Company registration number: 3640182

Courage Underwriting Limited

Annual Report and Financial Statements
31 December 2016

Courage Underwriting Limited

Contents

Courage Underwriting Limited

Company Information

Directors	Walter James Courage Nomina Plc Camilla Tanier Stanier
Company Secretary	Hampden Legal Plc
Registered Office	5th Floor, 40 Gracechurch Street London EC3V 0BT
Auditors	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD
Solicitors	Jones Day 21 Tudor Street London EC4Y 0DJ

Courage Underwriting Limited

Report of the Directors

The Directors present their Report together with the audited Financial Statements of the Company for the year ended 31 December 2016.

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 2017 and the Directors expect this year's result to be profitable.

Results and dividends

The results for the year are set out on pages 7 to 8 of the Financial Statements. Dividends totalling £nil were paid in the year (2015: £nil).

Directors

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

Walter James Courage
Nomina Plc
Camilla Tanier Stanier

Directors' Responsibilities Statement

The Directors are responsible for preparing the Report of the Directors, the Strategic 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 elected to prepare the Financial Statements in accordance with United Kingdom Accounting Standards and applicable law (UK 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 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 9 August 2017 and signed on its behalf by:

Hampden legal Plc

Hampden Legal Plc
Secretary

Courage Underwriting Limited

Strategic Report

The Directors present their Strategic Report for the year ended 31 December 2016

Business review and future developments

The Financial Statements incorporate the annual accounting results of the syndicates on which the Company participates for the 2014, 2015 and 2016 years of account, as well as any prior run-off years. The 2014 year closed at 31 December 2016 with a result of £113,480 (2013: £98,990). The 2015 and 2016 open underwriting accounts will normally close at 31 December 2017 and 2018

Key performance indicators

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

	2016	2015
Capacity (youngest underwriting year)	734,238	702,852
Gross premium written as a % of capacity	103.4%	91.8%
Underwriting profit of latest closed year:		
as a % of capacity	15.4%	14.4%
Run-off years of account movement	-	-

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, including employment of syndicate staff, as these are the responsibility of the relevant managing agent. Each managing agent will also have responsibility for the environmental activities of each syndicate, although by their nature, insurers do not produce significant environmental emissions. As a result, 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 4, 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.

Impact of Brexit vote

Following the referendum vote for the United Kingdom to leave the EU, Lloyd's has been working together with market members to prepare for changes that are likely to arise as a result of leaving the EU. Lloyd's have noted that, although only around 11% of the market's gross written premiums arise from the EU excluding the UK, they are making preparations to maintain access to the insurance market in the EU. At this time the details of future trading with the EU in general and the impact on the Lloyd's market cannot be known, although these uncertainties, together with related economic factors including exchange rates and investment values, may have an impact on results for several years. The Directors are monitoring the Lloyd's market's preparations 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 9 August 2017 and signed on its behalf by:

Hampden Legal Plc

Hampden Legal Plc
Secretary

Independent Auditor's Report to the Members of Courage Underwriting Limited

We have audited the Financial Statements of Courage Underwriting Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Company's Members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's Members those matters we are required to state to them in an 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.

Respective responsibilities of Directors and Auditor

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. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the Financial Statements:
- give a true and fair view of the state of the Company's affairs as at 31 December 2016 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.

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for 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.

Carmine Papa

Carmine Papa (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditor
9 August 2017

1 Westferry Circus
Canary Wharf
London
E14 4HD

Courage Underwriting Limited

Profit and Loss Account
Technical Account – General Business
for the year ended 31 December 2016

	Note		2016 £		2015 £
Premiums written					
Gross premiums written	5,6		759,151		645,403
Outward reinsurance premiums			(161,126)		(113,705)
Net premiums written			598,025		531,698
Change in the provision for unearned premiums	7				
Gross provision			(35,187)		(28,093)
Reinsurers' share			6,891		5,996
Net change in the provision for unearned premiums			(28,296)		(22,097)
Earned premiums, net of reinsurance			569,729		509,601
Allocated investment return transferred from the non-technical account			15,235		6,891
Other technical income, net of reinsurance			-		-
Total technical income			584,964		516,492
Claims paid					
Gross amount		(292,188)		(265,497)	
Reinsurers' share		37,433		53,483	
Net claims paid		(254,755)		(212,014)	
Change in the provision for claims					
Gross amount		(95,357)		13,833	
Reinsurers' share		38,566		(19,521)	
Change in the net provision for claims	7	(56,791)		(5,688)	
Claims incurred, net of reinsurance			(311,546)		(217,702)
Changes in other technical provisions, net of reinsurance			(657)		1,156
Net operating expenses	8		(266,648)		(231,976)
Other technical charges, net of reinsurance			-		-
Balance on the technical account for general business			6,113		67,970

The Notes are an integral part of these Financial Statements.

Courage Underwriting Limited

Profit and Loss Account
Non - Technical Account
for the year ended 31 December 2016

	Note	2016 £	2015 £
Balance on technical account for general business		6,113	67,970
Investment income	9	29,692	24,725
Unrealised gains on investments	9	60,897	24,064
Investment expenses and charges	9	(7,120)	(6,414)
Unrealised losses on investments	9	(23,920)	(24,015)
Allocated investment return transferred to the general business technical account		(15,235)	(6,891)
Other income		(339)	(421)
Other charges		23,904	(2,407)
Profit/(loss) before taxation	10	73,992	76,611
Tax on profit/(loss)	11	(13,583)	(9,013)
Profit/(loss) for the financial year		60,409	67,598

Statement of Comprehensive Income

		2016 £	2015 £
Profit/(loss) for the financial year		60,409	67,598
Other comprehensive income:			
Currency translation differences		11,861	3,536
Tax on other comprehensive income		(2,254)	(672)
Other comprehensive income for the year, net of tax		9,607	2,864
Total comprehensive income for the financial year	16	70,016	70,462

All amounts relate to continuing operations.

The Notes are an integral part of these Financial Statements.

Courage Underwriting Limited

Balance Sheet
as at 31 December 2016

		31 December 2016			31 December 2015		
	Note	Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
Assets							
Intangible assets	12	-	2,014	2,014	-	289	289
Investments							
Financial investments	13	861,327	26,000	887,327	733,188	26,000	759,188
Deposits with ceding undertakings		56	-	56	47	-	47
		861,383	26,000	887,383	733,235	26,000	759,235
Reinsurers' share of technical provisions							
Provision for unearned premiums	7	56,371	-	56,371	41,450	-	41,450
Claims outstanding	7	211,204	-	211,204	148,432	-	148,432
Other technical provisions		498	-	498	1,156	-	1,156
		268,073	-	268,073	191,038	-	191,038
Debtors							
Arising out of direct insurance operations							
- Policyholders		10	-	10	4	-	4
- Intermediaries		171,739	-	171,739	136,508	-	136,508
Arising out of reinsurance operations		285,935	-	285,935	258,102	-	258,102
Other debtors	14	81,053	330,398	411,451	60,632	283,875	344,507
		538,737	330,398	869,135	455,246	283,875	739,121
Other assets							
Cash at bank and in hand		49,772	90,102	139,874	39,336	54,719	94,055
Other		54,993	-	54,993	39,896	-	39,896
		104,765	90,102	194,867	79,232	54,719	133,951
Prepayments and accrued income							
Accrued interest		1,369	-	1,369	1,069	-	1,069
Deferred acquisition costs	7	119,559	-	119,559	103,266	-	103,266
Other prepayments and accrued income		2,708	-	2,708	2,279	-	2,279
		123,636	-	123,636	106,614	-	106,614
Total assets		1,896,594	448,514	2,345,108	1,565,365	364,883	1,930,248

The Notes are an integral part of these Financial Statements.

Courage Underwriting Limited

Balance Sheet
as at 31 December 2016

		31 December 2016			31 December 2015		
	Note	Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
Liabilities and shareholders' funds							
Capital and reserves							
Called up share capital	15	-	290	290	-	290	290
Share premium account		-	-	-	-	-	-
Profit and loss account	16	117,928	288,916	406,844	146,719	190,109	336,828
Shareholders' funds		117,928	289,206	407,134	146,719	190,399	337,118
Technical provisions							
Provision for unearned premiums	7	407,764	-	407,764	329,077	-	329,077
Claims outstanding – gross amount	7	1,099,002	-	1,099,002	875,431	-	875,431
Other technical provisions		-	-	-	-	-	-
		1,506,766	-	1,506,766	1,204,508	-	1,204,508
Provisions for other risks and charges							
Deferred taxation	17	-	49,082	49,082	-	60,212	60,212
Other		-	-	-	-	-	-
		-	49,082	49,082	-	60,212	60,212
Deposits received from reinsurers		1,070	-	1,070	698	-	698
Creditors							
Arising out of direct insurance operations		19,089	-	19,089	20,174	-	20,174
Arising out of reinsurance operations		128,307	-	128,307	107,605	-	107,605
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors including taxation and social security	18	120,755	81,642	202,397	86,129	83,657	169,786
		268,151	81,642	349,793	213,908	83,657	297,565
Accruals and deferred income		2,679	28,584	31,263	(468)	30,615	30,147
Total liabilities		1,778,666	159,308	1,937,974	1,418,646	174,484	1,593,130
Total liabilities and shareholders' funds		1,896,594	448,514	2,345,108	1,565,365	364,883	1,930,248

The Financial Statements were approved and authorised for issue by the Board of Directors on 9 August 2017 and signed on its behalf by:

Jeremy Evans, for and on behalf of Nomina Plc
Director

Company registration number: 3640182

The Notes are an integral part of these Financial Statements.

Courage Underwriting Limited

Statement of Changes in Shareholders' Equity
for the year ended 31 December 2016

	Note	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2015		290	-	266,366	266,656
Total comprehensive income for the year:					
Profit/(loss) for the financial year		-	-	67,598	67,598
Other comprehensive income for the year		-	-	2,864	2,864
Total comprehensive income for the year		-	-	70,462	70,462
Transactions with owners:					
Dividends paid	16,20	-	-	-	-
Proceeds from issue of shares	15	-	-	-	-
Total transactions with owners		-	-	-	-
At 31 December 2015		290	-	336,828	337,118
At 1 January 2016		290	-	336,828	337,118
Total comprehensive income for the year:					
Profit/(loss) for the financial year		-	-	60,409	60,409
Other comprehensive income for the year		-	-	9,607	9,607
Total comprehensive income for the year		-	-	70,016	70,016
Transactions with owners:					
Dividends paid	16,20	-	-	-	-
Proceeds from issue of shares	15	-	-	-	-
Total transactions with owners		-	-	-	-
At 31 December 2016		290	-	406,844	407,134

The Notes are an integral part of these Financial Statements.

Courage Underwriting Limited

Statement of Cash Flows
for the year ended 31 December 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit/(loss) before tax	73,992	76,611
Deduction of (profit)/loss attributed to syndicate transactions	(59,030)	(87,002)
Distribution/(collection) of closed year result from/(to) syndicates	99,682	94,492
Profit/(loss) excluding syndicate transactions	114,644	84,101
Adjustments for:		
(Increase)/decrease in debtors	(46,523)	(11,031)
Increase/(decrease) in creditors	(22,032)	(38,405)
(Profit)/loss on disposal of intangible assets	339	421
Amortisation of syndicate capacity	-	2,135
Investment income	(9,369)	(7,961)
Realised/unrealised (gains)/losses on investments	1	-
Income tax paid	(8,982)	(948)
Net cash inflow/(outflow) from operating activities	28,078	28,312
Cash flows from investing activities		
Investment income	9,369	7,961
Purchase of syndicate capacity	(2,014)	(244)
Proceeds from sale of syndicate capacity	(50)	-
Purchase of investments	-	(26,000)
Proceeds from sale of investments	-	-
Net cash inflow/(outflow) from investing activities	7,305	(18,283)
Cash flows from financing activities		
Equity dividends paid	-	-
Issue of shares	-	-
Net cash inflow/(outflow) from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	35,383	10,029
Cash and cash equivalents at beginning of year	54,719	44,690
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at end of year	90,102	54,719

Cash and cash equivalents comprise:		
Cash at bank and in hand	90,102	54,719
Other financial investments	-	-
Cash and cash equivalents	90,102	54,719

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.

The Notes are an integral part of these Financial Statements.

1. General information

The Company is a private company limited by shares that was incorporated in England 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. Accounting policies

Basis of preparation

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.

Transition to FRS 102 and FRS 103

The Financial Statements for the year ended 31 December 2015 were the first Financial Statements that complied with FRS 102 and FRS 103. The date of transition was 1 January 2014 and the comparative figures in the 2015 Financial Statements were restated accordingly The transition has resulted in a small number of changes in accounting policies to those used previously.

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 are prepared under the historical cost basis of accounting modified to include the revaluation through profit and loss of certain financial instruments held at fair value through profit or loss.

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

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

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

2. Accounting policies (continued)

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.

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.

2. Accounting policies (continued)

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.

2. 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.

2. 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 2 (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.

2. 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.

3. 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 4.

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.

3. 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.

4. 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 23.

Impact of Brexit vote:
The Brexit vote will have an impact on various risk factors, including currency risks. The Lloyd's market is in the process of developing a strategy for dealing with Brexit and 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 7 provides further analysis of sensitivities to reserving and underwriting risks.

4. 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:

2016	No stated maturity £	0-1 year £	1-3 years £	3-5 years £	>5 years £	Total £
Claims outstanding	(652)	360,474	418,633	161,812	158,735	1,099,002

2015	No stated maturity £	0-1 year £	1-3 years £	3-5 years £	>5 years £	Total £
Claims outstanding	10,753	271,351	311,405	142,600	139,322	875,431

ii. Credit risk

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

2016	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
Financial investments	158,566	267,591	237,087	104,261	93,822	861,327
Deposits with ceding undertakings	-	-	-	-	56	56
Reinsurers share of claims outstanding	(9,147)	62,349	133,838	2,848	6,551	196,439
Reinsurance debtors	1,396	3,551	4,434	474	453	10,308
Cash at bank and in hand	5	14,765	29,410	5,584	8	49,772
	150,820	348,256	404,769	113,167	100,890	1,117,902

2015	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
Financial investments	176,129	221,487	205,478	72,764	57,330	733,188
Deposits with ceding undertakings	-	-	-	-	47	47
Reinsurers share of claims outstanding	4,487	57,040	81,154	1,131	4,223	148,035
Reinsurance debtors	18,213	117,675	39,768	526	266	176,448
Cash at bank and in hand	16,095	2,056	17,212	3,973	-	39,336
	214,924	398,258	343,612	78,394	61,866	1,097,054

4. 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:

2016	Neither past due nor impaired £	Past due but not impaired: Less than 6 months £	Past due but not impaired: Between 6 months and 1 year £	Past due but not impaired: Greater than 1 year £	Impaired £	Total £
Financial investments	861,327	-	-	-	-	861,327
Deposits with ceding undertakings	56	-	-	-	-	56
Reinsurers share of claims outstanding	196,439	14,765	-	-	-	211,204
Reinsurance debtors	10,308	2,072	181	263	288	13,112
Cash at bank and in hand	49,772	-	-	-	-	49,772
Insurance and other debtors	632,057	12,478	4,246	5,524	(89)	654,216
	1,749,959	29,315	4,427	5,787	199	1,789,687

2015	Neither past due nor impaired £	Past due but not impaired: Less than 6 months £	Past due but not impaired: Between 6 months and 1 year £	Past due but not impaired: Greater than 1 year £	Impaired £	Total £
Financial investments	733,188	-	-	-	-	733,188
Deposits with ceding undertakings	47	-	-	-	-	47
Reinsurers share of claims outstanding	148,035	538	1	-	(142)	148,432
Reinsurance debtors	176,448	14,125	1,153	218	259	192,203
Cash at bank and in hand	39,336	-	-	-	-	39,336
Insurance and other debtors	185,158	6,449	1,628	2,049	(89)	195,195
	1,282,212	21,112	2,782	2,267	28	1,308,401

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:

2016	GBP £ converted	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
Total assets	275,208	1,243,667	107,369	162,732	107,618	1,896,594
Total liabilities	(391,626)	(1,096,747)	(105,271)	(107,690)	(77,332)	(1,778,666)
Surplus/(deficiency) of assets	(116,418)	146,920	2,098	55,042	30,286	117,928

4. Risk management (continued)

Syndicate risks (continued)

iv. Currency risk (continued)

2015	GBP £ converted	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
Total assets	329,462	999,558	91,624	95,145	49,576	1,565,365
Total liabilities	(387,265)	(860,683)	(80,295)	(58,019)	(32,384)	(1,418,646)
Surplus/(deficiency) of assets	(57,803)	138,875	11,329	37,126	17,192	146,719

The impact of a 5% change in exchange rates between GBP and other currencies would be £11,717 on shareholders' funds (2015: £10,226).

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 13 and 14 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.

5. Class of business

2016	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Net operating expenses £	Reinsurance balance £	Total £
Direct insurance						
Accident and health	27,146	27,430	(13,604)	(13,784)	(550)	(508)
Motor – third party liability	3,323	3,353	(2,060)	(1,303)	(57)	(67)
Motor – other classes	39,680	37,911	(36,251)	(13,767)	8,306	(3,801)
Marine, aviation and transport	59,938	61,745	(34,509)	(26,012)	(1,455)	(231)
Fire and other damage to property	165,405	160,744	(74,090)	(61,169)	(19,159)	6,326
Third party liability	171,724	155,083	(91,965)	(57,600)	(5,288)	230
Credit and suretyship	24,537	21,485	(9,948)	(12,630)	(1,050)	(2,143)
Legal expenses	1,078	1,006	(644)	(561)	-	(199)
Assistance	-	-	-	-	-	-
Miscellaneous	6,060	6,354	(2,468)	(2,686)	(466)	734
Total direct	498,891	475,111	(265,539)	(189,512)	(19,719)	341
Reinsurance inwards	260,260	248,853	(122,006)	(77,136)	(58,517)	(8,806)
Total	759,151	723,964	(387,545)	(266,648)	(78,236)	(8,465)

2015	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Net operating expenses £	Reinsurance balance £	Total £
Direct insurance						
Accident and health	25,383	24,516	(10,834)	(12,117)	(1,293)	272
Motor – third party liability	2,917	2,748	(1,838)	(1,122)	220	8
Motor – other classes	34,491	32,107	(23,249)	(10,691)	(329)	(2,162)
Marine, aviation and transport	60,745	63,570	(22,413)	(26,266)	(7,089)	7,802
Fire and other damage to property	152,585	138,139	(48,303)	(55,289)	(21,519)	13,028
Third party liability	130,179	121,062	(68,999)	(44,190)	(3,361)	4,512
Credit and suretyship	19,897	14,710	(6,075)	(7,272)	(1,476)	(113)
Legal expenses	1,201	1,548	(550)	(820)	(22)	156
Assistance	-	-	-	-	-	-
Miscellaneous	7,622	6,907	(2,974)	(2,893)	(748)	292
Total direct	435,020	405,307	(185,235)	(160,660)	(35,617)	23,795
Reinsurance inwards	210,383	212,003	(66,429)	(71,316)	(38,130)	36,128
Total	645,403	617,310	(251,664)	(231,976)	(73,747)	59,923

6. Geographical analysis

	2016 £	2015 £
Direct gross premium written in:		
United Kingdom	498,891	354,861
Other EU Member States	-	4,949
Rest of the World	-	75,210
	498,891	435,020

7. Technical provisions

Movement in claims outstanding	Gross £	Reinsurance £	2016 Net £	Gross £	Reinsurance £	2015 Net £
At 1 January	875,431	148,432	726,999	883,142	166,685	716,457
Movement of reserves	95,357	38,566	56,791	(13,833)	(19,521)	5,688
Other movements	128,214	24,206	104,008	6,122	1,268	4,854
At 31 December	1,099,002	211,204	887,798	875,431	148,432	726,999

Movement in unearned premiums	Gross £	Reinsurance £	2016 Net £	Gross £	Reinsurance £	2015 Net £
At 1 January	329,077	41,450	287,627	290,813	26,476	264,337
Movement of reserves	35,187	6,891	28,296	28,093	5,996	22,097
Other movements	43,500	8,030	35,470	10,171	8,978	1,193
At 31 December	407,764	56,371	351,393	329,077	41,450	287,627

Movement in deferred acquisition costs	2016 Net £	2015 Net £
At 1 January	103,266	83,376
Movement in deferred acquisition costs	4,859	17,613
Other movements	11,434	2,277
At 31 December	119,559	103,266

Included within other movements are foreign exchange movements and the effect of the 2013 and prior years' technical provisions being reinsured to close into the 2014 year of account (2015: 2012 and prior years' technical provisions being reinsured to close into the 2013 year of account), to the extent where the Company's syndicate participation portfolio has changed between those two years of account.

7. Technical provisions (continued)

Assumptions, changes in assumptions and sensitivity

As described in Note 4 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 2016.

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 £28,486 (2015: £25,480);
- a 5% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the Company's pre-tax profit/loss by £54,950 (2015: £43,772);
- a 5% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Company's pre-tax profit/loss by £44,390 (2015: £36,350).

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

The historical gross and net claims development is as follows:

Claims development - Gross

Underwriting pure year	After 12 months £	After 24 months £	After 36 months £	Profit/(loss) on RITC received £
2012	243,288	352,311	345,811	39,585
2013	187,929	322,160	315,531	31,015
2014	203,231	343,390	356,703	-
2015	197,026	370,776		
2016	251,149	-		

Claims development - Net

Underwriting pure year	After 12 months £	After 24 months £	After 36 months £	Profit/(loss) on RITC received £
2012	198,621	296,347	294,912	38,127
2013	160,312	279,563	271,273	33,554
2014	173,309	299,704	310,616	-
2015	168,766	316,824		
2016	200,251	-		

8. Net operating expenses

	2016	2015
	£	£
Acquisition costs	183,157	174,171
Change in deferred acquisition costs	(4,859)	(17,613)
Administrative expenses	88,350	75,458
Loss/(profit) on exchange	-	(40)
	266,648	231,976

9. Investment return

	2016	2015
	£	£
Investment income	13,178	11,868
Dividend income	7,633	8,045
Interest on cash at bank	649	413
Other interest and similar income	1,708	998
Realised gains on investments	6,524	3,401
Investment income	29,692	24,725
Investment management expenses	(1,307)	(1,112)
Realised losses on investments	(5,813)	(5,302)
Investment expenses and charges	(7,120)	(6,414)
Unrealised gains and losses, net	36,977	49
Total investment return	59,549	18,360

Analysed as follows:

	Investments at fair value through profit or loss	Investments available for sale	2016 Total	Investments at fair value through profit or loss	Investments available for sale	2015 Total
	£	£	£	£	£	£
Realised gains and losses	711	-	711	(1,895)	(6)	(1,901)
Unrealised gains and losses	36,977	-	36,977	55	(6)	49
Other relevant income	-	-	-	-	-	-
	37,688	-	37,688	(1,840)	(12)	(1,852)
Interest and similar income, net of expenses			21,861			20,212
Total investment return			59,549			18,360

10. Profit/(loss) before taxation	**2016**	**2015**
	£	**£**
This is stated after charging.		
Key management personnel remuneration	-	-
Amortisation of syndicate capacity	-	2,135
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 £72 (2015: £74).

11. Taxation	**2016**	**2015**
	£	**£**
Analysis of charge in year		
Current tax:		
UK corporation tax on profit/(loss) of the year	26,452	8,466
Adjustment in respect of previous years	(235)	(1,239)
Foreign tax	750	956
Total current tax	26,967	8,183
Deferred tax:		
Origination and reversal of timing differences	(13,384)	3,765
Change in tax rate	-	(2,935)
Total deferred tax	(13,384)	830
Tax on profit/(loss)	13,583	9,013

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 20.00% (2015: 20.25%) The differences are explained below:

Profit/(loss) before tax	73,992	76,611
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	14,798	15,514
Effects of:		
Adjustment in respect of previous years	(235)	(1,239)
Group relief claimed	-	-
Income not taxable	(1,473)	(1,593)
Permanent differences	164	460
Foreign tax	750	956
Rate change and other adjustments	(421)	(5,085)
Tax on charge/(credit) for the year	13,583	9,013

The results of the Company's participation on the 2014, 2015 and 2016 years of account and the calendar year movement on 2013 and prior run-offs will not be assessed to tax until the year ended 31 December 2017, 2018 and 2019 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account.

12. Intangible assets

Purchased syndicate capacity	2016 £	2015 £
Cost		
At 1 January	31,720	31,906
Additions	2,014	244
Disposals	(300)	(430)
At 31 December	33,434	31,720
Amortisation		
At 1 January	31,431	29,296
Provided during the year	-	2,135
Disposals	(11)	-
At 31 December	31,420	31,431
Net book value		
At 31 December 2016 / 2015	2,014	289
At 31 December 2015 / 2014	289	2,610

13. Financial investments

The Company early adopted as of 1 January 2016 the amendments of FRS 102 made in March 2016 and effective for accounting periods beginning on or after 1 January 2017.

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		
2016	£	£	£	£	£	£
Shares and other variable yield securities and units in unit trusts	40,940	95,085	20	136,045	-	136,045
Debt securities and other fixed income securities	204,884	492,098	-	696,982	-	696,982
Participation in investment pools	3,587	4,677	6,628	14,892	-	14,892
Loans and deposits with credit institutions	8,185	2,857	321	11,363	-	11,363
Derivatives	1,125	915	-	2,040	-	2,040
Other investments	-	-	5	5	-	5
Financial assets classified as held for sale	-	-	-	-	-	-
Fair value	258,721	595,632	6,974	861,327	-	861,327

			Total £
Cost	852,447	-	852,447

13. Financial investments (continued)

Financial investments Syndicate	**Financial investments held at fair value through profit or loss**				**Held at amortised**	
	Level 1	**Level 2**	**Level 3**	**Total**	**cost**	**Total**
2015	**£**	**£**	**£**	**£**	**£**	**£**
Shares and other variable yield securities and units in unit trusts	35,185	70,003	8,515	113,703	-	113,703
Debt securities and other fixed income securities	192,947	246,094	117,074	556,115	-	556,115
Participation in investment pools	1,372	2,635	6,169	10,176	-	10,176
Loans and deposits with credit institutions	38,253	9,224	5,351	52,828	-	52,828
Derivatives	42	-	315	357	-	357
Other investments	-	-	9	9	-	9
Financial assets classified as held for sale	-	-	-	-	-	-
Fair value	267,799	327,956	137,433	733,188	-	733,188
						Total
						£
Cost				731,471	-	731,471

Financial investments Corporate	**Financial investments held at fair value through profit or loss**				**Held at amortised**	
	Level 1	**Level 2**	**Level 3**	**Total**	**cost**	**Total**
2016	**£**	**£**	**£**	**£**	**£**	**£**
Shares and other variable yield securities and units in unit trusts	-	26,000	-	26,000	-	26,000
Debt securities and other fixed income securities	-	-	-	-	-	-
Fair value	-	26,000	-	26,000	-	26,000
						Total
						£
Cost				26,000	-	26,000

Financial investments Corporate	**Financial investments held at fair value through profit or loss**				**Held at amortised**	
	Level 1	**Level 2**	**Level 3**	**Total**	**cost**	**Total**
2015	**£**	**£**	**£**	**£**	**£**	**£**
Shares and other variable yield securities and units in unit trusts	-	26,000	-	26,000	-	26,000
Debt securities and other fixed income securities	-	-	-	-	-	-
Fair value	-	26,000	-	26,000	-	26,000
						Total
						£
Cost				26,000	-	26,000

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 (2015. £nil).

14. Other debtors

	Syndicate participation £	Corporate £	2016 Total £	Syndicate participation £	Corporate £	2015 Total £
Amounts due from group undertakings	-	-	-	-	-	-
Proprietors' loan accounts	-	-	-	-	-	-
Funds at Lloyd's	-	330,398	330,398	-	283,875	283,875
Deferred tax asset (Note 17)	-	-	-	-	-	-
Other	81,053	-	81,053	60,632	-	60,632
	81,053	330,398	411,451	60,632	283,875	344,507

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. The Company's underwriting is supported by assets made available to it by the shareholders of the Company.

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 13. 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 £16,520 (2015: £14,194).

15. Share capital

Allotted, called-up and fully paid	2016 Issued	2016 Value £	2015 Issued	2015 Value £
Ordinary £1 shares	290	290	290	290

16. Profit and loss account

	Syndicate participation £	Corporate £	2016 Total £	Syndicate participation £	Corporate £	2015 Total £
Retained profit/(loss) brought forward	146,719	190,109	336,828	150,673	115,693	266,366
Reallocate distribution	(99,682)	99,682	-	(94,492)	94,492	-
Profit/(loss) and other comprehensive income for the financial year	70,891	(875)	70,016	90,538	(20,076)	70,462
Equity dividends	-	-	-	-	-	-
Retained profit/(loss) carried forward	117,928	288,916	406,844	146,719	190,109	336,828

16. 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 2016 to 31 December 2016, show movements in the first twelve months of the 2016 year of account, the second twelve months of the 2015 year of account and the final twelve months of the 2014 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:

	2016	2015
Underwriting year of account (cumulative):	£	£
2013 after 36 months	-	98,990
2014 after 36 months / 24 months	113,480	52,181
2015 after 24 months / 12 months	39,418	(4,452)
2016 after 12 months	(34,970)	-
	117,928	146,719

17. Deferred taxation assets/(liabilities)

	2016	2015
	£	£
Opening balance	(60,212)	(58,710)
Profit and loss account (charge)/credit	13,384	(830)
Other comprehensive income (charge)/credit	(2,254)	(672)
Closing balance	(49,082)	(60,212)

The deferred tax balance consists of timing differences relating to the taxation of underwriting results. Deferred tax assets are shown within Other debtors (Note 14).

18. Other creditors including taxation and social security

			2016			2015
	Syndicate participation	Corporate	Total	Syndicate participation	Corporate	Total
	£	£	£	£	£	£
Corporation tax	-	26,452	26,452	-	8,466	8,466
Proprietors' loan accounts	-	55,190	55,190	-	75,190	75,190
Third party funds	-	-	-	-	-	-
Other creditors	120,755	-	120,755	86,129	1	86,130
Amount due to group undertakings	-	-	-	-	-	-
	120,755	81,642	202,397	86,129	83,657	169,786

19. Financial liabilities

The Company early adopted as of 1 January 2016 the amendments of FRS 102 made in March 2016 and effective for accounting periods beginning on or after 1 January 2017.

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**	
	Level 1	**Level 2**	**Level 3**	**Total**	**cost**	**Total**
2016	**£**	**£**	**£**	**£**	**£**	**£**
Borrowings	-	-	-	-	-	-
Derivative liabilities	855	84	-	939	-	939
Financial liabilities classified as held for sale	-	-	-	-	-	-
Fair value	855	84	-	939	-	939

Financial liabilities Syndicate	**Financial liabilities held at fair value through profit or loss**				**Held at amortised**	
	Level 1	**Level 2**	**Level 3**	**Total**	**cost**	**Total**
2015	**£**	**£**	**£**	**£**	**£**	**£**
Borrowings	-	-	-	-	-	-
Derivative liabilities	86	-	487	573	-	573
Financial liabilities classified as held for sale	-	-	-	-	-	-
Fair value	86	-	487	573	-	573

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.

20. Dividends

	2016	**2015**
	£	**£**
Equity dividends declared and paid	-	-

21. Related party transactions

Nomina plc, a Director of the Company, provides administration services to the Company Nomina plc charged a management fee of £2,900 (2015: £2,900) to cover all the costs of basic administration of the Company.

22. Ultimate controlling party

The Company is controlled by W J Courage and C T Stainer.

23. 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	2017 Allocated capacity £	2016 Allocated capacity £	2015 Allocated capacity £	2014 Allocated capacity £
1729	Asta Managing Agency Limited	15,000	17,535	14,612	14,612
1910	Asta Managing Agency Limited	-	18,969	-	-
2014	Pembroke Managing Agency Limited	30,000	40,000	40,000	39,203
2689	Asta Managing Agency Limited	28,139	-	-	-
2988	Brit Syndicates Limited	22,998	-	-	-
5820	ANV Syndicates Limited	-	10,000	24,305	24,305
5886	Asta Managing Agency Limited	10,270	-	-	-
6104	Hiscox Syndicates Limited	21,469	21,469	25,000	25,000
6111	Catlin Underwriting Agencies Limited	-	22,927	20,657	20,981
6117	Asta Managing Agency Limited	40,000	28,445	20,980	31,779
7200	Members' Agents Pooling Arrangement	76,192	71,983	70,365	72,988
7201	Members' Agents Pooling Arrangement	406,739	370,842	359,968	376,859
7202	Members' Agents Pooling Arrangement	141,366	130,276	126,009	132,619
7227	Members' Agents Pooling Arrangement	1,792	1,792	956	-