing indicators of impairment

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

#### iii Recoverability of debtors

The group establishes a provision for debtors that are estimated not to be recoverable. When assessing recoverability, factors such as the ageing of the debtors, past experience of recoverability, and the credit profile of individual groups of customers are all considered.

# FORTUNA FORTIS LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

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### 4 Risk management

This section summarises the financial and insurance risks the group is exposed to either directly at its own corporate level or indirectly via its participation in the Lloyd's syndicates.

#### Risk background

The syndicate's activities expose it to a variety of financial and non-financial risks. The managing agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. Each year, the managing agent prepares a Lloyd's Capital Return ("LCR") for the syndicate, the purpose of this being to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the syndicate's business, and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the LCR, and, typically, the majority of the total assessed value of the risks concerned is attributable to insurance risk.

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risks arise from the risk that the reinsurer fails to meet their share of a claim. The management of the syndicate's funds is exposed to risks of investments, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks including its ability to continue to trade. However, supervision by Lloyd's provides additional controls over the syndicate's management of risks.

The group manages the risks faced by the syndicates on which it participates by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate for the following year, with a review of the business plan prepared for each syndicate by its managing agent. In addition, quarterly reports and annual accounts together with any other information made available by the managing agent are monitored and if necessary enquired into. If the group considers that the risks being run by the syndicate are excessive it will seek confirmation from the managing agent that adequate management of the risk is in place and, if considered appropriate, will withdraw from the next underwriting year. The group relies on advice provided by the members' agent which acts for it, who are specialists in assessing the performance and risk profiles of syndicates. The group also mitigates its risks by participating across several syndicates.

The Directors do not consider the group to be a financial institution under FRS 102, on the basis that the group itself does not undertake the business of effecting or carrying out insurance contracts. Therefore there is no requirement to discuss financial risks arising from syndicate investment activities. The analysis below provides details of the financial risks the group is exposed to from syndicate insurance activities as required by FRS 103.

#### Syndicate risks

##### i Liquidity risk

The syndicates are exposed to daily calls on their available cash resources, principally from claims arising from its insurance business. Liquidity risk arises where cash may not be available to pay obligation when due, or to ensure compliance with the syndicate's obligations under the various trust deeds to which it is party.

The syndicates aim to manage their liquidity position so that they can fund claims arising from significant catastrophic events, as modelled in their Lloyd's realistic disaster scenarios ("RDS").

# FORTUNA FORTIS LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

### ii Credit risk

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

2016	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
Deposits with ceding undertakings	-	-	-	-	60	60
Reinsurers share of claims	4,371	61,917	235,525	4,015	9,981	315,809
Reinsurance debtors	1,551	1,789	4,473	513	365	8,691
Insurance debtors	-	-	-	-	150,936	150,936
	<b>5,922</b>	<b>63,706</b>	<b>239,998</b>	<b>4,528</b>	<b>161,342</b>	<b>475,496</b>

2015	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
Deposits with ceding undertakings	-	-	-	-	51	51
Reinsurers share of claims	4,242	55,590	157,291	1,649	7,228	226,000
Reinsurance debtors	733	1,627	34,733	267	98	37,458
Insurance debtors	-	-	-	-	174,124	174,124
	<b>4,975</b>	<b>57,217</b>	<b>192,024</b>	<b>1,916</b>	<b>181,501</b>	<b>437,633</b>

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

2016	Less than 3 months £	Between 3 and 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
Deposits with ceding undertakings	-	-	-	-	-	-
Reinsurers share of claims	-	-	-	-	-	-
Reinsurance debtors	2,491	103	108	319	137	3,158
Insurance debtors	10,266	2,133	2,902	4,531	(196)	19,636
	<b>12,757</b>	<b>2,236</b>	<b>3,010</b>	<b>4,850</b>	<b>(59)</b>	<b>22,794</b>

2015	Less than 3 months £	Between 3 and 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
Deposits with ceding undertakings	-	-	-	-	-	-
Reinsurers share of claims	-	-	-	-	(313)	(313)
Reinsurance debtors	14,178	509	752	251	122	15,812
Insurance debtors	7,262	2,335	2,271	2,231	(196)	13,903
	<b>21,440</b>	<b>2,844</b>	<b>3,023</b>	<b>2,482</b>	<b>(387)</b>	<b>29,402</b>

### iii Interest rate and equity price risk

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

# FORTUNA FORTIS LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

### iv Currency risk

The syndicates' main exposure to foreign currency risk arises from insurance business originating overseas, primarily denominated in US dollars. Transactions denominated in US dollars form a significant part of the syndicates' operations. This risk is, in part, mitigated by the syndicates maintaining financial assets denominated in US dollars against its major exposures in that currency.

The table below provides details of syndicate assets and liabilities by currency:

2016	GBP £	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
Total assets	459,622	1,094,200	124,553	164,146	114,516	1,957,037
Total liabilities	(623,796)	(960,324)	(133,972)	(106,950)	(80,223)	(1,905,265)
Surplus/(deficiency) of assets	(164,174)	133,876	(9,419)	57,196	34,293	51,772

2015	GBP £	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
Total assets	506,736	901,874	100,151	104,161	76,743	1,689,665
Total liabilities	(581,241)	(793,473)	(109,333)	(65,003)	(77,228)	(1,626,278)
Surplus/(deficiency) of assets	(74,505)	108,401	(9,182)	39,158	(485)	63,387

### Group risks

#### i Investment, credit, liquidity and currency risks

The significant risks faced by the Group are with regard to the investment of the available funds within its own custody. The elements of these risks are investment risk, credit risk, liquidity risk, currency risk and interest rate risk. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the Group to meet the claim. In order to minimise investment, credit and liquidity risk the Group's funds are invested in readily realisable short term deposits. The syndicates can distribute their results in Pound Sterling, US Dollars or a combination of the two. The Group is exposed to movements in the US Dollar between the financial reporting date and the distribution of the underwriting profits and losses, which is usually in the May following the closure of the year of account. The Group does not use derivative instruments to manage risk and, as such, no hedge accounting is applied.

#### ii Regulatory risks

The Group is subject to continuing approval by Lloyd's to be a member of a Lloyd's syndicate. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's. The capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. A variety of factors are taken into account by Lloyd's in setting these requirements including market conditions and syndicate performance and although the process is intended to be fair and reasonable, the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the Group is able to support.

#### iii Operational risks

As there are relatively few transactions actually undertaken by the Group there are only limited systems and operational requirements of the Group and therefore operational risks are not considered to be significant. Close involvement of all Directors in the Group's key decision making and the fact that the majority of the Group's operations are conducted by syndicates, provides control over any remaining operational risks.

# FORTUNA FORTIS LIMITED

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

5 Class of business	Gross written premiums	Gross premiums earned	Gross claims incurred	Operating expenses	Reinsurance balance
	£	£	£	£	£
<b>2016</b>					
<b>Direct</b>					
Accident and health	30,098	29,928	(17,937)	(12,401)	(649)
Motor - third party liability	2,404	2,487	(1,528)	(755)	(22)
Motor - other classes	64,478	61,824	(65,941)	(17,533)	17,064
Marine, aviation and transport	56,392	60,015	(30,295)	(22,114)	(1,892)
Fire and other damage to property	182,330	181,658	(88,240)	(56,599)	(22,580)
Third party liability	222,968	204,623	(183,951)	(67,862)	34,870
Credit and suretyship	8,135	8,633	(5,424)	(2,254)	(725)
Other	5,576	6,062	(2,819)	(2,160)	(262)
<b>Total direct</b>	<b>572,381</b>	<b>555,230</b>	<b>(396,135)</b>	<b>(181,678)</b>	<b>25,804</b>
<b>Reinsurance business</b>					
Reinsurance balance	136,227	140,267	(54,375)	(32,882)	(30,508)
<b>Total</b>	<b>708,608</b>	<b>695,497</b>	<b>(450,510)</b>	<b>(214,560)</b>	<b>(4,704)</b>
<b>2015</b>					
<b>Direct</b>					
Accident and health	27,178	26,495	(13,644)	(12,411)	(1,515)
Motor - third party liability	2,379	1,899	(1,310)	(705)	249
Motor - other classes	58,778	55,726	(39,180)	(16,956)	(981)
Marine, aviation and transport	60,878	64,131	(22,298)	(25,485)	(7,328)
Fire and other damage to property	162,217	159,495	(60,759)	(57,077)	(25,631)
Third party liability	185,008	180,773	(139,834)	(66,207)	3,879
Credit and suretyship	8,909	9,016	(5,103)	(2,402)	(1,077)
Other	6,450	6,711	(2,967)	(2,715)	(376)
<b>Total direct</b>	<b>511,797</b>	<b>504,246</b>	<b>(285,095)</b>	<b>(183,958)</b>	<b>(32,780)</b>
<b>Reinsurance business</b>					
Reinsurance balance	122,871	121,946	(30,767)	(33,151)	(28,094)
<b>Total</b>	<b>634,668</b>	<b>626,192</b>	<b>(315,862)</b>	<b>(217,109)</b>	<b>(60,874)</b>

Any open year loss provisions, stop loss premiums and stop loss recoveries have been allocated across the classes of business by reference to the gross premiums written.



# FORTUNA FORTIS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

6 Geographical analysis	2016 £	2015 £
Direct gross premiums written in:		
United Kingdom	556,853	442,898
Other EU member states	5,731	7,066
The rest of the world	9,797	61,833
<b>Total</b>	<b>572,381</b>	<b>511,797</b>

### 7 Technical provisions

#### Movement in claims outstanding

	Gross £	Reinsurance £	2016 Net £	Gross £	Reinsurance £	2015 Net £
At 1 January	(1,135,969)	125,638	(1,010,331)	(1,158,326)	134,680	(1,023,646)
Movement in technical account	(104,219)	69,592	(34,627)	(8,681)	(9,342)	(18,023)
Other movements	(89,499)	(49,280)	(138,779)	31,038	300	31,338
<b>At 31 December</b>	<b>(1,329,687)</b>	<b>145,950</b>	<b>(1,183,737)</b>	<b>(1,135,969)</b>	<b>125,638</b>	<b>(1,010,331)</b>

#### Movement in unearned premiums

	Gross £	Reinsurance £	2016 Net £	Gross £	Reinsurance £	2015 Net £
At 1 January	(300,949)	42,876	(258,073)	(288,746)	30,757	(257,989)
Movement in technical account	(13,111)	7,372	(5,739)	(8,476)	687	(7,789)
Other movements	(34,472)	5,431	(29,041)	(3,727)	11,432	7,705
<b>At 31 December</b>	<b>(348,532)</b>	<b>55,679</b>	<b>(292,853)</b>	<b>(300,949)</b>	<b>42,876</b>	<b>(258,073)</b>

#### Movement in deferred acquisition costs

	2016 Net £	2015 Net £
At 1 January	74,206	72,607
Movement in deferred acquisition costs	3,232	3,449
Other movements	9,888	(1,850)
<b>At 31 December</b>	<b>87,326</b>	<b>74,206</b>

Included within other movements are foreign exchange movements in restating the opening balances and the effect of prior years' technical provisions being reinsured to close, to the extent where the Group's syndicate participation portfolio has changed between years of account.

# FORTUNA FORTIS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

### 7 Technical provisions (continued)

#### Assumptions, changes in assumptions and sensitivity

The majority of the risks to the Group's future cash flows arise from its participation in the results of Lloyd's syndicates and are mostly managed by the managing agents of the syndicates. The Group's role in managing these risks, in conjunction with the Group's members' agent, is limited to a selection of syndicate participations and monitoring the performance of the syndicates and their managing agents.

The amounts carried by the Group arising from insurance contracts are calculated by the managing agents of the syndicates and derived from accounting information provided by the managing agents and reported upon by the syndicate auditors.

The key assumptions underlying the amounts carried by the Group arising from insurance contracts are:

- i The net premiums written calculated by the managing agent are an accurate assessment of the premiums payable as a result of the risks contractually committed to up to the financial reporting date.
- ii The net unearned premiums calculated by the managing agent are an accurate assessment of the net premiums written that reflect the exposure to risks arising after the financial reporting date, including appropriate allowance for anticipated losses in excess of the unearned premium.
- iii The claims reserves calculated by the managing agents are an accurate assessment of the ultimate liabilities in respect of claims relating to events up to the financial reporting date.
- iv The potential ultimate result of run-off year results has been accurately estimated by the managing agents.
- v The values of investments and other assets and liabilities are correctly stated at their realisable values at the financial reporting date.

There have been no changes to these assumptions in 2016.

The amounts carried by the Group arising from insurance contracts are sensitive to various factors as follows:

- i A 5% increase/decrease in net earned premium (with claims incurred assumed to change pro-rata with premium) will increase/decrease the Group's pre-tax profit/loss by £12,014 (2015: £12,473).
- ii A 5% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the Group's pre-tax profit/loss by £66,484 (2015: £56,798).
- iii A 5% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Group's pre-tax profit/loss by £59,187 (2015: £50,517).

Claims development - Gross	At the end of underwriting year	After 12 months	After 24 months	After 36 months	Profit/loss on RITC received
Underwriting pure year	£	£	£	£	£
2016	239,082	-	-	-	-
2015	187,439	386,576	-	-	-
2014	206,357	383,374	419,039	-	-
2013	211,221	383,128	398,471	397,813	-
2012 and prior years	536,244	864,542	865,009	2,208,183	-

# FORTUNA FORTIS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

### 7 Technical provisions (continued)

	At the end of underwriting year	After 12 months	After 24 months	After 36 months	Profit/loss on RITC received
Claims development - Net	£	£	£	£	£
Underwriting pure year					
2016	177,095	-	-	-	-
2015	158,742	326,256	-	-	-
2014	174,562	330,685	351,109	-	-
2013	180,811	335,946	340,927	335,873	-
2012 and prior years	443,676	734,016	734,982	1,819,818	-

### 8 Investment return

The following return on investments relate to investments held at fair value.

	2016 £	2015 £
Investment income	18,802	12,035
Realised loss on investments	(1,719)	(3,461)
Allocated investment income - technical account	17,083	8,574
Income from other investments (including interest receivable)	25	17
Realised gain from other investments	-	-
Unrealised gain from other investments	-	-
Investment income - non-technical account	25	17
Investment expenses and charges - technical account	(1,315)	(1,146)
Total investment return	15,793	7,445

### 9 Net operating expenses

	2016 £	2015 £
Acquisition costs	168,366	150,735
Administrative expenses	69,258	68,835
Profit on exchange	(23,064)	(2,461)
Total	214,560	217,109

# FORTUNA FORTIS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

10 Other income	2016 £	2015 £
Profit on sale of syndicate participation rights	-	-
Other	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

11 Loss on ordinary activities before taxation	2016 £	2015 £
This is stated after charging:		
Auditor's remuneration - audit	1,145	1,145
Amortisation of syndicate capacity	62,306	62,080
Amortisation of goodwill	22,295	22,295

The company has no employees.

12 Group and Company Tangible assets	Motor vehicles & equipment £	Freehold Property £	Total £
<b>Cost</b>			
At 1 January 2016	-	-	-
Additions	-	-	-
Disposals	-	-	-
<b>At 31 December 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Depreciation</b>			
At 1 January 2016	-	-	-
Charge for the period	-	-	-
Impairment losses	-	-	-
Disposals	-	-	-
<b>At 31 December 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>			
At 31 December 2016	-	-	-
<b>At 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>

# FORTUNA FORTIS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

13 Group intangible assets	Syndicate Participation		2016
	Rights	Goodwill	Total
	£	£	£
<b>Cost</b>			
At 1 January 2016	311,585	66,885	378,470
Additions	30,829	-	30,829
Disposals	(50)	-	(50)
At 31 December 2016	342,364	66,885	409,249
<b>Amortisation</b>			
At 1 January 2016	62,080	22,295	84,375
Charge for the period	62,306	22,295	84,601
Impairment losses	-	-	-
Disposals	(10)	-	(10)
At 31 December 2016	124,376	44,590	168,966
<b>Net book value</b>			
At 31 December 2016	217,988	22,295	240,283
At 31 December 2015	249,505	44,590	294,095

14 Investments: Financial investments		Syndicate	Corporate	2016
		£	£	Total
<i>At market value</i>		£	£	£
Shares and other variable yield securities	- level 1	24,063		
	- level 2	126,553		
	- level 3	44	150,660	150,660
Debt securities and other fixed income securities	- level 1	181,239		
	- level 2	614,062		
	- level 3	-	795,301	795,301
Participation in investment pools	- level 1	5,412		
	- level 2	3,784		
	- level 3	6,805	16,001	16,001
Loans guaranteed by mortgage	- level 1	11		
	- level 2	22		
	- level 3	1	34	34
Other	- level 1	8,851		
	- level 2	16,728		
	- level 3	618		26,197
<b>Total</b>		988,193	-	988,193

# FORTUNA FORTIS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

### 14 Investments: Financial investments (continued)

			Syndicate	Corporate	2015 Total
<i>At market value</i>		£	£	£	£
Shares and other variable yield securities	- level 1	8,542			
	- level 2	102,964			
	- level 3	13,373	124,879	-	124,879
Debt securities and other fixed income securities	- level 1	269,176			
	- level 2	328,991			
	- level 3	145,593	743,760	-	743,760
Participation in investment pools	- level 1	771			
	- level 2	1,936			
	- level 3	6,205	8,912	-	8,912
Loans guaranteed by mortgage	- level 1	42			
	- level 2	9			
	- level 3	4	55	-	55
Other	- level 1	8,805			
	- level 2	1,802			
	- level 3	1,289	11,896	-	11,896
<b>Total</b>			<b>889,502</b>	<b>-</b>	<b>889,502</b>

The corporate investments held include £Nil (2015: £Nil) at market value in respect of Lloyd's deposits that are held in accordance with the constraints detailed in note 24.

The Group uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets

Level 2: prices based on recent transactions in identical assets

Level 3: prices determined using a valuation technique

None of the above investments are valued at amortised cost.

	Syndicate	Corporate	2016 Total	2015 Total
<i>At cost</i>	£	£	£	£
Shares and other variable yield securities	145,641	-	145,641	122,478
Debt securities and other fixed income securities	795,289	-	795,289	749,218
Participation in investment pools	14,145	-	14,145	7,332
Loans guaranteed by mortgage	35	-	35	56
Other	25,061	-	25,061	11,436
<b>Total</b>	<b>980,171</b>	<b>-</b>	<b>980,171</b>	<b>890,520</b>

## FORTUNA FORTIS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

#### 14 Investments: Financial investments (continued)

The company element of financial investments at market value is £Nil (2015: £Nil). The company has the following unlisted investments:

	Unlisted Investments
<b>Cost</b>	<b>£</b>
At 1 January 2016	431,759
Additions	30,363
Other movements	(48,233)
At 31 December 2016	413,889
<b>Impairment</b>	
At 1 January 2016	-
Impairment losses	-
Disposals	-
At 31 December 2016	-
<b>Net book value</b>	
At 31 December 2016	413,889
At 31 December 2015	431,759

The Unlisted Investments is a 100% subsidiary and represents the company's share in Strensham LLP. The subsidiary is an insurance underwriter through Lloyd's of London and it's registered office is 3 Castlegate, Grantham, Lincolnshire NG31 6SF.

# FORTUNA FORTIS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

### 15 Group debtors arising out of direct insurance and reinsurance operations

	Syndicate £	Corporate £	2016 Total £	2015 Total £
The following amounts are due after one year:				
Direct insurance operations	4,839	-	4,839	1,144
Reinsurance operations	276	-	276	310
<b>Total</b>	<b>5,115</b>	<b>-</b>	<b>5,115</b>	<b>1,454</b>

### 16 Group other debtors

	Syndicate £	Corporate £	2016 Total £	2015 Total £
Deferred tax	-	-	-	-
Other	173,936	-	173,936	164,240
<b>Total</b>	<b>173,936</b>	<b>-</b>	<b>173,936</b>	<b>164,240</b>

Corporate other debtors includes £Nil (2015: £Nil) due to the group after more than one year.

Syndicate other debtors includes £17,041 (2015: £17,564) due to the group after more than one year.

Company other debtors total £Nil (2015: £Nil)

### 17 Cash at bank

	Syndicate £	Corporate £	2016 Total £	2015 Total £
Lloyd's deposit	73,224	-	73,224	52,648
Cash at bank and in hand	73,420	3,616	77,036	62,961
<b>Total</b>	<b>146,644</b>	<b>3,616</b>	<b>150,260</b>	<b>115,609</b>

Any Lloyd's deposit is held in accordance with the constraints detailed in note 24.

Company cash at bank totals £3,615 (2015: £520).



# FORTUNA FORTIS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

### 18 Group and company share capital

	2016 £	2015 £
<i>Allotted, issued and fully paid</i>		
100 Ordinary shares of £1.00	100	100

### 19 Group statement of movements on reserves

	Revaluation reserve £	Share premium account £	Profit and loss account £
At 1 January 2016	-	-	(63,351)
Premium on shares issued during the period	-	-	-
Revaluation during the period	-	-	-
Loss during the period	-	-	(76,610)
Dividends	-	-	-
At 31 December 2016	-	-	(139,961)

### 20 Taxation

	2016 £	2015 £
<i>Analysis of charge in period</i>		
<i>Current tax</i>		
UK Corporation Tax on profits of the period	-	-
Adjustments in respect of prior years	-	-
Foreign tax	506	1,186
Total current tax	506	1,186
<i>Analysis of charge in period</i>		
<i>Deferred tax</i>		
Origination and reversal of timing differences	23,000	8,000
Changes in tax rates	-	-
Other items	-	-
Total deferred tax	23,000	8,000
Tax on profit on ordinary activities	23,506	9,186

# FORTUNA FORTIS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

### 20 Taxation (continued)

	2016 £	2015 £
<i>Factors affecting tax charge for the period</i>		
The tax assessed for the period is different than the standard rate of Corporation Tax in the UK of 20.00%. The differences are explained below:		
Loss on ordinary activities before taxation	(53,104)	(54,165)
Loss on ordinary activities before taxation multiplied by the standard rate of Corporation Tax in the UK of 20.00%.	(10,621)	(10,833)
<i>Effects of:</i>		
(Income)/Expenses not (taxable)/deductible	895	10,507
Timing differences arising from the taxation of the underwriting results	10,656	-
Timing differences arising from the taxation of syndicate participation movements	(14,138)	(15,251)
Tax losses carried forward	13,714	16,763
Adjustments to tax charge in respect of prior periods	-	-
Other adjustments	-	-
Deferred tax movements	23,000	8,000
<b>Total tax charge for the year</b>	<b>23,506</b>	<b>9,186</b>

### *Factors that may affect future tax charges*

The group has trading losses of £106,508 (2015: £83,814) available for carry forward against future trading profits.

	2016 £	2015 £
<i>Provision for deferred tax</i>		
At 1 January	8,000	-
Charge to the profit and loss account	23,000	8,000
Released or utilised in the period	-	-
<b>At 31 December</b>	<b>31,000</b>	<b>8,000</b>

Full provision has been made for all timing differences apart from the recovery of taxation losses against future trading profits, which cannot be prudently anticipated at this time.

The deferred tax asset not provided for in respect of Corporation Tax losses, and deferred tax losses not yet assessable to Corporation Tax, amounted to £Nil (2015: £Nil).

# FORTUNA FORTIS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

### 21 Other creditors

	Syndicate £	Corporate £	2016 £	2015 £
Other creditors	95,214	33,051	128,265	85,468
Shareholders' loan account	-	363,651	363,651	403,422
<b>Total</b>	<b>95,214</b>	<b>396,702</b>	<b>491,916</b>	<b>488,890</b>

Company other creditors total £363,651 (2015: £403,422).

### 22 Financial liabilities

All financial liabilities are measured at amortised cost except for:	2016 £	2015 £
Amounts due to credit institutions	-	1,957

This liability has been disclosed at fair value using a valuation technique. The Group uses the following hierarchy for determining and disclosing the fair value of financial liabilities by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical liabilities

Level 2: prices based on recent transactions in identical liabilities

Level 3: prices determined using a valuation technique

### 23 Reconciliation of loss before tax to net cash inflow/(outflow) from operating activities

	2016 £	2015 £
Loss before tax	(53,104)	(54,165)
Finance income	(25)	(17)
Prior year result distributable in year	53,106	-
Loss on sale of syndicate participation rights	40	-
Decrease in creditors	(12,627)	(51,370)
Amortisation of goodwill	22,295	22,295
Amortisation and impairment of syndicate participation rights	62,306	62,080
<b>Net cash inflow/(outflow) from operating activities</b>	<b>71,991</b>	<b>(21,177)</b>

Note that the current year technical profit of £41,491, which has not been distributed in the period, is included within the decrease in creditors line above.

## **FORTUNA FORTIS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **24 Funds at Lloyd's**

Cash balances of £Nil (2015: £Nil) detailed in note 17 and investments of £Nil (2015: £Nil) detailed in note 14 are held within the company's Lloyd's deposit. These balances exclude any amounts held via the syndicates.

The Lloyd's deposit represents funds deposited with the Corporation of Lloyd's (Lloyd's) to support the company's underwriting activities as described in the accounting policies. The company has entered into a legal agreement with Lloyd's which gives the Corporation the right to apply these funds in settlement of any claims arising from the company's participation on Lloyd's Syndicates. These funds can only be released from the provision of this deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset or after the expiration of the company's liabilities in respect of its underwriting.

In addition to these amounts, the shareholders of the group have also made available to Lloyd's assets amounting to approximately £450,539 (2015: £400,000) which are also used by the group to support its Lloyd's underwriting.

#### **25 Related party transactions**

During the year the director of the group introduced capital of £30,229 (2015: £403,522) and withdrew capital of £70,000 (2015: £100). At the year end the director was due £363,651 (2015: £403,422).

#### **26 Ultimate controlling party**

The ultimate controlling party is Mr A J Taylor.