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**LIMITED LIABILITY PARTNERSHIP**

**KS Underwriting LLP**

**Financial Statements**

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◆ **For the year ended 31 December 2015** ◆

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**Registered Number: OC348593**

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# **KS Underwriting LLP**

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# **KS Underwriting LLP**

## **General Information**

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### **DESIGNATED MEMBERS**

Argenta Continuity Limited  
Argenta LLP Services Limited

### **MEMBERS' AGENT**

(Regulated by the Financial Conduct Authority)  
Argenta Private Capital Limited

### **AUDITORS**

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

### **REGISTERED NUMBER**

OC348593

### **REGISTERED OFFICE**

Fountain House  
130 Fenchurch Street  
London, EC3M 5DJ

### **ACCOUNTANTS**

Argenta Tax & Corporate Services Limited  
Fountain House  
130 Fenchurch Street  
London  
EC3M 5DJ

## **KS Underwriting LLP**

### **Strategic Report For the year ended 31 December 2015**

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The Members present their Strategic report for the year ended 31 December 2015.

#### **BUSINESS REVIEW**

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

The financial statements incorporate the annual accounting results of the syndicates on which the Limited Liability Partnership participates for the 2013, 2014 and 2015 years of account, as well as any 2012 and prior run-off years.

#### **RESULTS**

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

#### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Limited Liability Partnership is principally exposed to financial risk through its participation on Lloyd's Syndicates. It has delegated sole management and control of its underwriting through each Syndicate to the managing agent of that Syndicate and it looks to the managing agents to implement appropriate policies, procedures and internal controls to manage each Syndicate's exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The Limited Liability Partnership 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 Limited Liability Partnership.

Hedge accounting is not used by the Limited Liability Partnership.

Approved by the Members on 14 June 2016 and signed on their behalf by:

  
**D C BOWLES**  
**ARGENTA LLP SERVICES LIMITED**  
Designated Member

# **KS Underwriting LLP**

## **Members' Report For the year ended 31 December 2015**

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The Members present their report together with the financial statements for the year ended 31 December 2015.

### **STATEMENT OF MEMBERS' RESPONSIBILITIES**

Legislation applicable to Limited Liability Partnerships requires the Members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Partnership and of 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 departure disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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, and 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.

### **ACTIVITIES**

The principal activity of the Limited Liability Partnership in the year under review was that of a limited liability underwriting member of Lloyd's.

### **DESIGNATED MEMBERS**

The Designated Members during the period were as follows:

Argenta Continuity Limited  
Argenta LLP Services Limited

### **MEMBERS' INTERESTS**

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

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

## **KS Underwriting LLP**

### **Members' Report (continued) For the year ended 31 December 2015**

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#### **AUDITORS**

Mazars LLP have signified their willingness to act and continue to be appointed as the auditors to the Limited Liability Partnership.

Approved by the Members on 14 June 2016 and signed on their behalf by:



**D C BOWLES**  
**ARGENTA LLP SERVICES LIMITED**  
Designated Member

# **KS Underwriting LLP**

## **Independent Auditor's Report To the Members of KS Underwriting LLP For the year ended 31 December 2015**

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We have audited the financial statements of KS Underwriting LLP for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Members' Interests, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Limited Liability Partnership's Members, 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 Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Limited Liability Partnership and the Limited Liability Partnership's Members, for our audit work, for this report, or for the opinions we have formed.

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

As described in the Statement of Members' Responsibilities, the Limited Liability Partnership's Members are responsible for the preparation of financial statements in accordance with 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".

Our responsibility is to audit and express an opinion on the financial statements in accordance with relevant legal and regulatory requirements and International Standards of Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 2006 and whether the information given in the Members' Report is consistent with the financial statements. We also report to you if, in our opinion, the Limited Liability Partnership has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Members' remuneration and transactions with the Limited Liability Partnership is not disclosed.

We read the Strategic Report and Members' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Limited Liability Partnership's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **KS Underwriting LLP**

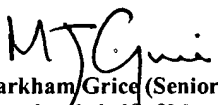
### **Independent Auditor's Report To the Members of KS Underwriting LLP For the year ended 31 December 2015**

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#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Limited Liability Partnership's affairs as at 31 December 2015 and of its profit/loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and Members' Report is consistent with the financial statements.

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

17 June 2016



## KS Underwriting LLP

### Profit & Loss Account – Technical Account For the year ended 31 December 2015

	Note	2015 £	Restated 2014 £
<b>Earned premiums, net of reinsurance</b>			
<b>Gross premiums written</b>			
Continuing operations	1	3,800,107	3,738,661
Outward reinsurance premiums	1	(815,369)	(877,097)
<b>Net premiums written</b>		<b>2,984,738</b>	<b>2,861,564</b>
<b>Change in the provision for Unearned premiums</b>			
Gross provision	1	24,090	(68,113)
Reinsurers' share	1	(1,047)	30,188
<b>Earned premiums, net of reinsurance</b>		<b>3,007,781</b>	<b>2,823,639</b>
Allocated investment return transferred from the non-technical account		19,867	27,425
Other technical income, net of reinsurance		-	-
<b>Claims incurred net of reinsurance</b>			
<b>Claims paid</b>			
Gross amount	1	(1,848,770)	(1,683,815)
Reinsurers' share	1	330,952	374,820
<b>Net claims paid</b>		<b>(1,517,818)</b>	<b>(1,308,995)</b>
<b>Change in provision for claims</b>			
Gross amount	1	163,822	(152,871)
Reinsurers' share	1	(103,918)	16,815
<b>Net change in provisions for claims</b>		<b>59,904</b>	<b>(136,056)</b>
<b>Claims incurred, net of reinsurance</b>		<b>(1,457,914)</b>	<b>(1,445,051)</b>
Changes in other technical provisions, net of reinsurance		-	-
Net operating expenses	1, 2	(1,178,618)	(1,106,205)
Other technical charges, net of reinsurance		-	-
<b>Balance on the technical account for general business</b>		<b>391,116</b>	<b>299,808</b>

The accounting policies and notes on pages 14 to 35 form part of these financial statements.

## KS Underwriting LLP

### Profit & Loss Account – Non Technical Account For the year ended 31 December 2015

	Note	2015 £	Restated 2014 £
<b>Balance on general business technical account</b>		391,116	299,808
Investment income	3	19,882	27,459
Allocated investment return transferred to the technical account		(19,867)	(27,425)
Other income		-	-
Other charges		(63,028)	(51,516)
Profit/(loss) for the financial period before Members' remuneration and profit shares	4	328,103	248,326
Members' remuneration charged as an expense	5	-	-
<b>Profit/(loss) for the financial period available for division among Members</b>		328,103	248,326
Other comprehensive income		-	-
<b>Total comprehensive income</b>		328,103	248,326

All items derive from continuing activities.

The accounting policies and notes on pages 14 to 35 form part of these financial statements.

# KS Underwriting LLP

## Balance sheet As at 31 December 2015

		31 December 2015			Restated 31 December 2014		
	Note	Syndicate Participation £	Partnership £	Total £	Syndicate Participation £	Partnership £	Total £
<b>Assets</b>							
<b>Intangible assets</b>	6	-	-	-	-	-	-
<b>Investments</b>							
Financial investments	7	2,806,995	-	2,806,995	2,589,935	-	2,589,935
Deposits with ceding undertakings		1,665	-	1,665	224	-	224
		2,808,660	-	2,808,660	2,590,159	-	2,590,159
<b>Reinsurers' share of technical provisions</b>							
Provision for unearned premiums	8	322,942	-	322,942	313,615	-	313,615
Claims outstanding	8	758,132	-	758,132	783,628	-	783,628
Other technical provisions		-	-	-	-	-	-
		1,081,074	-	1,081,074	1,097,243	-	1,097,243
<b>Debtors</b>							
Arising out of direct insurance operations		1,288,331	-	1,288,331	1,198,169	-	1,198,169
Arising out of reinsurance operations		557,092	-	557,092	589,663	-	589,663
Other debtors	7	119,210	-	119,210	107,011	-	107,011
		1,964,633	-	1,964,633	1,894,843	-	1,894,843
<b>Other assets</b>							
Cash at bank and in hand		36,678	-	36,678	46,164	-	46,164
Other		397,667	-	397,667	395,399	-	395,399
		434,345	-	434,345	441,563	-	441,563
<b>Prepayments and accrued income</b>							
Accrued interest		-	-	-	-	-	-
Deferred acquisitions costs	8	450,409	-	450,409	430,541	-	430,541
Other prepayments and accrued income		5,229	-	5,229	4,157	-	4,157
		455,638	-	455,638	434,698	-	434,698
<b>Total assets</b>		6,744,350	-	6,744,350	6,458,506	-	6,458,506

The accounting policies and notes on pages 14 to 35 form part of these financial statements.

# KS Underwriting LLP

## Balance sheet As at 31 December 2015

		31 December 2015			Restated 31 December 2014		
	Note	Syndicate Participation £	Partnership £	Total £	Syndicate Participation £	Partnership £	Total £
<b>Liabilities and Members' interests</b>							
<b>Loans and other debts due to Members</b>							
Syndicate profit and loss		581,265	-	581,265	471,927	-	471,927
Corporate profit and loss - syndicate capacity		-	-	-	-	-	-
Corporate profit and loss - other		-	(225,547)	(225,547)	-	(139,984)	(139,984)
		581,265	(225,547)	355,718	471,927	(139,984)	331,943
<b>Technical provisions</b>							
Provision for unearned premiums	8	1,811,020	-	1,811,020	1,788,555	-	1,788,555
Claims outstanding	8	3,613,689	-	3,613,689	3,464,074	-	3,464,074
Other technical provisions		-	-	-	-	-	-
<b>Provisions for other risks and charges</b>							
		-	-	-	-	-	-
<b>Deposit received from reinsurers</b>							
		3,414	-	3,414	3,220	-	3,220
<b>Creditors</b>							
Arising out of direct insurance operations		305,484	-	305,484	224,326	-	224,326
Arising out of reinsurance operations		484,476	-	484,476	493,817	-	493,817
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors including taxation and social security		137,768	-	137,768	119,938	-	119,938
		6,355,851	-	6,355,851	6,093,930	-	6,093,930
<b>Accruals and deferred income</b>		(192,766)	225,547	32,781	(107,351)	139,984	32,633
<b>Total liabilities</b>		6,744,350	-	6,744,350	6,458,506	-	6,458,506

The financial statements were approved by the Members of the Limited Liability Partnership and signed on its behalf by:



**D C BOWLES**  
**ARGENTA LLP SERVICES LIMITED**  
14 June 2016

Registered Number: OC348593

The accounting policies and notes on pages 14 to 35 form part of these financial statements.

## KS Underwriting LLP

### Reconciliation of Members' Interests For the year ended 31 December 2015

	Syndicate profit and loss allocated to Members £	Liabilities		Total £
		Partnership profit and loss allocated to Members		
		Syndicate capacity £	Other £	
Members' interests at 1 January 2014	418,139	-	(35,270)	382,869
Allocated profits/(losses) 2012 year of account	135,753	-	-	135,753
Allocated profits/(losses) 2013 year of account	218,414	-	-	218,414
Allocated profits/(losses) 2014 year of account	(44,221)	-	(61,620)	(105,841)
Members' interests after profit/(loss) for the year	728,085	-	(96,890)	631,195
Reallocate distribution Introduced by Members	(256,158)	-	256,158	-
Repayment of debt (including Members' capital classified as a liability)	-	-	(299,252)	(299,252)
Other movements	-	-	-	-
Restated Members' interests at 31 December 2014	471,927	-	(139,984)	331,943
Allocated profits/(losses) 2013 year of account	149,949	-	-	149,949
Allocated profits/(losses) 2014 year of account	272,441	-	-	272,441
Allocated profits/(losses) 2015 year of account	(41,104)	-	(53,183)	(94,287)
Members' interests after profit/(loss) for the year	853,213	-	(193,167)	660,046
Reallocate distribution Introduced by Members	(271,948)	-	271,948	-
Repayment of debt (including Members' capital classified as a liability)	-	-	(304,328)	(304,328)
Other movements	-	-	-	-
Restated Members' interests at 31 December 2015	581,265	-	(225,547)	355,718

The accounting policies and notes on pages 14 to 35 form part of these financial statements.

# KS Underwriting LLP

## Cash Flow Statement For the year ended 31 December 2015

	2015 £	Restated 2014 £
<b>Operating activities</b>		
Profit/(loss) on ordinary activities before tax	328,103	248,326
(Profit)/loss attributable to syndicate transactions	(381,286)	(309,946)
Profit/(loss) excluding syndicate transactions	(53,183)	(61,620)
Adjustment for:		
(Increase)/decrease in debtors	-	-
Increase/(decrease) in creditors	85,563	104,714
(Profit)/loss on disposal of intangible assets	-	-
Amortisation of syndicate capacity	-	-
Realised/unrealised (gains)/losses on investments	-	-
Investment income	(15)	(34)
Net cash inflow/(outflow) from operating activities	32,365	43,060
<b>Investing activities</b>		
Investment income	15	34
Purchase of syndicate capacity	-	-
Proceeds from sale of syndicate capacity	-	-
Net cash inflow/(outflow) from investing activities	15	34
<b>Financing activities</b>		
Repayment of debt to Members	(32,380)	(43,094)
Capital introduced by Members	-	-
Net cash inflow/(outflow) from financing activities	(32,380)	(43,094)
Net cash increase/(decrease) in cash and cash equivalents	-	-
Effect of exchange rates on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	-	-
Consisting of:		
Cash at bank and in hand	-	-
Cash equivalents	-	-
	-	-

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

The accounting policies and notes on pages 14 to 35 form part of these financial statements.

# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2015

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### General information

The Partnership is a Limited Liability Partnership incorporated in the United Kingdom.

The financial statements have been presented in Pounds Sterling ("Sterling") as this is the Limited Liability Partnership's functional currency, being the primary economic environment in which the Limited Liability Partnership operates.

### Basis of preparation and transition to FRS 102

These financial statements have been prepared in accordance with:

- FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* ("FRS 102");
- The requirements of the Statement of Recommended Practice *Accounting by Limited Liability Partnerships* ("LLP SORP"); and
- Applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI 2008/410") as modified by the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 ("SI 2008/1913").

These financial statements have been prepared under the historical costs convention as modified for certain financial instruments held at fair value.

The financial statements for the year ended 31 December 2015 are the Limited Liability Partnership's first financial statements that comply with FRS 102; the Limited Liability Partnership's date of transition to FRS 102 is 1 January 2014. The impact on reported profit or loss and Members' interests on transition to FRS 102 is set out in the notes to these financial statements.

### Recognition of insurance transactions

Preparing financial statements in accordance with SI 2008/410 requires the Limited Liability Partnership to recognise its proportion of all the transactions undertaken by the Lloyd's Syndicates in which it participates ("the Syndicates") in aggregation with the transactions undertaken by the Limited Liability Partnership at entity level ("the Partnership").

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 Limited Liability Partnership participates.

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

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

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

# **KS Underwriting LLP**

## **Notes to the Financial Statements For the year ended 31 December 2015**

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### **Sources of data**

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

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

### **Accounting policies**

#### **i. Going concern**

These financial statements have been prepared on a going concern basis.

#### **ii. Premiums**

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

#### **iii. Claims incurred**

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

#### **iv. Provision for claims outstanding**

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

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



**Notes to the Financial Statements  
For the year ended 31 December 2015**

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**Accounting policies (continued)**

**v. Unexpired risk provision**

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

**vi. Reinsurance to close**

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

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

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

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

## KS Underwriting LLP

### Notes to the Financial Statements For the year ended 31 December 2015

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#### Accounting policies (continued)

##### vii. Financial instruments

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

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

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

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

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

All other financial instruments are measured at fair value through profit or loss.

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

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

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

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

##### viii. Net operating expenses

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

##### ix. Foreign currencies

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

## KS Underwriting LLP

### Notes to the Financial Statements For the year ended 31 December 2015

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#### Accounting policies (continued)

##### x. Intangible assets

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

##### xi. Members' participation rights

Members' participation rights are the rights of a Member against the Limited Liability Partnership that arise under the Members' Agreement.

Members' participation rights in the earnings or assets of the Limited Liability Partnership are analysed between those that are, from the Limited Liability Partnership's perspective, either a financial liability or equity, in accordance with Section 22 *Liabilities and Equity*. A Member's participation right results in a liability where there is a contractual obligation on the part of the Limited Liability Partnership to deliver cash, or other financial assets, to the Member.

Amounts subscribed or otherwise contributed by Members, for instance Members' capital, are classified as equity where the Limited Liability Partnership has an unconditional right to avoid delivering cash or other assets to the Member (i.e. the right to any payment or repayment is discretionary on the part of the Limited Liability Partnership). If the Limited Liability Partnership does not have such an unconditional right, such amounts are classified as liabilities.

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

The net loss of the Limited Liability Partnership for the financial year 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.

##### xii. Taxation

Income tax payable on the Limited Liability Partnership's profits is solely the personal liability of the Members and consequently is not dealt with in these financial statements.

##### xiii. Critical accounting judgements and key sources of estimation uncertainty

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

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

## **KS Underwriting LLP**

### **Notes to the Financial Statements For the year ended 31 December 2015**

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#### **Accounting policies (continued)**

#### **xiii. Critical accounting judgements and key sources of estimation uncertainty (continued)**

##### **Critical accounting judgements**

The critical judgements that the Members have made in the process of applying the Limited Liability Partnership's accounting policies and that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

##### **Assessing indicators of impairment**

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

##### **Key sources of estimation uncertainty**

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

##### **Estimating value in use**

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

##### **Recoverability of receivables**

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

##### **Determining the useful life of purchased syndicate capacity**

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

# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2015

### 1. Class of Business

2015	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
<b>Direct Insurance</b>						
Accident and health	333,949	350,923	(203,262)	(139,488)	881	9,054
Motor – third party liability	79,638	64,613	(43,140)	(22,212)	8,331	7,592
Motor – other classes	117,846	106,047	(63,381)	(36,822)	(2,129)	3,715
Marine, aviation and transport	588,777	623,746	(302,068)	(201,330)	(39,871)	80,477
Fire and other damage to property	1,442,796	1,494,027	(662,590)	(454,139)	(274,484)	102,814
Third party liability	564,262	499,732	(231,789)	(192,548)	(39,277)	36,118
Credit and suretyship	146,841	155,437	(72,198)	(34,750)	(28,289)	20,200
Legal expenses	25,228	28,288	(13,639)	(14,114)	(318)	217
Assistance	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
	3,299,337	3,322,813	(1,592,067)	(1,095,403)	(375,156)	260,187
<b>Reinsurance</b>	500,770	501,384	(92,881)	(83,215)	(214,226)	111,062
<b>Total</b>	<b>3,800,107</b>	<b>3,824,197</b>	<b>(1,684,948)</b>	<b>(1,178,618)</b>	<b>(589,382)</b>	<b>371,249</b>

Restated 2014	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
<b>Direct Insurance</b>						
Accident and health	372,979	374,733	(186,337)	(151,283)	(7,914)	29,199
Motor – third party liability	50,004	51,015	(29,584)	(17,895)	(2,961)	575
Motor – other classes	93,665	95,911	(57,021)	(34,543)	(3,005)	1,342
Marine, aviation and transport	663,350	655,678	(367,573)	(191,230)	(1,506)	95,369
Fire and other damage to property	1,467,206	1,416,323	(649,611)	(434,068)	(211,027)	121,617
Third party liability	411,137	357,112	(207,174)	(131,740)	(24,654)	(6,456)
Credit and suretyship	163,601	162,085	(136,851)	(31,919)	7,990	1,305
Legal expenses	30,293	32,847	(12,508)	(19,135)	(260)	944
Assistance	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
	3,252,235	3,145,704	(1,646,659)	(1,011,813)	(243,337)	243,895
<b>Reinsurance</b>	486,426	524,844	(190,027)	(94,392)	(211,937)	28,488
<b>Total</b>	<b>3,738,661</b>	<b>3,670,548</b>	<b>(1,836,686)</b>	<b>(1,106,205)</b>	<b>(455,274)</b>	<b>272,383</b>

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

# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2015

<b>2. Net Operating Expenses</b>	<b>2015</b>	<b>Restated 2014</b>
	<b>£</b>	<b>£</b>
Acquisition costs	1,132,433	1,051,589
Change in deferred acquisition costs	(16,327)	(38,932)
Administrative expenses	201,200	192,846
Reinsurance commissions and profit participations	(244,036)	(207,741)
Personal expenses	105,348	108,443
	<u>1,178,618</u>	<u>1,106,205</u>
<b>3. Investment Income</b>	<b>2015</b>	<b>Restated 2014</b>
	<b>£</b>	<b>£</b>
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	37,622	50,916
Realised gains and losses	(3,544)	(7,487)
Unrealised gains and losses	(10,130)	(13,188)
Other	-	-
	<u>23,948</u>	<u>30,241</u>
Financial instruments held at amortised cost:		
Interest	15	34
Other	-	-
	<u>15</u>	<u>34</u>
Investment management expenses, including interest	(4,081)	(2,816)
	<u>(4,081)</u>	<u>(2,816)</u>
Total	<u>19,882</u>	<u>27,459</u>
<b>4. Profit/(Loss) on Ordinary Activities before Taxation</b>	<b>2015</b>	<b>Restated 2014</b>
	<b>£</b>	<b>£</b>
Operating profit/(loss) is stated after charging:		
Amortisation of syndicate capacity	-	-
(Profit)/loss on disposal of intangible fixed assets	-	-
(Profit)/loss on exchange	17,018	12,548

The Limited Liability Partnership has no employees.

The fees payable to the Limited Liability Partnership's auditors for audit services are included in the fees payable to the Members' Agent.

# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2015

### 5. Members' Remuneration

The key management personnel of the Limited Liability Partnership are considered to be the Members. The Members are not employees of the Limited Liability Partnership, and consequently the total remuneration of the Members' consists of the allocated profit/(loss) for the year.

The average number of Members during the year was 26.

6. Intangible Assets	2015 £	Restated 2014 £
<b>Purchased Syndicate Capacity</b>		
<b>Cost</b>		
At 1 January 2015	-	-
Additions	-	-
Disposals	-	-
At 31 December 2015	-	-
<b>Amortisation</b>		
At 1 January 2015	-	-
Additions	-	-
Disposals	-	-
At 31 December 2015	-	-
<b>Net Book Value</b>		
At 31 December 2015	-	-
At 31 December 2014	-	-

### 7. Financial Instruments and Financial Risk Management

#### 7.1 Financial Investments

##### Other financial investments – Syndicate participation

	2015 Market Value £	Restated 2014 Market Value £
Shares and other variable yield securities and units in unit trusts	153,078	118,424
Debt securities and other fixed income securities	2,208,861	2,385,779
Participation in investment pools	-	-
Loans with credit institutions	-	-
Derivative financial instruments	121	581
Other investments	-	-
Deposits with credit institutions	13,927	1,394
Other	431,008	83,757
	<u>2,806,995</u>	<u>2,589,935</u>

# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2015

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

#### 7.2 Classification of Financial Instruments

The tables below set out the Limited Liability Partnership's financial instruments by classification.

##### Other financial investments – Syndicate participation

	2015			Restated 2014		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
<b>Financial assets</b>						
Investments	3,204,662	-	3,204,662	2,985,335	-	2,985,335
Deposits with ceding undertakings	-	1,665	1,665	-	224	224
Insurance debtors	-	1,288,331	1,288,331	-	1,198,169	1,198,169
Reinsurance debtors	-	557,092	557,092	-	589,663	589,663
Other debtors	-	119,210	119,210	-	107,011	107,011
Cash at bank and in hand	-	36,678	36,678	-	46,164	46,164
Other assets	-	-	-	-	-	-
	3,204,662	2,002,976	5,207,638	2,985,335	1,941,231	4,926,566
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	-	-	-	(900)	-	(900)
Insurance creditors	-	305,484	305,484	-	224,326	224,326
Reinsurance creditors	-	-	-	-	493,817	493,817
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors	-	-	-	-	-	-
	-	305,484	305,484	(900)	718,143	717,243

##### Other financial investments – Partnership

	2015			Restated 2014		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
<b>Financial assets</b>						
Investments	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
Cash at bank and in hand	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
	-	-	-	-	-	-
<b>Financial liabilities</b>						
Other creditors	-	-	-	-	-	-
	-	-	-	-	-	-



## KS Underwriting LLP

### Notes to the Financial Statements For the year ended 31 December 2015

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

##### 7.2 Classification of Financial Instruments (continued)

The table below sets out details of the Limited Liability Partnership's derivative financial instruments.

	2015		Restated 2014	
	Notional amount £	Fair value £	Notional amount £	Fair value £
Foreign exchange forward contracts	-	-	-	-
Interest rate future contracts	-	-	-	-
Foreign exchange options	-	-	-	-
Equity options	-	-	-	-
Foreign exchange contract for difference	6,184	121	139,843	565
Other	-	-	-	-
	6,184	121	139,843	565

##### 7.3 Financial Instruments held at fair value through profit or loss

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

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

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

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

# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2015

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

#### 7.3 Financial Instruments held at fair value through profit or loss (continued)

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

#### Other financial investments – Syndicate participation

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
<b>2015</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	-	584,086	-	584,086	-	584,086
Debt securities and other fixed income securities	1,187,067	-	1,021,794	2,208,861	-	2,208,861
Participation in investment pools	-	-	-	-	-	-
Loans and deposits with credit institutions	285,967	-	125,627	411,594	-	411,594
Derivatives	121	-	-	121	-	121
Other investments	-	-	-	-	-	-
Financial assets classified as held for sale	-	-	-	-	-	-
	1,473,155	584,086	1,147,421	3,204,662	-	3,204,662
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative liabilities	(622)	-	-	(622)	-	(622)
Financial liabilities classified as held for sale	-	-	-	-	-	-
	(622)	-	-	(622)	-	(622)

# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2015

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

#### 7.3 Financial Instruments held at fair value through profit or loss (continued)

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

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
<b>Restated - 2014</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	-	202,182	-	202,182	-	202,182
Debt securities and other fixed income securities	907,078	-	1,478,700	2,385,778	-	2,385,778
Participation in investment pools	-	-	-	-	-	-
Loans and deposits with credit institutions	254,754	-	142,040	396,794	-	396,794
Derivatives	581	-	-	581	-	581
Other investments	-	-	-	-	-	-
Financial assets classified as held for sale	-	-	-	-	-	-
	1,162,413	202,182	1,620,740	2,985,335	-	2,985,335
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative liabilities	(900)	-	-	(900)	-	(900)
Financial liabilities classified as held for sale	-	-	-	-	-	-
	(900)	-	-	(900)	-	(900)

At the Partnership level the Limited Liability Partnership does not hold any financial investments. Consequently investment tables have not been presented for the Partnership.

#### 7.4 Financial Risk Management

The Limited Liability Partnership is a financial institution and therefore provides the following disclosures in respect of the financial instruments it holds. The Limited Liability Partnership holds only cash and cash equivalents in respect of financial instruments.

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

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

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

## KS Underwriting LLP

### Notes to the Financial Statements For the year ended 31 December 2015

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

##### 7.4 Financial Risk Management (continued)

###### Credit risk

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

The Limited Liability Partnership manages credit risk at the Limited Liability Partnership level by ensuring that investments and cash and cash equivalent deposits are placed only with highly rated credit institutions.

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

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

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
<b>2015</b>						
Shares and other variable yield securities and units in unit trusts	107,766	-	-	-	476,319	584,085
Debt securities and other fixed income securities	559,017	1,110,409	447,153	86,708	5,575	2,208,862
Participation in investment pools	-	-	-	-	-	-
Loans secured with credit institutions	-	-	-	-	-	-
Deposits with credit institutions	-	-	13,927	-	-	13,927
Overseas deposits	148,081	111,435	112,661	25,490	-	397,667
Derivative investments	-	-	121	-	-	121
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	-	-	-	-	1,665	1,665
Reinsurers share of claims outstanding	106,678	193,489	411,165	6,253	40,547	758,132
Reinsurance debtors	16,156	12,704	9,533	871	609	39,873
Cash at bank and in hand	-	-	29,931	6,748	-	36,679
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	937,698	1,428,037	1,024,491	126,070	524,715	4,041,011

## KS Underwriting LLP

### Notes to the Financial Statements For the year ended 31 December 2015

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

##### 7.4 Financial Risk Management (continued)

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
<b>Restated 2014</b>						
Shares and other variable yield securities and units in unit trusts	70,912	-	-	-	131,270	202,182
Debt securities and other fixed income securities	453,359	1,081,654	712,850	96,577	41,339	2,385,779
Participation in investment pools	-	-	-	-	-	-
Loans secured with credit institutions	-	-	-	-	-	-
Deposits with credit institutions	-	-	1,394	-	-	1,394
Overseas deposits	139,923	102,092	133,201	20,183	-	395,399
Derivative investments	-	-	581	-	-	581
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	-	-	-	-	224	224
Reinsurers share of claims outstanding	153,642	190,590	400,637	8,597	30,161	783,627
Reinsurance debtors	21,131	25,320	23,141	1,371	1,368	72,331
Cash at bank and in hand	-	-	46,164	-	-	46,164
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	838,967	1,399,656	1,317,968	126,728	204,362	3,887,681

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

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
<b>2015</b>						
Shares and other variable yield securities and units in unit trusts	584,086	-	-	-	-	584,086
Debt securities and other fixed income securities	2,208,861	-	-	-	-	2,208,861
Participation in investment pools	-	-	-	-	-	-
Loans secured with credit institutions	-	-	-	-	-	-
Deposits with credit institutions	13,927	-	-	-	-	13,927
Overseas deposits	397,667	-	-	-	-	397,667
Derivative investments	121	-	-	-	-	121
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	1,665	-	-	-	-	1,665
Reinsurers share of claims outstanding	758,132	-	-	-	-	758,132
Reinsurance debtors	39,872	16,205	6,328	335	-	62,740
Cash at bank and in hand	36,678	-	-	-	-	36,678
Insurance debtors	1,678,532	13,900	23,065	67,185	-	1,782,682
Other debtors	77,018	-	-	-	-	77,018
	5,796,559	30,105	29,393	67,520	-	5,923,577

# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2015

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

#### 7.4 Financial Risk Management (continued)

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
<b>Restated 2014</b>						
Shares and other variable yield securities and units in unit trusts	202,182	-	-	-	-	202,182
Debt securities and other fixed income securities	2,385,779	-	-	-	-	2,385,779
Participation in investment pools	-	-	-	-	-	-
Loans secured with credit institutions	-	-	-	-	-	-
Deposits with credit institutions	1,394	-	-	-	-	1,394
Overseas deposits	395,399	-	-	-	-	395,399
Derivative investments	581	-	-	-	-	581
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	224	-	-	-	-	224
Reinsurers share of claims outstanding	783,628	-	-	-	-	783,628
Reinsurance debtors	72,331	22,365	98	346	-	95,140
Cash at bank and in hand	46,164	-	-	-	-	46,164
Insurance debtors	1,597,178	47,542	36,464	11,509	-	1,692,693
Other debtors	61,646	-	-	-	-	61,646
	5,546,506	69,907	36,562	11,855	-	5,664,830

At the Partnership level the Limited Liability Partnership is not exposed to significant credit risk. Consequently a sensitivity analysis for credit risk has not been presented for the Partnership.

#### Liquidity risk

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

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

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
<b>2015</b>						
Derivative financial instruments	-	622	-	-	-	622
Deposits received from reinsurers	-	3,414	-	-	-	3,414
Creditors	-	847,661	39,657	35,562	-	922,880
Other	-	-	-	-	-	-
	-	851,697	39,657	35,562	-	926,916

# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2015

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

#### 7.4 Financial Risk Management (continued)

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
<b>Restated - 2014</b>						
Derivative financial instruments	-	900	-	-	-	900
Deposits received from reinsurers	-	3,220	-	-	-	3,220
Creditors	-	763,756	34,302	29,757	-	827,815
Other	-	-	-	-	-	-
	-	767,876	34,302	29,757	-	831,935

At the Partnership level the Limited Liability Partnership is not exposed to significant liquidity risk. Consequently a maturity profile has not been presented for the Partnership.

#### Interest rate risk

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

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

At the Partnership level the Limited Liability Partnership manages interest rate risk by maintaining an appropriate mix between fixed and floating rate financial instruments.

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

Syndicate participation	2015 £	Restated 2014 £
Impact of 50 basis point increase on profit or loss	(11,669)	(12,732)
Impact of 50 basis point decrease on profit or loss	11,021	10,307
Impact of 50 basis point increase on equity	(11,669)	(12,732)
Impact of 50 basis point decrease on equity	11,021	10,307

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

#### Equity price risk

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

The Limited Liability Partnership is exposed to equity price risk in respect of its equity investments.

# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2015

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

#### 7.4 Financial Risk Management (continued)

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

Syndicate participation	2015 £	Restated 2014 £
Impact on profit or loss of 5% increase in Stock Market Prices	-	-
Impact on profit or loss of 5% decrease in Stock Market Prices	-	-
Impact on equity of 5% increase in Stock Market Prices	-	-
Impact on equity of 5% decrease in Stock Market Prices	-	-

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

#### Currency risk

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

At the Partnership level the Limited Liability Partnership manages currency risk by ensuring that exchange rate exposures are managed within approved policy parameters.

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

Net assets and liabilities	2015		Restated 2014	
	Syndicate Participation £	Partnership £	Syndicate Participation £	Partnership £
Sterling	(559,077)	(225,547)	(519,812)	(139,984)
United States Dollar	462,265	-	427,677	-
Euro	169,635	-	160,954	-
Canadian Dollar	267,382	-	247,076	-
Australian Dollar	-	-	405	-
Japanese Yen	-	-	-	-
Other	10,233	-	11,399	-



# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2015

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

#### 7.4 Financial Risk Management (continued)

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

The Limited Liability Partnership's assets are held in various currencies but are all cash. As such, any exchange movement would be accounted for in the profit and loss.

	Partnership Profit and loss			
	31 December 2015		Restated - 31 December 2014	
	Increase	Decrease	Increase	Decrease
	£	£	£	£
Effect of sterling exchange movement by 10%				
United States Dollar	-	-	-	-
Euro	-	-	-	-
Canadian Dollar	-	-	-	-
Australian Dollar	-	-	-	-
Japanese Yen	-	-	-	-
Other	-	-	-	-

#### 7.5 Capital Management

The total Members' interests represent the capital which allows the Limited Liability Partnership to participate on the Syndicates.

### 8. Insurance Contracts

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

	2015			Restated 2014		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	3,464,074	783,628	2,680,446	3,335,982	774,662	2,561,320
Movements in the year	(163,590)	(103,918)	(59,672)	151,598	16,815	134,783
Exchange differences	313,205	78,422	234,783	(23,506)	(7,849)	(15,657)
At 31 December	3,613,689	758,132	2,855,557	3,464,074	783,628	2,680,446

# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2015

### 8. Insurance Contracts (continued)

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

			2015			Restated 2014
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	1,788,555	313,615	1,474,940	1,726,189	281,948	1,444,241
Movements in the year	(24,090)	(1,047)	(23,043)	68,113	30,188	37,925
Exchange differences	46,555	10,374	36,181	(5,747)	1,479	(7,226)
At 31 December	1,811,020	322,942	1,488,078	1,788,555	313,615	1,474,940

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

	2015 £	Restated 2014 £
At 1 January	430,541	411,366
Movements in the year	16,327	38,932
Exchange differences	3,541	(19,757)
At 31 December	450,409	430,541

### 8.1 Risks arising from Insurance Contracts

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

### 9. Related Party Disclosure

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

### 10. Ultimate Controlling Party

There is no ultimate controlling party of the Partnership.

## KS Underwriting LLP

### Notes to the Financial Statements For the year ended 31 December 2015

#### 11. Explanation of transition to FRS 102

This is the first financial year that the Limited Liability Partnership has presented its financial statements in accordance with FRS 102 *The Financial Reporting Framework Applicable in the UK and Republic of Ireland* ("FRS 102"). For financial years up to and including the year ended 31 December 2014, the Limited Liability Partnership prepared its financial statements in accordance with previously extant UK GAAP. The Limited Liability Partnership's date of transition to FRS 102 was therefore 1 January 2014.

This note sets out the changes to accounting policies and the transitional adjustments that are required to be made for first-time transition to FRS 102. The Limited Liability Partnership's opening equity position as at 1 January 2014 and its previously published financial statements for the year ended 31 December 2014 have been restated.

In carrying out the transition to FRS 102, the Limited Liability Partnership has not applied any of the optional exemptions as permitted by Section 35 *Transition* to this FRS.

Set out below are the transition tables to reconcile:

- Total Members' interest as at 1 January 2014;
- Total Members' interest as at 31 December 2014; and
- Profit/(loss) for the year ended 31 December 2014.

#### Reconciliation of Members' interests

	As at 31 December 2014 £	As at 1 January 2014 £
Members' interest as reported under old UK GAAP	360,597	339,115
Effect of change in foreign exchange accounting policy	(28,654)	43,754
Members' interest as reported under FRS 102	<u>331,943</u>	<u>382,869</u>

#### Reconciliation of Profit and Loss

	For the year ended 31 December 2014 £
Profit/(loss) as reported under old UK GAAP	320,734
Effect of change in foreign exchange accounting policy	(72,408)
Profit/(loss) as reported under FRS 102	<u>248,326</u>

**Notes to the Financial Statements  
For the year ended 31 December 2015**

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**11. Explanation of transition to FRS 102 (continued)**

*Transitional adjustments applicable to the Syndicates*

The effect of change in foreign exchange accounting policy has arisen from the following adjustments:

**Adjustment 1 - Foreign exchange under SSAP 20**

For accounting periods up to and including 31 December 2014, a number of Syndicates had adopted Statement of Standard Accounting Practice No 20 ('SSAP 20') Foreign currency translation as the basis on which they accounted for foreign currency translation. SSAP20 permitted 'branch' accounting with exchange movements being reported as adjustments to reserves. In accordance with FRS 103 all exchange differences have been reported in the non-technical account.

**Adjustment 2 - Foreign exchange under FRS 23**

For accounting periods up to and including 31 December 2014, a number of Syndicates had adopted FRS 23 The Effect of Changes in Foreign Exchange Rates as the basis on which they accounted for foreign currency translation. Some balances arising from foreign currency denominated insurance contracts were treated as non-monetary items, and so were not retranslated at closing rates. FRS 103 requires an entity to treat all assets and liabilities arising from an insurance contract as monetary items.

**Adjustment 3 – Cash at bank and in hand**

The transition to FRS 102 has impacted the amount reported as cash at bank and in hand. Under FRS 102 financial assets with a maturity of 90 days or less are included within the definition of cash equivalents. Such assets that were previously reported under financial investments are now reported as cash and cash equivalents.

There are no transitional adjustments applicable to the Partnership.