

Registered Number (England and Wales) OC348254

## **A & T UNDERWRITING LLP**

***MEMBERS' REPORT AND FINANCIAL STATEMENTS***

***FOR THE PERIOD ENDED 31 DECEMBER 2010***

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# A & T UNDERWRITING LLP

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# A & T UNDERWRITING LLP

## MEMBERS INFORMATION

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|                    |                       | Appointed   |
|--------------------|-----------------------|-------------|
| Designated Members | Fidentia Trustees Ltd | 27 Aug 2009 |
|                    | Fidentia Nominees Ltd | 27 Aug 2009 |

## ADDRESSES

|                   |   |
|-------------------|---|
| Registered office | 3 Castlegate<br>Grantham<br>Lincolnshire<br>NG31 6SF                        |
| Member's agent    | Alpha Insurance Analysts Ltd<br>107 Fenchurch Street<br>London<br>EC3M 5JF  |
| Auditors          | Humphrey & Co<br>7 - 9 The Avenue<br>Eastbourne<br>East Sussex<br>BN21 3YA  |
| Administrators    | Fidentia Services LLP<br>3 Castlegate<br>Grantham, Lincolnshire<br>NG31 6SF |

# **A & T UNDERWRITING LLP**

## **MEMBERS' REPORT**

**FOR THE PERIOD ENDED 31 DECEMBER 2010**

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The members have pleasure in presenting their report together with the financial statements for the period ended 31 December 2010

### **Principal Activity**

The principal activity of the Partnership in the period under review was that of a Limited Liability Underwriting member of Lloyd's. The Partnership incorporated on 27 August 2009 and commenced underwriting with effect from 1st January 2010.

### **Designated members**

The Designated Members during the period under review were

Fidentia Trustees Ltd  
Fidentia Nominees Ltd

### **Results for the period and allocation to members**

The Financial Statements incorporate the annual accounting results of the syndicates on which the Partnership participated for the 2010 year of account. The 2010 year of account will normally close at 31 December 2012.

The result for the period is shown in the profit and loss account.

### **Members' interests**

The net loss of the Partnership for the financial period is allocated to each Member in accordance with their respective profit shares for the relevant year(s) of account.

### **Future developments**

The Partnership continues to write insurance business in the Lloyd's insurance market as a limited liability underwriting member of Lloyd's.

### **Financial risk management objectives and policies**

The LLP 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 LLP 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 LLP.

Hedge accounting is not used by the LLP.

# A & T UNDERWRITING LLP

## MEMBERS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2010

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### Statement of members' responsibilities

Legislation applicable to Limited Liability Partnerships requires the Members to prepare Financial Statements for each financial period which give a true and fair view of the state of affairs of the Partnership and the profit or loss of the Partnership for that period

In preparing those Financial Statements, the Members are required to

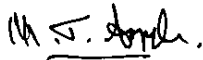
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements, and
- prepare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

The Members are responsible for ensuring that proper and up to date books of account are maintained in accordance with generally accepted accounting principles, which disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the Financial Statements comply with the Limited Liability Partnership Regulations. They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

### Auditors

Messrs Humphrey & Co were appointed as auditors to the Partnership during the period and, having signified their willingness to continue in office, will be proposed for re-appointment at the forthcoming AGM

Approved by the Members on 25 May 2011 and signed on its behalf by



M J Argyle for and on behalf of Fidentia Trustees Limited  
Designated Member

# **A & T UNDERWRITING LLP**

## **INDEPENDENT AUDITORS' REPORT**

### **FOR THE PERIOD ENDED 31 DECEMBER 2010**

We have audited the financial statements of A & T Underwriting LLP for the period ended 31 December 2010 on pages 5 to 21. 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).

This report is made solely to the LLP's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 (as applied by the LLP's (Accounts and Audit) (Application of Companies Act 2006) regulations 2008). Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an audit 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 LLP and the LLP's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the members and auditors**

As explained more fully in the Members Report set out on page 3, the members 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 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 LLP's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the members, and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the LLP's affairs as at 31 December 2010 and of its loss for the period 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 matters prescribed by the Companies Act 2006**

In our opinion the information given in the Members Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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

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

- adequate accounting records have not been kept, or returns adequate for 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 members' 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  
7 - 9 The Avenue  
Eastbourne  
East Sussex  
BN21 3YA

25 May 2011

# A & T UNDERWRITING LLP

## PROFIT AND LOSS ACCOUNT - TECHNICAL ACCOUNT (GENERAL BUSINESS) FOR THE PERIOD ENDED 31 DECEMBER 2010

|  | Note | 2010<br>£        |
|--|------|------------------|
| Gross premiums written                                   | 2    | 1,951,602        |
| Outward reinsurance premiums                             |      | (298,474)        |
| <b>Net premiums written</b>                              |      | <b>1,653,128</b> |
| <b>Change in the provision for unearned premiums</b>     |      |                  |
| Gross provision  |      | (822,964)        |
| Reinsurers' share  |      | 89,789           |
| <b>Net change in the provision for unearned premiums</b> |      | <b>(733,175)</b> |
| <b>Earned premiums net of reinsurance</b>                |      | <b>919,953</b>   |
| Allocated investment income                              | 4    | 6,779            |
| <b>Claims paid</b>                                       |      |                  |
| Gross amount   |      | (93,349)         |
| Reinsurers' share  |      | 6,441            |
| <b>Net claims paid</b>                                   |      | <b>(86,908)</b>  |
| <b>Change in provision for claims</b>                    |      |                  |
| Gross amount   |      | (673,222)        |
| Reinsurers' share  |      | 87,605           |
| <b>Net change in provision for claims</b>                |      | <b>(585,617)</b> |
| <b>Claims incurred net of reinsurance</b>                |      | <b>(672,525)</b> |
| Net operating expenses                                   | 5    | (307,658)        |
| Investment expenses and charges                          |      | (892)            |
| <b>Balance on technical account for general business</b> |      | <b>(54,343)</b>  |

## **A & T UNDERWRITING LLP**

### **PROFIT AND LOSS ACCOUNT - NON TECHNICAL ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2010**

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|   | Note | 2010<br>£ |
|---|------|-----------|
| Balance on the general business technical account                                     |      | (54,343)  |
| Investment income   | 6    | -         |
| Other income  | 7    | -         |
| Other charges   |      | (342,947) |
| Profit/(loss) for the financial period before members' remuneration and profit shares | 8    | (397,290) |
| Members' remuneration charged as an expense   | 14   | 397,290   |
| Profit/(loss) for the financial period available for distribution among Members       |      | -         |

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The LLP has no recognised gains or losses other than the loss for the financial period stated above

All amounts above relate to continuing operations



**A & T UNDERWRITING LLP**

Registered Number (England and Wales) OC348254

**BALANCE SHEET****AS AT 31 DECEMBER 2010**

| ASSETS   | Note | Syndicate<br>Participation<br>£ | Partnership<br>£ | 2010<br>Total<br>£ |
|--|------|---------------------------------|------------------|--------------------|
| <b>Intangible assets</b>                               |      |                                 |                  |                    |
| Syndicate participation rights                         | 9    | -                               | 688,384          | 688,384            |
| <b>Investments</b>                                     |      |                                 |                  |                    |
| Financial investments                                  | 10   | 478,503                         | -                | 478,503            |
| Deposits with ceding undertakings                      |      | 108                             | -                | 108                |
| <b>Total investments</b>                               |      | <b>478,611</b>                  | <b>-</b>         | <b>478,611</b>     |
| <b>Reinsurers' share of technical provisions</b>       |      |                                 |                  |                    |
| Provision for unearned premiums                        |      | 89,552                          | -                | 89,552             |
| Claims outstanding                                     |      | 20,699                          | -                | 20,699             |
| Other technical provisions                             |      | 66,439                          | -                | 66,439             |
| <b>Total reinsurers' share of technical provisions</b> |      | <b>176,690</b>                  | <b>-</b>         | <b>176,690</b>     |
| <b>Debtors</b>   |      |                                 |                  |                    |
| Arising out of direct insurance operations             | 11   |                                 |                  |                    |
| Policyholders  |      | 6,987                           | -                | 6,987              |
| Intermediaries   |      | 423,563                         | -                | 423,563            |
| Arising out of reinsurance operations                  | 11   | 2,876                           | -                | 2,876              |
| Other debtors  | 12   | 290,623                         | -                | 290,623            |
| <b>Total debtors</b>                                   |      | <b>724,049</b>                  | <b>-</b>         | <b>724,049</b>     |
| <b>Other assets</b>                                    |      |                                 |                  |                    |
| Cash at bank and in hand                               | 13   | 84,612                          | 150              | 84,762             |
| Other  |      | 15                              | -                | 15                 |
| <b>Total other assets</b>                              |      | <b>84,627</b>                   | <b>150</b>       | <b>84,777</b>      |
| <b>Prepayments and accrued income</b>                  |      |                                 |                  |                    |
| Accrued interest                                       |      | 1,300                           | -                | 1,300              |
| Deferred acquisition costs                             |      | 194,211                         | -                | 194,211            |
| Other prepayments and accrued income                   |      | 4,986                           | -                | 4,986              |
| <b>Total prepayments and accrued income</b>            |      | <b>200,497</b>                  | <b>-</b>         | <b>200,497</b>     |
| <b>Total assets</b>                                    |      | <b>1,664,474</b>                | <b>688,534</b>   | <b>2,353,008</b>   |

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**A & T UNDERWRITING LLP**

Registered Number (England and Wales) OC348254

**BALANCE SHEET (continued)  
AS AT 31 DECEMBER 2010**

|   | Note | Syndicate<br>Liabilities<br>£ | Partnership<br>£ | 2010<br>Total<br>£ |
|---|------|-------------------------------|------------------|--------------------|
| <b>LIABILITIES AND MEMBERS' INTERESTS</b>               |      |                               |                  |                    |
| <b>Members' interests due within one year</b>           |      |                               |                  |                    |
| Members' capital classified as a liability under FRS 25 | 14   | -                             | 631,870          | 631,870            |
| <b>Technical provisions</b>                             |      |                               |                  |                    |
| Provision for unearned premiums                         |      | 820,243                       | -                | 820,243            |
| Claims outstanding - gross amount                       |      | 618,572                       | -                | 618,572            |
| Total technical provisions                              |      | 1,438,815                     | -                | 1,438,815          |
| <b>Provisions for other risks and charges</b>           |      |                               |                  |                    |
|   |      | -                             | -                | -                  |
| <b>Deposits received from reinsurers</b>                |      |                               |                  |                    |
|   |      | -                             | -                | -                  |
| <b>Creditors</b>  |      |                               |                  |                    |
| Arising out of direct insurance operations              |      | 58,047                        | -                | 58,047             |
| Arising out of reinsurance operations                   |      | 81,628                        | -                | 81,628             |
| Amounts due to credit institutions                      |      | -                             | -                | -                  |
| Other creditors   | 15   | 73,850                        | 54,343           | 128,193            |
| Total creditors   |      | 213,525                       | 54,343           | 267,868            |
| <b>Accruals and deferred income</b>                     |      |                               |                  |                    |
| Other accruals and deferred income                      |      | 12,134                        | 2,321            | 14,455             |
| <b>Total liabilities</b>                                |      | <b>1,664,474</b>              | <b>688,534</b>   | <b>2,353,008</b>   |
| <b>TOTAL MEMBERS' INTERESTS</b>                         |      |                               |                  |                    |
| Loans and other debts due to members                    |      | -                             | 631,870          | 631,870            |
| Loans and other debts due from members                  |      | -                             | -                | -                  |
| <b>Total members' interest</b>                          |      | <b>-</b>                      | <b>631,870</b>   | <b>631,870</b>     |

Approved by the Members on *26 May* 2011 and signed on its behalf by*M.J. Argyle*M J Argyle for and on behalf of Fidentia Trustees Limited  
Designated Member

# **A & T UNDERWRITING LLP**

## **CASH FLOW STATEMENT**

**FOR THE PERIOD ENDED 31 DECEMBER 2010**

|  | Note | 2010<br>£   |
|--|------|-------------|
| Net cash outflow from operating activities                           | 16   | (7,739)     |
| Returns on investments and servicing of finance                      |      |             |
| Interest received  |      | -           |
| Interest paid  |      | -           |
| Dividends received   |      | -           |
| Net cash inflow from returns on investments and servicing of finance |      | -           |
| Capital expenditure and financial investment                         |      |             |
| Purchase of syndicate participation rights                           |      | (1,072,113) |
| Proceeds from sale of syndicate participation rights                 |      | 50,842      |
| Purchase of investments  |      | -           |
| Proceeds from sale of investments                                    |      | -           |
| Net cash outflow from capital expenditure and financial investment   |      | (1,021,271) |
| Net cash outflow before financing                                    |      | (1,029,010) |
| Transactions with Members and former Members                         |      |             |
| Payments to Members  |      | -           |
| Contributions by Members   |      | 1,029,160   |
| Post retirement payments to former Members                           |      | -           |
| Net cash inflow from Members   |      | 1,029,160   |
| Increase in cash   |      | 150         |
| Net funds on incorporation   |      | -           |
| Increase in cash in the period                                       |      | 150         |
| Net funds at 31 December 2010  |      | 150         |

The Partnership 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 Partnership funds, which includes transfers to and from the syndicates at Lloyd's.

# **A & T UNDERWRITING LLP**

## **NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE PERIOD ENDED 31 DECEMBER 2010**

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### **1 Accounting policies**

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

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

The Partnership participates in insurance business as an underwriting member of various syndicates at Lloyd's

The Financial Statements have been prepared in accordance with the Companies Act 2006 and the recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005, as amended in December 2006. The Financial Statements have also been prepared in accordance with the Statement of Recommended Practice on Accounting by Limited Liability Partnerships dated March 2006

Accounting information in respect of the syndicate participations has been provided by the syndicate managing agents and has been reported upon by the syndicate auditors

#### **Basis of accounting**

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

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

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the syndicates' managing agents. Accordingly, these assets and liabilities have been shown separately on the Balance Sheet as "Syndicate Participation". Other assets and liabilities are shown as "Partnership". The syndicate 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 LLP'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 LLP's underwriting and not reflected in the LLP's Balance Sheet and the continued support of the Members including the potential deferral of balances due to them

#### **General business**

##### **i Premiums**

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

##### **ii Unearned premiums**

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

##### **iii Deferred acquisition costs**

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

# **A & T UNDERWRITING LLP**

## **NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE PERIOD ENDED 31 DECEMBER 2010**

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### **iv Reinsurance premiums**

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

### **v Claims incurred and reinsurers' share**

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

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

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

Accordingly the two most critical assumptions made by each syndicates' managing agent as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used including pricing models for recent business are reasonable indicators of the likely level of ultimate claims to be incurred.

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

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

### **vi Unexpired risks provisions**

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

# **A & T UNDERWRITING LLP**

## **NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE PERIOD ENDED 31 DECEMBER 2010**

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### **vii Closed years of account**

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

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

The members 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 Partnership has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

### **viii Run-off years of account**

Where a 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 underwriting 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.

### **xi Net Operating Expenses (including Acquisition Costs)**

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

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

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

Syndicates maintain separate funds in Sterling, United States and Canadian dollars, and may also do so in certain other currencies.

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

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

Differences arising on translation of foreign currency amounts in syndicates are included in the non-technical account.

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

The amounts shown in the Balance Sheet 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.

# **A & T UNDERWRITING LLP**

## **NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE PERIOD ENDED 31 DECEMBER 2010**

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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.

### **xiii Investments**

Investments are stated at current value, including accrued interest at the Balance Sheet date.

### **xiv Investment Return**

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

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

### **Members' Interests**

The net profit of the Partnership for the financial period is allocated to each Member in accordance with their respective profit shares for the relevant year(s) of account.

The net loss of the Partnership for the financial period is allocated to each Member in accordance with their respective yearly shares for the relevant year(s) of account.

Loans and other debts due to Members rank *pari passu* with other unsecured creditors on the winding up of a partnership.

### **Intangible assets**

Costs incurred by the Company in the Corporation of Lloyd's auctions in order to acquire rights to participate on Syndicates' underwriting years are included within intangible assets and amortised over a 3 year period beginning with the respective year of Syndicate participation.

### **Taxation**

Income tax payable on the Partnership's profits is solely the personal liability of the Members and consequently is not dealt within these Financial Statements.

### **Cash flow statement**

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

# A & T UNDERWRITING LLP

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2010

| 2 Class of business               | Gross<br>written<br>premiums<br>£ | Gross<br>premiums<br>earned<br>£ | Gross<br>claims<br>incurred<br>£ | Operating<br>expenses<br>£ | Reinsurance<br>balance<br>£ |
|-----------------------------------|-----------------------------------|----------------------------------|----------------------------------|----------------------------|-----------------------------|
| 2010                              |                                   |                                  |                                  |                            |                             |
| Direct                            |                                   |                                  |                                  |                            |                             |
| Accident and health               | 51,830                            | 30,673                           | (20,574)                         | (13,413)                   | (1,946)                     |
| Motor - third party liability     | 1,304                             | 654                              | (388)                            | (235)                      | (8)                         |
| Motor - other classes             | 267,772                           | 140,975                          | (140,253)                        | (44,953)                   | (9,122)                     |
| Marine, aviation and transport    | 60,159                            | 31,797                           | (21,462)                         | (9,609)                    | (2,421)                     |
| Fire and other damage to property | 344,704                           | 171,050                          | (92,910)                         | (60,624)                   | (40,218)                    |
| Third party liability             | 583,775                           | 294,534                          | (203,349)                        | (81,634)                   | (11,871)                    |
| Credit and suretyship             | 12,730                            | 8,791                            | (4,437)                          | (2,483)                    | (1,359)                     |
| Other                             | 10,660                            | 5,346                            | (2,291)                          | (2,730)                    | (31)                        |
| Total direct                      | 1,332,934                         | 683,820                          | (485,664)                        | (215,681)                  | (66,976)                    |
| Reinsurance business              |                                   |                                  |                                  |                            |                             |
| Reinsurance balance               | 618,668                           | 444,818                          | (280,907)                        | (91,977)                   | (47,663)                    |
| Total                             | 1,951,602                         | 1,128,638                        | (766,571)                        | (307,658)                  | (114,639)                   |

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



## A & T UNDERWRITING LLP

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 31 DECEMBER 2010

|   |                                  |           |
|---|----------------------------------|-----------|
| 3 | Geographical analysis            | 2010<br>£ |
|   | Direct gross premiums written in |           |
|   | United Kingdom                   | 1,332,934 |
|   | Other EU member states           | -         |
|   | The rest of the world            | -         |
|   | Total                            | 1,332,934 |
| 4 | Allocated investment income      | 2010<br>£ |
|   | Investment income                | 3,668     |
|   | Realised gain on investments     | 3,111     |
|   | Total                            | 6,779     |
| 5 | Net operating expenses           | 2010<br>£ |
|   | Acquisition costs                | 227,056   |
|   | Administrative expenses          | 84,220    |
|   | Profit on exchange               | (3,618)   |
|   | Total                            | 307,658   |

# A & T UNDERWRITING LLP

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 31 DECEMBER 2010

|   |   |           |
|---|---|-----------|
| 6 | Investment income   | 2010<br>£ |
|   | Income from other investments (including interest receivable) | -         |
|   | Realised gain from other investments                          | -         |
|   | Unrealised gain from other investments                        | -         |
|   | Total   | -         |

|   |  |           |
|---|--|-----------|
| 7 | Other income                                     | 2010<br>£ |
|   | Profit on sale of syndicate participation rights | -         |
|   | Other  | -         |
|   | Total  | -         |

|   |   |           |
|---|---|-----------|
| 8 | Profit/(loss) for the financial period before members' remuneration and profit shares | 2010<br>£ |
|   | This is stated after charging   |           |
|   | Auditor's remuneration - audit  | 900       |
|   | Auditor's remuneration - other  | -         |
|   | Members' remuneration   | -         |
|   | Employer's National Insurance contributions   | -         |
|   | Employer's pension contributions  | -         |
|   | Wages and salaries  | -         |
|   | Amortisation of syndicate capacity  | 298,336   |
|   | Impairment of syndicate capacity  | -         |

The partnership has no employees

The average number of members during the period was 3

# A & T UNDERWRITING LLP

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 31 DECEMBER 2010

| 9 | Intangible assets     | Syndicate Participation Rights<br>£ |
|---|-----------------------|-------------------------------------|
|   | Cost                  |                                     |
|   | Additions             | 1,072,113                           |
|   | Disposals             | (85,393)                            |
|   | At 31 December 2010   | 986,720                             |
|   | Amortisation          |                                     |
|   | Charge for the period | 298,336                             |
|   | Impairment losses     | -                                   |
|   | Disposals             | -                                   |
|   | At 31 December 2010   | 298,336                             |
|   | Net book value        |                                     |
|   | At 31 December 2010   | 688,384                             |

| 10 | Investments. Financial investments                | Syndicate<br>£ | Partnership<br>£ | 2010<br>Total<br>£ |
|----|---|----------------|------------------|--------------------|
|    | <i>At market value</i>                            |                |                  |                    |
|    | Shares and other variable yield securities        | 89,131         | -                | 89,131             |
|    | Debt securities and other fixed income securities | 375,351        | -                | 375,351            |
|    | Participation in investment pools                 | 10,722         | -                | 10,722             |
|    | Loans guaranteed by mortgage                      | 356            | -                | 356                |
|    | Other loans                                       | 1,519          | -                | 1,519              |
|    | Deposits with credit institutions                 | 293            | -                | 293                |
|    | Other   | 1,131          | -                | 1,131              |
|    | Total   | 478,503        | -                | 478,503            |

The partnership investments held include £Nil at market value in respect of Lloyd's deposits that are held in accordance with the constraints detailed in note 19

# A & T UNDERWRITING LLP

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 31 DECEMBER 2010

### 10 Investments Financial investments (continued)

|   | Syndicate      | Partnership | 2010<br>Total  |
|---|----------------|-------------|----------------|
|   | £              | £           | £              |
| <i>At cost</i>                                    |                |             |                |
| Shares and other variable yield securities        | 87,696         | -           | 87,696         |
| Debt securities and other fixed income securities | 376,348        | -           | 376,348        |
| Participation in investment pools                 | 10,279         | -           | 10,279         |
| Loans guaranteed by mortgage                      | 373            | -           | 373            |
| Other loans                                       | 1,519          | -           | 1,519          |
| Deposits with credit institutions                 | 293            | -           | 293            |
| Other   | 950            | -           | 950            |
| <b>Total</b>                                      | <b>477,458</b> | <b>-</b>    | <b>477,458</b> |

### 11 Debtors arising out of direct insurance and reinsurance operations

|  | Syndicate     | Partnership | 2010<br>Total |
|--|---------------|-------------|---------------|
|  | £             | £           | £             |
| The following amounts are due after one year |               |             |               |
| Direct insurance operations                  | 57,991        | -           | 57,991        |
| Reinsurance operations                       | 421           | -           | 421           |
| <b>Total</b>                                 | <b>58,412</b> | <b>-</b>    | <b>58,412</b> |

### 12 Other debtors

|              | Syndicate      | Partnership | 2010<br>Total  |
|--------------|----------------|-------------|----------------|
|              | £              | £           | £              |
| Deferred tax | -              | -           | -              |
| Other        | 290,623        | -           | 290,623        |
| <b>Total</b> | <b>290,623</b> | <b>-</b>    | <b>290,623</b> |

Partnership other debtors includes £Nil due to the LLP after more than one year

Syndicate other debtors includes £13,187 due to the LLP after more than one year

### 13 Cash at bank

|                          | Syndicate     | Partnership | 2010<br>Total |
|--------------------------|---------------|-------------|---------------|
|                          | £             | £           | £             |
| Lloyd's deposit          | 40,218        | -           | 40,218        |
| Cash at bank and in hand | 44,394        | 150         | 44,544        |
| <b>Total</b>             | <b>84,612</b> | <b>150</b>  | <b>84,762</b> |

Any Lloyd's deposit is held in accordance with the constraints detailed in note 19

# A & T UNDERWRITING LLP

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 31 DECEMBER 2010

| 14 Members' interests  | Syndicate  | Partnership<br>Members' Capital Classified<br>as a Liability |                       | Total     |
|--|--|--|-----------------------|-----------|
|  | Members'<br>Capital<br>Classified as a<br>Liability<br>£ | Syndicate<br>Capacity<br>£                                   | Other<br>Profits<br>£ | £         |
| Introduced by Members  | -  | 1,029,160  | -                     | 1,029,160 |
| Members' remuneration charged<br>as an expense for the period                  | -  | -  | (397,290)             | (397,290) |
| Reallocation   | -  | -  | -                     | -         |
| Repayment of debt (including<br>Members' capital classified as a<br>liability) | -  | -  | -                     | -         |
| Other movements  | -  | -  | -                     | -         |
| Members' interests at<br>31 December 2010                                      | -  | 1,029,160  | (397,290)             | 631,870   |

# A & T UNDERWRITING LLP

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 31 DECEMBER 2010

| 15 Other creditors       | Syndicate | Partnership | 2010    |
|--------------------------|-----------|-------------|---------|
|                          | £         | £           | £       |
| Other creditors          | 73,850    | 54,343      | 128,193 |
| Social security costs    | -         | -           | -       |
| Members' capital account | -         | -           | -       |
|                          | 73,850    | 54,343      | 128,193 |

| 16 Reconciliation of operating loss before interest to net cash outflow from operating activities | 2010      |
|---|-----------|
|   | £         |
| Operating loss before interest  | (397,290) |
| Loss on sale of syndicate participation rights  | 34,551    |
| Increase in creditors   | 56,664    |
| Decrease in debtors   | -         |
| Amortisation and impairment of syndicate participation rights                                     | 298,336   |
| Net cash outflow from operating activities  | (7,739)   |

Note that the current period technical loss of £54,343, which has not been distributed in the period, is included within the increase in creditors line above

# **A & T UNDERWRITING LLP**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 31 DECEMBER 2010**

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### **17 Related party transactions**

There are no related party transactions

### **18 Ultimate controlling party**

The ultimate controlling party is Mr A Goddard

### **19 Funds at Lloyd's**

Cash balances of £Nil detailed in note 13 and investments of £Nil detailed in note 10 are held within the LLP'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 LLP's underwriting activities as described in the accounting policies. The LLP 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 LLP'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 LLP's liabilities in respect of its underwriting.

In addition to these amounts, the members of the LLP have also made available to Lloyd's assets amounting to approximately £1,038,015 which are also used by the LLP to support its Lloyd's underwriting. These funds are also available to Lloyd's to meet the personal underwriting liabilities of the members for underwriting years prior to the commencement of trading by the LLP.