

**Bernasco Underwriting Limited**  
**Annual Report and Financial Statements**  
**31 December 2020**



Company registration number: 3637423

# Bernasco Underwriting Limited

## Contents

---

	Page No
Company Information	2
Strategic Report	3
Directors' Report	5
Independent Auditor's Report	7
Profit and Loss Account - Technical Account – General Business	10
Profit and Loss Account - Non-Technical Account	11
Statement of Comprehensive Income	11
Balance Sheet	12
Statement of Changes in Shareholders' Equity	14
Statement of Cash Flows	15
Notes to the Financial Statements	16

# **Bernasco Underwriting Limited**

## **Company Information**

---

### **Directors**

John Garnet Bernasconi  
Nomina Plc

### **Company Secretary**

Hampden Legal Plc

### **Registered Office**

5th Floor, 40 Gracechurch Street  
London  
EC3V 0BT

### **Auditors**

PKF Littlejohn LLP  
Statutory Auditor  
15 Westferry Circus  
Canary Wharf  
London  
E14 4HD

### **Solicitors**

Jones Day  
21 Tudor Street  
London  
EC4Y 0DJ

# Bernasco Underwriting Limited

## Strategic Report

---

The Directors present their Strategic Report for the year ended 31 December 2020.

### Business review and future developments

The Financial Statements incorporate the annual accounting results of the syndicates on which the Company participates for the 2018, 2019 and 2020 years of account, as well as any prior run-off years. The 2018 year closed at 31 December 2020 with a result of £5,191 (2017: £(8,953)). The 2019 and 2020 open underwriting accounts will normally close at 31 December 2021 and 2022.

### Key performance indicators

The Directors monitor the performance of the Company by reference to the following key performance indicators:

	2020	2019
Capacity of current underwriting year of account	455,656	427,611
Gross premium written as a % of capacity	101.2%	101.0%
Capacity of closed underwriting year of account	426,667	414,730
Underwriting profit/(loss) of closed year as a % of capacity	1.2%	-2.2%

### Other performance indicators

As a result of the nature of this Company as a Lloyd's corporate member the majority of its activities are carried out by the syndicates in which it participates. The Company is not involved directly in the management of the syndicates' activities and therefore the Directors of the Company do not consider it appropriate to monitor and report any performance indicators in relation to staff or environmental matters.

### Financial risk management objectives and policies

As a corporate member of Lloyd's the majority of the risks to this Company's future cash flows arise from its participation in the results of Lloyd's syndicates. As detailed in Note 5, these risks are mostly managed by the managing agent of the syndicate. The Company's role in managing this risk is limited to selection of syndicate participations and monitoring performance of the syndicates. The Company is also directly exposed to these risks, but they are not considered material compared to the syndicate risk for the assessment of the assets, liabilities, financial position and profit or loss of the Company.

### COVID-19

The rapid spread of COVID-19 around the world in 2020 has had a significant impact on families, communities and the global economy.

Although the spread of COVID-19 has created challenges, the Company and the Lloyd's market as a whole are well equipped to react and deal with any difficulties. The financial impact of COVID-19 on the Company is still uncertain, but it is not expected to affect the long term strategy.

As the Company does not employ any staff and the members agent and the Lloyd's market were well prepared to work remotely, the Company is continuing to be run with minimal disruption.

### Section 172(1) Statement

The Directors of the Company have a duty to promote the success of the Company whilst giving due regard to the interests of stakeholders affected by the Company's activities.

As a result of the nature of this Company as a Lloyd's corporate member, the majority of its activities are carried out by the syndicates in which it participates. The Company is not involved directly in the management of the syndicates' activities, as these are the responsibility of the relevant managing agent. Each managing agent has a board of directors which are responsible for the activities of each syndicate, and themselves have a duty towards a range of considerations including (but not limited to) employees, community and environmental matters, standards of business conduct and the long term consequence of decisions.

The Company itself undertakes very few transactions. The Company does not employ any staff and the only suppliers are those who provide services for the administration of the Company. The Directors ensure supplier invoices are paid on time in line with any agreed terms. The Directors work very closely with the Members of the Company to discuss all significant decisions, including the selection of which syndicates to participate.

The Company and the syndicates are required to operate within the guidelines and code of conduct of the Lloyd's market. Behind the Lloyd's market is the Lloyd's Corporation, an independent organisation and regulator that acts to protect and maintain the market's reputation and provides services and original research, reports and analysis to the industry's knowledge base.

The Company's Section 172(1) Statement is also available at <https://www.hampden.co.uk/namecosection172>.

# Bernasco Underwriting Limited

## Strategic Report (continued)

---

### Departure from the European Union

The United Kingdom left the EU on 31 January 2020 and entered a transition period that ended on 31 December 2020. During this time the UK remained subject to EU law and remained part of the EU customs union and single market but was no longer part of the EU's political bodies or institutions. With effect from 31 December 2020, the UK and the EU have reached a number of agreements including a Trade and Cooperation Agreement, which covers the provision of financial services. Lloyd's has given much thought to and has developed a solution allowing Syndicates to continue to trade beyond the transition period ending 31 December 2020. Lloyd's Brussels (Lloyd's Insurance Company S.A) is Lloyd's first Europe wide operation, established to bring the scale, expertise and capacity to the world's specialist insurance market closer to its customers in Europe through a locally staffed and regulated insurer. The transfer does not change the terms and conditions of any policy, except that Lloyd's Brussels becomes the Insurer and Data Controller in respect of Transferring Policies. The transfer has been carefully designed to ensure that it will not change how policies operate. Policyholders will see no direct administrative change as a result of the proposed transfer and the process for making claims and any payments that may be due as settlement of a valid claim is unaffected by the proposed transfer. The transfer took effect on 30 December 2020. The Directors will continue to monitor the impact of leaving the EU along with general market conditions to identify if it is appropriate to make any changes to the current strategy of the Company.

Approved by the Board of Directors on 6 September 2021 and signed on its behalf by:



Jeremy Evans for and on behalf of Nomina Plc  
Director

# Bernasco Underwriting Limited

## Directors' Report

---

The Directors present their Report together with the audited Financial Statements of the Company for the year ended 31 December 2020.

### Principal activities

The principal activity of the Company is that of trading as a Lloyd's corporate capital member. The Company continues to trade in 2021.

### Results and dividends

The results for the year are set out on pages 10 to 11 of the Financial Statements. Dividends totalling £nil were paid in the year (2019: £nil).

### Directors

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

John Garnet Bernasconi  
Nomina Plc

### Directors' Responsibilities Statement

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for: such internal control as they determine necessary to enable the preparation of Financial Statements that are free from material misstatements, whether due to fraud or error; and safeguarding the assets of the Company, complying with laws and regulations, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Bernasco Underwriting Limited

## Directors' Report (continued)

---

### Auditor

- i. PKF Littlejohn LLP has signified its willingness to continue in office as auditor.
- ii. Disclosure of information to the Auditor:

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

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

Approved by the Board of Directors on 6 September 2021 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Jeremy Evans', with a large loop at the end of the name.

Jeremy Evans for and on behalf of Nomina Plc  
Director

# Bernasco Underwriting Limited

## Independent Auditor's Report

---

### Independent Auditor's Report to the Members of Bernasco Underwriting Limited

#### Opinion

We have audited the Financial Statements of Bernasco Underwriting Limited (the "Company") for the year ended 31 December 2020 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet and the Statement of Changes in Shareholders' Equity and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 and FRS 103 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

#### Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

#### Other information

The other information comprises the information included in the Annual Report other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

# Bernasco Underwriting Limited

## Independent Auditor's Report (continued)

---

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

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

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

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

### Responsibilities of Directors

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

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The procedures we have undertaken to detect irregularities, including fraud, are detailed below:

- We obtained an understanding of the Company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the Financial Statements. We obtained our understanding in this regard through discussion with the Directors and the application of our knowledge and experience of the sector in which the Company operates in. We determined the principal laws and regulations relevant to the company in this regard to be those arising from the Companies Act 2006, Lloyds of London byelaws as they relate to limited liability vehicles, UK GAAP and UK taxation regulations.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the Company with those laws and regulations. These procedures included, but were not limited to:
  - Discussion with management of any known, or suspected instances, of non-compliance by the company with those laws and regulations;
  - discussion with management of any, or suspected, incidence of fraud;
  - review of the Financial Statements disclosure and testing to supporting documentation to assess compliance with applicable law and regulation.
- A review and testing of the system of controls established by management to ensure the accuracy of the Financial Statements.

We identified the risks of material misstatement of the Financial Statements due to fraud as being those arising from management override of controls. We have addressed this risk by performing audit procedures which included, but were not limited to, the testing of journals, reviewing material accounting estimates for evidence of bias and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business that came to our attention.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the Financial Statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the Financial Statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

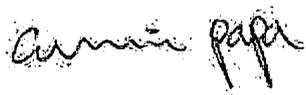
# **Bernasco Underwriting Limited**

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

---

### **Use of our report**

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



**Carmine Papa (Senior Statutory Auditor)**  
**For and on behalf of PKF Littlejohn LLP**  
**Statutory Auditor**  
6 September 2021

15 Westferry Circus  
Canary Wharf  
London  
E14 4HD

**Bernasco Underwriting Limited**  
**Profit and Loss Account**  
**Technical Account – General Business**  
**for the year ended 31 December 2020**

	Note	2020 £	2019 £
<b>Premiums written</b>			
Gross premiums written	6,7	461,102	432,058
Outward reinsurance premiums		(107,521)	(104,613)
<b>Net premiums written</b>		<u>353,581</u>	<u>327,445</u>
<b>Change in the provision for unearned premiums</b>	8		
Gross provision		(19,047)	(12,682)
Reinsurers' share		4,690	5,305
<b>Net change in the provision for unearned premiums</b>		<u>(14,357)</u>	<u>(7,377)</u>
<b>Earned premiums, net of reinsurance</b>		339,224	320,068
Allocated investment return transferred from the non-technical account		12,316	17,254
Other technical income, net of reinsurance		-	-
<b>Total technical income</b>		<u>351,540</u>	<u>337,322</u>
<b>Claims paid</b>			
Gross amount		(239,753)	(241,085)
Reinsurers' share		59,365	59,002
<b>Net claims paid</b>		<u>(180,388)</u>	<u>(182,083)</u>
<b>Change in the provision for claims</b>			
Gross amount		(73,568)	(21,135)
Reinsurers' share		22,906	14,495
<b>Change in the net provision for claims</b>	8	<u>(50,662)</u>	<u>(6,640)</u>
<b>Claims incurred, net of reinsurance</b>		(231,050)	(188,723)
Changes in other technical provisions, net of reinsurance		(226)	(460)
Net operating expenses	9	(129,270)	(125,565)
Other technical charges, net of reinsurance		-	-
<b>Balance on the technical account for general business</b>		<u>(9,006)</u>	<u>22,574</u>

The Notes are an integral part of these Financial Statements.

# Bernasco Underwriting Limited

## Profit and Loss Account

### Non - Technical Account

for the year ended 31 December 2020

	Note	2020 £	2019 £
<b>Balance on technical account for general business</b>		(9,006)	22,574
Investment income	10	20,166	33,014
Unrealised gains on investments	10	33,976	34,447
Investment expenses and charges	10	(13,509)	(6,449)
Unrealised losses on investments	10	(18,303)	(18,037)
Allocated investment return transferred to the general business technical account		(12,316)	(17,254)
Other income		-	39
Other charges		(9,292)	(12,412)
<b>Profit/(loss) before taxation</b>	11	(8,284)	35,922
Tax on profit/(loss)	12	2,862	(6,198)
<b>Profit/(loss) for the financial year</b>		(5,422)	29,724

## Statement of Comprehensive Income

	2020 £	2019 £	
<b>Profit/(loss) for the financial year</b>	(5,422)	29,724	
Other comprehensive income:			
Currency translation differences	850	1,544	
Tax on other comprehensive income	(162)	(262)	
<b>Other comprehensive income for the year, net of tax</b>	688	1,282	
<b>Total comprehensive income for the financial year</b>	17	(4,734)	31,006

All amounts relate to continuing operations.

The Notes are an integral part of these Financial Statements.

# Bernasco Underwriting Limited

## Balance Sheet as at 31 December 2020

		31 December 2020			31 December 2019		
	Note	Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
<b>Assets</b>							
<b>Intangible assets</b>	13	-	769	769	-	662	662
<b>Investments</b>							
Financial investments	14	417,115	-	417,115	390,706	-	390,706
Deposits with ceding undertakings		28	-	28	32	-	32
		417,143	-	417,143	390,738	-	390,738
<b>Reinsurers' share of technical provisions</b>							
Provision for unearned premiums	8	36,427	-	36,427	32,807	-	32,807
Claims outstanding	8	193,848	-	193,848	182,090	-	182,090
Other technical provisions		-	-	-	228	-	228
		230,275	-	230,275	215,125	-	215,125
<b>Debtors</b>							
Arising out of direct insurance operations							
- Policyholders		1	-	1	1	-	1
- Intermediaries		99,008	-	99,008	92,922	-	92,922
Arising out of reinsurance operations		119,954	-	119,954	93,777	-	93,777
Other debtors	15	11,126	296,276	307,402	18,154	286,311	304,465
		230,089	296,276	526,365	204,854	286,311	491,165
<b>Other assets</b>							
Cash at bank and in hand		18,108	1,871	19,979	18,998	12,457	31,455
Other		31,731	-	31,731	32,279	-	32,279
		49,839	1,871	51,710	51,277	12,457	63,734
<b>Prepayments and accrued income</b>							
Accrued interest		934	-	934	960	-	960
Deferred acquisition costs	8	46,284	-	46,284	45,845	-	45,845
Other prepayments and accrued income		1,951	-	1,951	1,730	-	1,730
		49,169	-	49,169	48,535	-	48,535
<b>Total assets</b>		<b>976,515</b>	<b>298,916</b>	<b>1,275,431</b>	<b>910,529</b>	<b>299,430</b>	<b>1,209,959</b>

The Notes are an integral part of these Financial Statements.

# Bernasco Underwriting Limited

## Balance Sheet as at 31 December 2020

	Note	31 December 2020			31 December 2019		
		Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
<b>Liabilities and shareholders' funds</b>							
<b>Capital and reserves</b>							
Called up share capital	16	-	112,625	112,625	-	112,625	112,625
Share premium account		-	-	-	-	-	-
Profit and loss account	17	(28,323)	109,509	81,186	(37,182)	123,102	85,920
<b>Shareholders' funds</b>		<b>(28,323)</b>	<b>222,134</b>	<b>193,811</b>	<b>(37,182)</b>	<b>235,727</b>	<b>198,545</b>
<b>Technical provisions</b>							
Provision for unearned premiums	8	201,202	-	201,202	187,433	-	187,433
Claims outstanding – gross amount	8	683,806	-	683,806	652,610	-	652,610
Other technical provisions		-	-	-	-	-	-
		<b>885,008</b>	<b>-</b>	<b>885,008</b>	<b>840,043</b>	<b>-</b>	<b>840,043</b>
<b>Provisions for other risks and charges</b>							
Deferred taxation	18	-	-	-	-	-	-
Other		140	-	140	146	-	146
		<b>140</b>	<b>-</b>	<b>140</b>	<b>146</b>	<b>-</b>	<b>146</b>
<b>Deposits received from reinsurers</b>		<b>549</b>	<b>-</b>	<b>549</b>	<b>2,189</b>	<b>-</b>	<b>2,189</b>
<b>Creditors</b>							
Arising out of direct insurance operations		19,303	-	19,303	15,274	-	15,274
Arising out of reinsurance operations		67,853	-	67,853	60,882	-	60,882
Amounts owed to credit institutions		1	-	1	1,767	-	1,767
Other creditors including taxation and social security	19	23,164	72,993	96,157	19,404	59,531	78,935
		<b>110,321</b>	<b>72,993</b>	<b>183,314</b>	<b>97,327</b>	<b>59,531</b>	<b>156,858</b>
<b>Accruals and deferred income</b>		<b>8,820</b>	<b>3,789</b>	<b>12,609</b>	<b>8,006</b>	<b>4,172</b>	<b>12,178</b>
<b>Total liabilities</b>		<b>1,004,838</b>	<b>76,782</b>	<b>1,081,620</b>	<b>947,711</b>	<b>63,703</b>	<b>1,011,414</b>
<b>Total liabilities and shareholders' funds</b>		<b>976,515</b>	<b>298,916</b>	<b>1,275,431</b>	<b>910,529</b>	<b>299,430</b>	<b>1,209,959</b>

The Financial Statements were approved and authorised for issue by the Board of Directors on 6 September 2021 and signed on its behalf by:



Jeremy Evans for and on behalf of Nomina Plc  
Director

Company registration number: 3637423

The Notes are an integral part of these Financial Statements.

# Bernasco Underwriting Limited

## Statement of Changes in Shareholders' Equity for the year ended 31 December 2020

	Note	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2019		112,625	-	54,914	167,539
<b>Total comprehensive income for the year:</b>					
Profit/(loss) for the financial year		-	-	29,724	29,724
Other comprehensive income for the year		-	-	1,282	1,282
Total comprehensive income for the year		-	-	31,006	31,006
<b>Transactions with owners:</b>					
Dividends paid	17,21	-	-	-	-
Proceeds from issue of shares	16	-	-	-	-
Total transactions with owners		-	-	-	-
<b>At 31 December 2019</b>		<b>112,625</b>	<b>-</b>	<b>85,920</b>	<b>198,545</b>
At 1 January 2020		112,625	-	85,920	198,545
<b>Total comprehensive income for the year:</b>					
Profit/(loss) for the financial year		-	-	(5,422)	(5,422)
Other comprehensive income for the year		-	-	688	688
Total comprehensive income for the year		-	-	(4,734)	(4,734)
<b>Transactions with owners:</b>					
Dividends paid	17,21	-	-	-	-
Proceeds from issue of shares	16	-	-	-	-
Total transactions with owners		-	-	-	-
<b>At 31 December 2020</b>		<b>112,625</b>	<b>-</b>	<b>81,186</b>	<b>193,811</b>

The Notes are an integral part of these Financial Statements.

# Bernasco Underwriting Limited

## Statement of Cash Flows for the year ended 31 December 2020

	2020 £	2019 £
<b>Cash flows from operating activities</b>		
Profit/(loss) before tax	(8,284)	35,922
Deduction of (profit)/loss attributed to syndicate transactions	944	(33,893)
Distribution/(collection) of closed year result from/(to) syndicates	(8,953)	28,484
Profit/(loss) excluding syndicate transactions	<u>(16,293)</u>	<u>30,513</u>
Adjustments for:		
(Increase)/decrease in debtors	(6,760)	(37,207)
Increase/(decrease) in creditors	21,290	212
(Profit)/loss on disposal of intangible assets	-	-
Amortisation of syndicate capacity	664	345
Investment income	(6,795)	(18,483)
Realised/unrealised (gains)/losses on investments	1	1
Income tax paid	(8,717)	(6,428)
<b>Net cash inflow/(outflow) from operating activities</b>	<u>(16,610)</u>	<u>(31,047)</u>
<b>Cash flows from investing activities</b>		
Investment income	6,795	18,483
Purchase of syndicate capacity	(771)	(664)
Proceeds from sale of syndicate capacity	-	-
Purchase of investments	-	-
Proceeds from sale of investments	-	-
<b>Net cash inflow/(outflow) from investing activities</b>	<u>6,024</u>	<u>17,819</u>
<b>Cash flows from financing activities</b>		
Equity dividends paid	-	-
Issue of shares	-	-
<b>Net cash inflow/(outflow) from financing activities</b>	<u>-</u>	<u>-</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>(10,586)</u>	<u>(13,228)</u>
Cash and cash equivalents at beginning of year	12,457	25,685
Effect of exchange rate changes on cash and cash equivalents	-	-
<b>Cash and cash equivalents at end of year</b>	<u>1,871</u>	<u>12,457</u>
<b>Cash and cash equivalents comprise:</b>		
Cash at bank and in hand	1,871	12,457
Other financial investments	-	-
<b>Cash and cash equivalents</b>	<u>1,871</u>	<u>12,457</u>

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

### Net Debt Reconciliation:

The Net Debt Reconciliation comprises only of the corporate cash and cash equivalents, as the Company does not have any borrowings.

The cash and cash equivalents at the beginning of the year, the cash flows arising during the year, any exchange rate movements and the cash and cash equivalents at the end of the year are disclosed within the Cash Flow Statement above.

The Notes are an integral part of these Financial Statements.

# Bernasco Underwriting Limited

## Notes to the Financial Statements for the year ended 31 December 2020

---

### 1. General information

The Company is a private company limited by shares that was incorporated in England and Wales and whose registered office is 40 Gracechurch Street, London, EC3V 0BT. The Company participates in insurance business as an underwriting member of various syndicates at Lloyd's.

### 2. Statement of compliance

These Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts", the Companies Act 2006 and Schedule 3 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations, relating to insurance.

### 3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### Basis of preparation

The Financial Statements have been prepared on a going concern basis, under the historical cost basis of accounting, as modified by the revaluation of certain financial instruments measured at fair value through profit or loss.

The preparation of Financial Statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 4.

#### Going concern

The Company participates as an underwriting member of Lloyd's. Its underwriting is supported by Funds at Lloyd's, either made available by the Company directly or by its members. The Directors are of the opinion that the Company has adequate resources to meet its underwriting and other operational obligations for the foreseeable future. Accordingly, the going concern concept has been adopted in the preparation of the Financial Statements.

#### Basis of accounting

The Financial Statements have been 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 Company 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 in the Balance Sheet as "Syndicate participation". Other assets and liabilities are shown as "Corporate". The syndicate assets are held subject to trust deeds for the benefit of the syndicates' insurance creditors.

The information included in these Financial Statements in respect of the syndicates has been supplied by managing agents based upon the various accounting policies they have adopted. The following describes the policies they have adopted:

#### 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 Company participates, less an allowance for cancellations. All premiums are shown gross of commission payable to intermediaries and exclude taxes and duties levied on them.

# Bernasco Underwriting Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2020

---

### 3. Summary of significant accounting policies (continued)

#### 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.

#### iv. Reinsurance premiums

Managing agents enter into reinsurance contracts on behalf of syndicates, in the normal course of business, in order to limit the potential losses arising from certain exposures. 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 syndicate's 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 as the exposure period recedes. 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.

# Bernasco Underwriting Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2020

---

### 3. Summary of significant accounting policies (continued)

#### vi. Unexpired risks provision

Provisions for unexpired risks are made where the 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.

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

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

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

#### ix. 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 Company 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. 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.

# Bernasco Underwriting Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2020

---

### 3. Summary of significant accounting policies (continued)

#### xi. Financial assets and financial liabilities

##### Classification:

The accounting classification of financial assets and liabilities determines their basis of measurement and how changes in those values are presented in the Profit and Loss Account and Other Comprehensive Income. These classifications are made at initial recognition and subsequent classification is only permitted in restricted circumstances.

The syndicates' investments comprise of debt and equity investments, derivatives, cash and cash equivalents and loans and receivables. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the syndicate after deducting all of its liabilities.

##### Recognition:

Financial assets and liabilities are recognised when the syndicate becomes party to the contractual provisions of the instrument. In respect of the purchases and sales of financial assets, they are recognised on the trade date.

##### Initial measurement:

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

##### Subsequent measurement:

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

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

Other debt instruments are measured at fair value through profit or loss.

##### De-recognition of financial assets and liabilities:

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

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

##### Fair value measurement:

The best evidence of fair value is a quoted price for an identical asset or liability in an active market that the entity can access at the measurement date.

When quoted prices are unavailable, observable inputs developed using market data for the asset or liability, either directly or indirectly, are used to determine the fair value.

If the market for the asset is not active and there are no observable inputs, then the syndicate estimates the fair value by using unobservable inputs, i.e. where market data is unavailable.

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

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

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

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

# Bernasco Underwriting Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2020

---

### 3. Summary of significant accounting policies (continued)

#### xi. Financial assets and financial liabilities (continued)

##### Offsetting:

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

#### xii. Investment return

Investment return comprises all investment income, realised investment gains and losses, 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 fair value at that date.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting the underwriting business.

#### xiii. Basis of currency translation

The presentation and functional currency of the Company is Pound Sterling, which is the currency of the primary economic environment in which it operates. Supported syndicates may have different functional 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.

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

Any non-monetary items are translated into the functional currency using the rate of exchange prevailing at the time of the transaction.

Differences arising on translation to the functional currency of the syndicates where the functional currency was not Pound Sterling are reported in the Statement of Other Comprehensive Income. All other exchange differences are reported within the Profit and Loss Account, Non-Technical Account (or the Technical Account in respect of Life syndicates).

#### Reinsurance at corporate level

Where considered applicable by the Directors, the Company may purchase additional reinsurance to that purchased through the syndicates. Any such reinsurance premiums and related reinsurance recoveries are treated in the same manner as described for syndicates in Note 3 (iv) and (v) above.

#### Taxation

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

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

# **Bernasco Underwriting Limited**

## **Notes to the Financial Statements (continued) for the year ended 31 December 2020**

---

### **3. Summary of significant accounting policies (continued)**

#### **Deferred taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the Balance Sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise, based on current tax rates and law.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax assets and liabilities have not been discounted.

#### **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 five year period beginning in the year following the purchase of the syndicate participation.

The intangible assets are reviewed for impairment where there are indicators for impairment, and any impairment is charged to the Profit and Loss Account for the period.

#### **Cash and cash equivalents and Statement of Cash Flows**

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

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

#### **Share capital**

Ordinary share capital is classified as equity. The difference between fair value of the consideration received and the nominal value of the share capital being issued, is taken to the share premium account. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of taxes, from the proceeds.

#### **Dividend distributions to shareholders**

Dividend distributions to the Company's shareholders are recognised in the Financial Statements in the period in which the dividends are approved by the shareholders. These amounts are recognised in the Statement of Changes in Shareholders' Equity.

#### **Related party transactions**

The Company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

### **4. Key accounting judgements and estimation uncertainties**

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

The measurement of the provision for claims outstanding is the most significant judgement involving estimation uncertainty regarding amounts recognised in these Financial Statements in relation to underwriting by the syndicates and this is disclosed further in Note 5.

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

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

# Bernasco Underwriting Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2020

---

### 4. Key accounting judgements and estimation uncertainties (continued)

#### Purchased syndicate capacity:

Estimating value in use:

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

Determining the useful life of purchased syndicate capacity:

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

#### Assessing indicators of impairment:

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

#### Recoverability of receivables:

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

### 5. Risk management

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

#### Risk background

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

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

The Company manages the risks faced by the syndicates on which it participates by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate for the following year, with a review of the business plan prepared for each syndicate by its managing agent. In addition, quarterly reports and annual accounts together with any other information made available by the managing agent are monitored and if necessary enquired into. If the Company considers that the risks being run by the syndicate are excessive it will seek confirmation from the managing agent that adequate management of the risk is in place and, if considered appropriate will withdraw support from the next underwriting year. The Company relies on advice provided by the members' agent which acts for it, who are specialists in assessing the performance and risk profiles of syndicates. The Company also mitigates its insurance risks by participating across several syndicates as detailed in Note 24.

#### Departure from the European Union:

The UK's departure from the EU and the new Agreements in place will have an impact on various risk factors, including currency risks. Lloyd's have now set up an office in Brussels through which the syndicates are able to operate very much on the same terms as previously. The Company will monitor these developments and identify whether it needs to modify its participation in the Lloyd's market.

The analysis below provides details of the financial risks the Company is exposed to from syndicate insurance activities and at a corporate company level, as required by FRS 103. Note 8 provides further analysis of sensitivities to reserving and underwriting risks.

**Bernasco Underwriting Limited**  
**Notes to the Financial Statements (continued)**  
**for the year ended 31 December 2020**

**5. Risk management (continued)**

**Syndicate risks**

**i. Liquidity risk**

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

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

Although there are usually no stated maturities for claims outstanding, syndicates have provided their expected maturity of future claims settlements as follows:

<b>2020</b>	<b>No stated maturity £</b>	<b>0-1 year £</b>	<b>1-3 years £</b>	<b>3-5 years £</b>	<b>&gt;5 years £</b>	<b>Total £</b>
Claims outstanding	(39)	229,661	227,750	122,314	104,120	683,806

<b>2019</b>	<b>No stated maturity £</b>	<b>0-1 year £</b>	<b>1-3 years £</b>	<b>3-5 years £</b>	<b>&gt;5 years £</b>	<b>Total £</b>
Claims outstanding	(30)	232,844	212,358	112,166	95,272	652,610

**ii. Credit risk**

Credit ratings to syndicate assets emerging directly from insurance activities which are neither past due nor impaired are as follows:

<b>2020</b>	<b>AAA £</b>	<b>AA £</b>	<b>A £</b>	<b>BBB or lower £</b>	<b>Not rated £</b>	<b>Total £</b>
Financial investments	55,312	148,748	138,467	44,155	30,433	417,115
Deposits with ceding undertakings	-	-	-	-	28	28
Reinsurers share of claims outstanding	8,953	53,473	112,433	3,833	15,195	193,887
Reinsurance debtors	96	3,471	8,517	1,227	1,910	15,221
Cash at bank and in hand	21	566	16,842	580	99	18,108
	64,382	206,258	276,259	49,795	47,665	644,359

<b>2019</b>	<b>AAA £</b>	<b>AA £</b>	<b>A £</b>	<b>BBB or lower £</b>	<b>Not rated £</b>	<b>Total £</b>
Financial investments	53,820	129,829	108,493	55,917	42,647	390,706
Deposits with ceding undertakings	-	-	-	-	32	32
Reinsurers share of claims outstanding	10,842	40,842	115,752	289	14,392	182,117
Reinsurance debtors	121	2,766	6,611	235	4,111	13,844
Cash at bank and in hand	27	315	11,999	2,442	4,215	18,998
	64,810	173,752	242,855	58,883	65,397	605,697

# Bernasco Underwriting Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2020

### 5. Risk management (continued)

#### Syndicate risks (continued)

#### ii. Credit risk (continued)

Syndicate assets emerging directly from insurance activities, with reference to their due date or impaired are as follows:

2020	Neither past due nor impaired £	Past due but not impaired			Impaired £	Total £
		Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £		
Financial investments	417,115	-	-	-	-	417,115
Deposits with ceding undertakings	28	-	-	-	-	28
Reinsurers share of claims outstanding	193,887	-	-	-	(39)	193,848
Reinsurance debtors	15,221	7,856	156	79	(3)	23,309
Cash at bank and in hand	18,108	-	-	-	-	18,108
Insurance and other debtors	275,412	9,149	2,453	1,416	(38)	288,392
	919,771	17,005	2,609	1,495	(80)	940,800

2019	Neither past due nor impaired £	Past due but not impaired			Impaired £	Total £
		Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £		
Financial investments	390,706	-	-	-	-	390,706
Deposits with ceding undertakings	32	-	-	-	-	32
Reinsurers share of claims outstanding	182,117	-	-	-	(27)	182,090
Reinsurance debtors	13,844	4,384	237	164	(1)	18,628
Cash at bank and in hand	18,998	-	-	-	-	18,998
Insurance and other debtors	251,264	8,050	1,462	1,276	(42)	262,010
	856,961	12,434	1,699	1,440	(70)	872,464

#### iii. Interest rate and equity price risk

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

#### iv. Currency risk

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

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

2020	GBP £ converted	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
Total assets	156,187	652,805	45,025	85,698	36,800	976,515
Total liabilities	(205,434)	(662,422)	(51,661)	(62,477)	(22,844)	(1,004,838)
Surplus/(deficiency) of assets	(49,247)	(9,617)	(6,636)	23,221	13,956	(28,323)

# Bernasco Underwriting Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2020

### 5. Risk management (continued)

#### Syndicate risks (continued)

##### iv. Currency risk (continued)

2019	GBP £ converted	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
Total assets	139,344	617,820	51,876	72,635	28,854	910,529
Total liabilities	(207,015)	(610,643)	(44,288)	(59,973)	(25,792)	(947,711)
Surplus/(deficiency) of assets	(67,671)	7,177	7,588	12,662	3,062	(37,182)

The impact of a 5% change in exchange rates between GBP and other currencies would be £1,046 on shareholders' funds (2019: £1,524).

#### Company risks

##### i. Investment, Credit and Liquidity risks

The significant risks faced by the Company are with regard to the investment of the available funds within its own custody. The elements of these risks are investment risk, credit risk, interest rate risk and currency risk. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the Company to meet the claim. In order to minimise investment, credit and liquidity risk the Company's funds are invested in readily realisable short term deposits. The Company does not use derivative instruments to manage risk and, as such, no hedge accounting is applied.

##### ii. Currency risks

The syndicates can distribute their results in Pound Sterling, US dollars or a combination of the two. The Company is exposed to movements in the US dollar between the Balance Sheet date and the distribution of the underwriting profits and losses, which is usually in the May following the closure of a year of account.

In addition, the Company is also subject to currency fluctuations in respect of any financial investments and Funds at Lloyd's shown in the Corporate column of the Balance Sheet and as set out in Notes 14 and 15 respectively.

##### iii. Regulatory risks

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

##### iv. Operational risks

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

# Bernasco Underwriting Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2020

### 6. Class of business

2020	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Net operating expenses £	Reinsurance balance £	Total £
<b>Direct insurance</b>						
Accident and health	12,170	12,662	(10,314)	(4,802)	(121)	(2,575)
Motor – third party liability	1,078	948	(844)	(315)	41	(170)
Motor – other classes	22,529	23,208	(14,710)	(7,527)	(528)	443
Marine, aviation and transport	43,499	41,135	(22,509)	(13,693)	(2,979)	1,954
Fire and other damage to property	120,151	114,907	(73,416)	(36,495)	(9,063)	(4,067)
Third party liability	114,351	105,780	(68,796)	(32,350)	(1,827)	2,807
Credit and suretyship	11,838	12,283	(38,565)	(3,661)	11,327	(18,616)
Legal expenses	669	672	(335)	(234)	(92)	11
Assistance	-	-	-	-	-	-
Miscellaneous	483	543	(332)	(208)	(1)	2
<b>Total direct</b>	<b>326,768</b>	<b>312,138</b>	<b>(229,821)</b>	<b>(99,285)</b>	<b>(3,243)</b>	<b>(20,211)</b>
Reinsurance inwards	134,334	129,917	(83,500)	(29,985)	(17,317)	(885)
<b>Total</b>	<b>461,102</b>	<b>442,055</b>	<b>(313,321)</b>	<b>(129,270)</b>	<b>(20,560)</b>	<b>(21,096)</b>

2019	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Net operating expenses £	Reinsurance balance £	Total £
<b>Direct insurance</b>						
Accident and health	11,654	12,630	(7,490)	(5,886)	(609)	(1,355)
Motor – third party liability	839	1,022	(611)	(324)	(25)	62
Motor – other classes	25,311	25,377	(15,593)	(8,497)	(555)	732
Marine, aviation and transport	35,744	36,552	(17,771)	(12,712)	(3,490)	2,579
Fire and other damage to property	116,513	110,353	(56,060)	(34,518)	(14,750)	5,025
Third party liability	107,987	104,659	(65,552)	(34,679)	245	4,673
Credit and suretyship	11,970	12,314	(5,429)	(3,979)	(1,339)	1,567
Legal expenses	675	572	(207)	(317)	(38)	10
Assistance	-	-	-	-	-	-
Miscellaneous	517	542	(436)	(204)	(1)	(99)
<b>Total direct</b>	<b>311,210</b>	<b>304,021</b>	<b>(169,149)</b>	<b>(101,116)</b>	<b>(20,562)</b>	<b>13,194</b>
Reinsurance inwards	120,848	115,355	(93,071)	(24,449)	(5,249)	(7,414)
<b>Total</b>	<b>432,058</b>	<b>419,376</b>	<b>(262,220)</b>	<b>(125,565)</b>	<b>(25,811)</b>	<b>5,780</b>

### 7. Geographical analysis

	2020 £	2019 £
<b>Direct gross premium written in:</b>		
United Kingdom	326,752	311,210
Other EU Member States	16	-
Rest of the World	-	-
	<b>326,768</b>	<b>311,210</b>

# Bernasco Underwriting Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2020

### 8. Technical provisions

Movement in claims outstanding	2020			2019		
	Gross £	Reinsurance £	Net £	Gross £	Reinsurance £	Net £
At 1 January	652,610	182,090	470,520	666,551	179,049	487,502
Movement of reserves	73,568	22,906	50,662	21,135	14,495	6,640
Other movements	(42,372)	(11,148)	(31,224)	(35,076)	(11,454)	(23,622)
At 31 December	<u>683,806</u>	<u>193,848</u>	<u>489,958</u>	<u>652,610</u>	<u>182,090</u>	<u>470,520</u>

Movement in unearned premiums	2020			2019		
	Gross £	Reinsurance £	Net £	Gross £	Reinsurance £	Net £
At 1 January	187,433	32,807	154,626	188,923	28,849	160,074
Movement of reserves	19,047	4,690	14,357	12,682	5,305	7,377
Other movements	(5,278)	(1,070)	(4,208)	(14,172)	(1,347)	(12,825)
At 31 December	<u>201,202</u>	<u>36,427</u>	<u>164,775</u>	<u>187,433</u>	<u>32,807</u>	<u>154,626</u>

Movement in deferred acquisition costs	2020		2019	
	Net £		Net £	
At 1 January	45,845		51,548	
Movement in deferred acquisition costs	1,507		1,100	
Other movements	(1,068)		(6,803)	
At 31 December	<u>46,284</u>		<u>45,845</u>	

Included within other movements are foreign exchange movements and the effect of the 2017 and prior years' technical provisions being reinsured to close into the 2018 year of account (2019: 2016 and prior years' technical provisions being reinsured to close into the 2017 year of account), to the extent where the Company's syndicate participation portfolio has changed between those two years of account.

#### Assumptions, changes in assumptions and sensitivity

As described in Note 5 the majority of the risks to the Company's future cash flows arise from its participation in the results of Lloyd's syndicates and are mostly managed by the managing agents of the syndicates. The Company's role in managing these risks, in conjunction with the Company's members' agent, is limited to a selection of syndicate participations and monitoring the performance of the syndicates and their managing agents.

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

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

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

There have been no changes to these assumptions in 2020.

# Bernasco Underwriting Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2020

### 8. Technical provisions (continued)

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

- a 5% increase/decrease in net earned premium (with all other underwriting elements assumed to change pro-rata with premium) will increase/decrease the Company's pre-tax profit/loss by £16,961 (2019: £16,003 );
- a 5% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the Company's pre-tax profit/loss by £34,190 (2019: £32,631 );
- a 5% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Company's pre-tax profit/loss by £24,498 (2019: £23,526 ).

The 5% movement has been selected to give an indication of the possible variations in the assumptions used.

The tables below show the historical gross and net claims development based on the Company's syndicate participations on all syndicate years during the year ended 31 December 2020. The table does not include the claims development on any syndicates which the Company no longer participates upon and is based on the latest participation shares during the year ended 31 December 2020.

#### Claims development - Gross

Underwriting pure year	After one year £000	After two years £000	After three years £000	After four years £000	After five years £000	After six years £000	After seven years £000	After eight years £000	After nine years £000	After ten years £000	Profit / (loss) on RITC received £000
2011	121	189	190	189	186	183	180	178	177	177	15
2012	116	172	168	162	160	157	155	153	152		22
2013	90	155	152	148	143	140	138	136			16
2014	85	146	150	145	147	144	143				23
2015	81	154	154	150	149	148					21
2016	92	185	186	182	180						15
2017	189	276	287	281							14
2018	155	264	278								
2019	145	279									
2020	164										

#### Claims development - Net

Underwriting pure year	After one year £000	After two years £000	After three years £000	After four years £000	After five years £000	After six years £000	After seven years £000	After eight years £000	After nine years £000	After ten years £000	Profit / (loss) on RITC received £000
2011	101	160	160	157	153	151	150	148	147	147	17
2012	94	145	143	136	134	132	131	129	129		21
2013	76	135	131	126	123	121	119	118			18
2014	71	127	129	124	123	121	120				18
2015	69	131	131	129	126	125					17
2016	73	147	149	146	144						18
2017	131	204	212	208							14
2018	115	197	208								
2019	107	212									
2020	117										

**Bernasco Underwriting Limited**  
**Notes to the Financial Statements (continued)**  
**for the year ended 31 December 2020**

<b>9. Net operating expenses</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Acquisition costs	91,227	88,267
Change in deferred acquisition costs	(1,507)	(1,100)
Administrative expenses	39,550	38,398
Loss/(profit) on exchange	-	-
	<u>129,270</u>	<u>125,565</u>

<b>10. Investment return</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Investment income	8,409	9,237
Dividend income	3,455	4,078
Interest on cash at bank	566	1,688
Other interest and similar income	56	246
Realised gains on investments	7,680	17,765
<b>Investment income</b>	<u>20,166</u>	<u>33,014</u>

Investment management expenses	(439)	(548)
Realised losses on investments	(13,070)	(5,901)
<b>Investment expenses and charges</b>	<u>(13,509)</u>	<u>(6,449)</u>

Unrealised gains and losses, net	15,673	16,410
----------------------------------	--------	--------

<b>Total investment return</b>	<u>22,330</u>	<u>42,975</u>
--------------------------------	---------------	---------------

**Analysed as follows:**

	Investments at fair value through profit or loss £	Investments available for sale £	2020 Total £	Investments at fair value through profit or loss £	Investments available for sale £	2019 Total £
Realised gains and losses	(5,154)	(236)	(5,390)	11,864	-	11,864
Unrealised gains and losses	15,418	255	15,673	16,410	-	16,410
Other relevant income	-	-	-	-	-	-
	<u>10,264</u>	<u>19</u>	<u>10,283</u>	<u>28,274</u>	<u>-</u>	<u>28,274</u>

Interest and similar income, net of expenses	12,047	14,701
--	--------	--------

<b>Total investment return</b>	<u>22,330</u>	<u>42,975</u>
--------------------------------	---------------	---------------

# Bernasco Underwriting Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2020

11. Profit/(loss) before taxation	2020	2019
	£	£
This is stated after charging:		
Key management personnel remuneration	-	-
Amortisation of syndicate capacity	664	345
Interest on bank loan and overdrafts	-	-
Interest on other loans	-	-
The Company has no employees		

The auditors, PKF Littlejohn LLP, charge a fixed fee to Nomina Plc for the provision of the audit of the Company. This fee is included within the service fee charged to the Company by Nomina Plc and equates to approximately £105 (2019: £99), (Note 22).

12. Taxation	2020	2019
	£	£
<b>Analysis of charge in year</b>		
Current tax:		
UK corporation tax on profit/(loss) of the year	(1,034)	8,211
Adjustment in respect of previous years	(37)	-
Foreign tax	542	566
Total current tax	(529)	8,777
Deferred tax:		
Origination and reversal of timing differences	(1,236)	(2,579)
Change in tax rate	(1,097)	-
Total deferred tax	(2,333)	(2,579)
Tax on profit/(loss)	(2,862)	6,198

### Factors affecting tax charge for year

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are explained below:

	2020	2019
	£	£
Profit/(loss) before tax	(8,284)	35,922
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(1,574)	6,825
Effects of:		
Adjustment in respect of previous years	(37)	-
Group relief claimed	-	-
Income not taxable	(637)	(737)
Permanent differences	20	26
Foreign tax	542	566
Rate change and other adjustments	(1,176)	(482)
Tax charge/(credit) for the year	(2,862)	6,198

The results of the Company's participation on the 2018, 2019 and 2020 years of account and the calendar year movement on 2017 and prior run-offs will not be assessed to tax until the year ended 31 December 2021, 2022 and 2023 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account.

On 11 March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. The deferred tax balance has been calculated with reference to the substantively enacted rate of 19% as required under FRS 102.

For completeness, an increase in the UK corporation tax rate to 25%, effective 1 April 2023, was announced in the Budget on 3 March 2021 and is expected to be enacted later in 2021. The impact of this proposed corporation tax rate change on the closing deferred tax balance would be immaterial.

# Bernasco Underwriting Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2020

13. Intangible assets	2020	2019
Purchased syndicate capacity	£	£
<b>Cost</b>		
At 1 January	21,603	20,939
Additions	771	664
Disposals	-	-
At 31 December	<u>22,374</u>	<u>21,603</u>
<b>Amortisation</b>		
At 1 January	20,941	20,596
Provided during the year	664	345
Disposals	-	-
At 31 December	<u>21,605</u>	<u>20,941</u>
<b>Net book value</b>		
At 31 December 2020 / 2019	<u>769</u>	<u>662</u>
At 31 December 2019 / 2018	<u>662</u>	<u>343</u>

### 14. Financial investments

The Company categorises its fair value measurement using the following three fair value hierarchy levels based on the reliability of inputs used in determining fair values as follows:

Level 1: The unadjusted quoted price in an active market for identical assets that an entity can access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable (i.e. developed using market data) for the asset, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset.

Financial investments Syndicate	Financial investments held at fair value through profit or loss				Held at amortised cost £	Total £
	Level 1 £	Level 2 £	Level 3 £	Total £		
<b>2020</b>						
Shares and other variable yield securities and units in unit trusts	16,852	37,592	7,501	61,945	-	61,945
Debt securities and other fixed income securities	125,336	226,401	-	351,737	-	351,737
Participation in investment pools	126	467	363	956	-	956
Loans and deposits with credit institutions	464	928	34	1,426	-	1,426
Derivatives	646	405	-	1,051	-	1,051
Other investments	-	-	-	-	-	-
Financial assets classified as held for sale	-	-	-	-	-	-
<b>Fair value</b>	<u>143,424</u>	<u>265,793</u>	<u>7,898</u>	<u>417,115</u>	<u>-</u>	<u>417,115</u>
						<b>Total £</b>
<b>Cost</b>				<u>409,234</u>	<u>-</u>	<u>409,234</u>

# Bernasco Underwriting Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2020

### 14. Financial investments (continued)

Financial investments Syndicate	Financial investments held at fair value through profit or loss				Held at amortised cost £	Total £
	Level 1 £	Level 2 £	Level 3 £	Total £		
<b>2019</b>						
Shares and other variable yield securities and units in unit trusts	23,022	33,536	2,750	59,308	-	59,308
Debt securities and other fixed income securities	88,678	236,712	-	325,390	-	325,390
Participation in investment pools	430	2,567	957	3,954	-	3,954
Loans and deposits with credit institutions	506	835	36	1,377	175	1,552
Derivatives	112	388	-	500	-	500
Other investments	-	2	-	2	-	2
Financial assets classified as held for sale	-	-	-	-	-	-
<b>Fair value</b>	<b>112,748</b>	<b>274,040</b>	<b>3,743</b>	<b>390,531</b>	<b>175</b>	<b>390,706</b>
						<b>Total £</b>
<b>Cost</b>				<b>384,901</b>	<b>175</b>	<b>385,076</b>

Financial investments Corporate	Financial investments held at fair value through profit or loss				Held at amortised cost £	Total £
	Level 1 £	Level 2 £	Level 3 £	Total £		
<b>2020</b>						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
<b>Fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
						<b>Total £</b>
<b>Cost</b>				<b>-</b>	<b>-</b>	<b>-</b>

Financial investments Corporate	Financial investments held at fair value through profit or loss				Held at amortised cost £	Total £
	Level 1 £	Level 2 £	Level 3 £	Total £		
<b>2019</b>						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
<b>Fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
						<b>Total £</b>
<b>Cost</b>				<b>-</b>	<b>-</b>	<b>-</b>

Included within the Corporate figures above are financial investments denominated in non-Sterling currency. The impact of a 5% change in exchange rates between GBP and other currencies would be £nil on shareholders' funds (2019: £nil).

# Bernasco Underwriting Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2020

### 15. Other debtors

	2020			2019		
	Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
Amounts due from group undertakings	-	-	-	-	-	-
Proprietors' loan accounts	-	-	-	-	-	-
Funds at Lloyd's	-	289,333	289,333	-	279,626	279,626
Deferred tax asset (Note 18)	-	4,935	4,935	-	2,764	2,764
Other	11,126	2,008	13,134	18,154	3,921	22,075
	<u>11,126</u>	<u>296,276</u>	<u>307,402</u>	<u>18,154</u>	<u>286,311</u>	<u>304,465</u>

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

Where FAL is comprised of financial investments, to meet Lloyd's requirements these investments will usually be the equivalent of Level 1 as defined in Note 14. FAL are held mainly either in Sterling or US dollar denominations and therefore are potentially exposed to the currency risk of fluctuation between the Sterling and US dollar exchange rate. The maximum exposure to a 5% movement in the Sterling and USD exchange rate will be £14,467 (2019: £13,981).

### 16. Share capital

#### Allotted, called-up and fully paid

	2020		2019	
	Issued	Value £	Issued	Value £
Ordinary £1 shares	112,625	112,625	112,625	112,625

### 17. Profit and loss account

	2020			2019		
	Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
Retained profit/(loss) brought forward	(37,182)	123,102	85,920	(44,135)	99,049	54,914
Reallocate distribution	8,953	(8,953)	-	(28,484)	28,484	-
Profit/(loss) and other comprehensive income for the financial year	(94)	(4,640)	(4,734)	35,437	(4,431)	31,006
Equity dividends	-	-	-	-	-	-
Retained profit/(loss) carried forward	<u>(28,323)</u>	<u>109,509</u>	<u>81,186</u>	<u>(37,182)</u>	<u>123,102</u>	<u>85,920</u>

# Bernasco Underwriting Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2020

### 17. Profit and loss account (continued)

The result for each underwriting year of account is generated over a three year period. These Financial Statements, which cover the period from 1 January 2020 to 31 December 2020, show movements in the first twelve months of the 2020 year of account, the second twelve months of the 2019 year of account and the final twelve months of the 2018 year of account.

Future cash flows will arise when profits/(losses) are distributed/(collected) by Lloyd's after each year of account has closed. Subject to certain conditions, Lloyd's can allow the partial early release of some profits or in the event of an expect loss require advance funding prior to the year of account closing.

The cumulative profit and loss account on all open underwriting years of account is shown in the Balance Sheet under 'Syndicate participation' as detailed in the table below:

	2020	2019
	£	£
Underwriting year of account (cumulative):		
2017 after 36 months	-	(8,953)
2018 after 36 months / 24 months	5,191	(14,244)
2019 after 24 months / 12 months	(11,497)	(13,985)
2020 after 12 months	(22,017)	-
	(28,323)	(37,182)

### 18. Deferred taxation assets/(liabilities)

	2020	2019
	£	£
Opening balance – net	2,764	447
Profit and loss account (charge)/credit	2,333	2,579
Other comprehensive income (charge)/credit	(162)	(262)
Closing balance - net	4,935	2,764

The above net deferred tax position as at the year end is analysed as follows:

	2020	2019
	£	£
Deferred tax asset (Note 15)	4,935	2,764
Deferred tax liability	-	-
Net deferred tax balance	4,935	2,764

The deferred tax balance consists of timing differences relating to the taxation of underwriting results. Deferred tax assets are shown within Other debtors (Note 15).

### 19. Other creditors including taxation and social security

	2020			2019		
	Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
Corporation tax	-	-	-	-	8,211	8,211
Proprietors' loan accounts	-	72,993	72,993	-	51,320	51,320
Third party funds	-	-	-	-	-	-
Other creditors	23,164	-	23,164	19,404	-	19,404
Amount due to group undertakings	-	-	-	-	-	-
	23,164	72,993	96,157	19,404	59,531	78,935

# Bernasco Underwriting Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2020

### 20. Financial liabilities

The Company categorises its fair value measurement using the following three fair value hierarchy levels based on the reliability of inputs used in determining fair values as follows:

Level 1: The unadjusted quoted price in an active market for identical liabilities that an entity can access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable (i.e. developed using market data) for the liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the liability.

Financial liabilities Syndicate	Financial liabilities held at fair value through profit or loss				Held at amortised cost	Total
	Level 1	Level 2	Level 3	Total		
2020	£	£	£	£	£	£
Borrowings	-	-	-	-	-	-
Derivative liabilities	297	-	-	297	-	297
Financial liabilities classified as held for sale	-	-	-	-	-	-
<b>Fair value</b>	<b>297</b>	<b>-</b>	<b>-</b>	<b>297</b>	<b>-</b>	<b>297</b>

Financial liabilities Syndicate	Financial liabilities held at fair value through profit or loss				Held at amortised cost	Total
	Level 1	Level 2	Level 3	Total		
2019	£	£	£	£	£	£
Borrowings	-	-	-	-	-	-
Derivative liabilities	295	-	-	295	-	295
Financial liabilities classified as held for sale	-	-	-	-	-	-
<b>Fair value</b>	<b>295</b>	<b>-</b>	<b>-</b>	<b>295</b>	<b>-</b>	<b>295</b>

All other financial liabilities of the syndicate participation, including creditors arising out of direct insurance operations, creditors arising out of reinsurance operations and other creditors, are measured at amortised cost.

#### Financial liabilities - Corporate

All corporate financial liabilities are measured at amortised cost.

### 21. Dividends

	2020	2019
	£	£
Equity dividends declared and paid	-	-

### 22. Related party transactions

Nomina plc, a Director of the Company, provides administration services to the Company. Nomina plc charged a management fee of £3,000 (2019: £2,900) to cover all the costs of basic administration of the Company.

### 23. Ultimate controlling party

The Company is controlled by J G Bernasconi.

# Bernasco Underwriting Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2020

### 24. Syndicate participation

The principal syndicates or members' agent pooling arrangements ("MAPA") in which the Company participates as an underwriting member are as follows:

Syndicate or MAPA number	Managing agent	2021 Allocated capacity £	2020 Allocated capacity £	2019 Allocated capacity £	2018 Allocated capacity £
218	ERS Syndicate Management Limited	7,405	7,405	7,405	7,405
2791	Managing Agency Partners Limited	17,099	17,099	17,099	17,099
6103	Managing Agency Partners Limited	-	5,221	5,000	5,000
6117	Argo Managing Agency Limited	-	16,804	20,000	20,000
7200	Members' Agents Pooling Arrangement	54,722	49,272	44,481	44,481
7201	Members' Agents Pooling Arrangement	283,173	253,356	235,617	235,617
7202	Members' Agents Pooling Arrangement	100,354	89,582	82,089	82,089
7203	Members' Agents Pooling Arrangement	16,505	14,714	13,717	13,717
7227	Members' Agents Pooling Arrangement	-	2,203	2,203	1,259