

**Company registration number: 3829481**

**Llewellyn House Underwriting Limited**

**Report and financial statements  
31 December 2016**

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# **Llewellyn House Underwriting Limited**

## **Company information**

### **Directors**

Mr J E Sparkes  
Miss A S J Sparkes  
Mr A W Tucker

### **Company Secretary**

Argenta Secretariat Limited

### **Registered Office**

5<sup>th</sup> Floor  
70 Gracechurch Street  
London  
EC3V 0XL

### **Auditors**

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

### **Accountants**

Argenta Tax & Corporate Services Limited  
5<sup>th</sup> Floor  
70 Gracechurch Street  
London EC3V 0XL

# Llewellyn House Underwriting Limited

## Strategic Report

The Directors submit their Strategic Report for the Company for the year ended 31 December 2016.

### Business Review

The Company continues to write insurance business in the Lloyd's insurance market as a Lloyd's corporate capital member.

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 2013 and prior run-off years. The 2014 year closed at 31 December 2016 with a result of £65,241 (2013 - £62,480). The 2015 and 2016 open underwriting accounts will normally close at 31 December 2017 and 2018 respectively.

### Results and Dividends

The results for the year are set out on pages 7 to 8 of the financial statements. Dividends totalling £25,000 were paid in the year (2015 - £57,500).

### Financial Risk Management Objectives and Policies

The Company is principally exposed to financial risk through its participation on Lloyd's Syndicates. It has delegated sole management and control of its underwriting through each Syndicate to the managing agent of that Syndicate and it looks to the managing agents to implement appropriate policies, procedures and internal controls to manage each Syndicate's exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The Company is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the Company.

Hedge accounting is not used by the Company.

### Key Performance Indicators

	2016	2015
Capacity (youngest underwriting year)	£ 520,004	£ 497,516
Gross premium written as a % of capacity	86.9%	81.3%
Underwriting profit of latest closed year:		
as a % of capacity	12.2%	12.3%
Run-off years of account movement	£ -	£ -
Combined ratio	97.3%	89.5%

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

Approved by the Board on  
and signed on its behalf by:

19/06/2017



J E SPARKES

Director

# **Llewellyn House Underwriting Limited**

## **Report of the Directors**

The Directors submit 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 underwrite for the 2017 year of account.

### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the 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 these 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 UK 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 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.

### **Directors**

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

Mr J E Sparkes  
Miss A S J Sparkes  
Mr A W Tucker

## **Llewellyn House Underwriting Limited**

### **Report of the Directors (continued)**

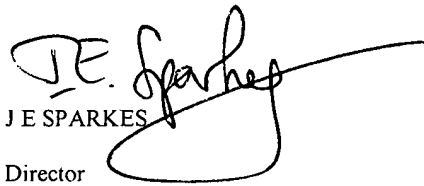
#### **Auditors**

Mazars LLP have signified their willingness to act and continue to be appointed as the Company's auditors.

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

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

Approved by the Board on 19/06/2017  
and signed on its behalf by:

  
J E SPARKES  
Director

# **Llewellyn House Underwriting Limited**

## **Independent Auditor's report**

### **Independent auditor's report to the members of Llewellyn House Underwriting Limited**

We have audited the financial statements of Llewellyn House Underwriting Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement 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".

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

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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 (APB's) Ethical Standards for Auditors. 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.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on the 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 profit/(loss) for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on the other matter 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 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.

## **Llewellyn House Underwriting Limited**

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

#### **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 the audit, we have not identified material misstatements in the Strategic Report and Directors' Report.

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

- adequate accounting records have not been kept, 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.



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

23 June 2017

# Llewellyn House Underwriting Limited

## Profit and loss account

### Technical account – general business

For the year ended 31 December 2016

	Note	2016 £	2015 £
<b>Premiums written</b>			
Gross premiums written	1	451,644	404,280
Outward reinsurance premiums	1	(84,615)	(70,218)
<b>Net premiums written</b>		<b>367,029</b>	<b>334,062</b>
<b>Change in the provision for unearned premiums</b>			
Gross provision	1	(9,398)	(6,650)
Reinsurers' share	1	3,624	(1,156)
<b>Earned premiums, net of reinsurance</b>		<b>361,255</b>	<b>326,256</b>
<b>Allocated investment return transferred from the non-technical account</b>		<b>8,976</b>	<b>4,435</b>
Other technical income, net of reinsurance		53	29
<b>Claims paid</b>			
Gross amount	1	(201,282)	(193,449)
Reinsurers' share	1	21,042	46,754
<b>Net claims paid</b>		<b>(180,240)</b>	<b>(146,695)</b>
<b>Change in provision for claims</b>			
Gross amount	1	(50,450)	16,949
Reinsurers' share	1	29,543	(22,815)
<b>Change in net provision for claims</b>		<b>(20,907)</b>	<b>(5,866)</b>
<b>Claims incurred, net of reinsurance</b>		<b>(201,147)</b>	<b>(152,561)</b>
Changes in other technical provisions, net of reinsurance		(1,184)	2,084
Net operating expenses	1, 2	(150,396)	(139,379)
Other technical charges, net of reinsurance		-	-
<b>Balance on the technical account for general business</b>		<b>17,557</b>	<b>40,864</b>

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.



# **Llewellyn House Underwriting Limited**

## **Profit and loss account**

### **Non - technical account**

#### **For the year ended 31 December 2016**

	<b>Note</b>	<b>2016 £</b>	<b>2015 £</b>
<b>Balance on technical account for general business</b>		17,557	40,864
Investment income	3	10,265	5,458
Allocated investment return transferred to the general business technical account		(8,976)	(4,435)
Other income		26,597	-
Other charges		3,260	(23,915)
<b>Profit/(loss) on ordinary activities before taxation</b>	4	48,703	17,972
Tax on profit/(loss) on ordinary activities	5	(10,675)	(7,896)
<b>Profit/(loss) for the financial year</b>		38,028	10,076
Other comprehensive income/(expenditure)		6,549	2,393
<b>Total comprehensive income/(expenditure)</b>	10	44,577	12,469

All amounts relate to continuing operations.

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

# Llewellyn House Underwriting Limited

## Balance sheet As at 31 December 2016

		31 December 2016			31 December 2015		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
<b>Assets</b>							
<b>Intangible assets</b>	6	-	26,806	26,806	-	10,391	10,391
<b>Investments</b>							
Financial investments	7	562,617	-	562,617	519,854	-	519,854
Deposits with ceding undertakings		31	-	31	26	-	26
		562,648	-	562,648	519,880	-	519,880
<b>Reinsurers' share of technical provisions</b>							
Provision for unearned premiums	8	25,425	-	25,425	18,655	-	18,655
Claims outstanding	8	147,020	-	147,020	102,256	-	102,256
Other technical provisions		899	-	899	2,084	-	2,084
		173,344	-	173,344	122,995	-	122,995
<b>Debtors</b>							
Arising out of direct insurance operations		102,363	-	102,363	91,253	-	91,253
Arising out of reinsurance operations		52,651	-	52,651	53,881	-	53,881
Other debtors	7	73,174	-	73,174	62,838	-	62,838
		228,188	-	228,188	207,972	-	207,972
<b>Other assets</b>							
Cash at bank and in hand		28,446	404,059	432,505	18,470	372,326	390,796
Other		49,573	-	49,573	40,740	-	40,740
		78,019	404,059	482,078	59,210	372,326	431,536
<b>Prepayments and accrued income</b>							
Accrued interest		880	-	880	660	-	660
Deferred acquisitions costs	8	54,562	-	54,562	45,638	-	45,638
Other prepayments and accrued income		3,198	-	3,198	2,612	-	2,612
		58,640	-	58,640	48,910	-	48,910
<b>Total assets</b>		1,100,839	430,865	1,531,704	958,967	382,717	1,341,684

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

# Llewellyn House Underwriting Limited

## Balance sheet As at 31 December 2016

		31 December 2016			31 December 2015		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
<b>Liabilities and shareholders' funds</b>							
<b>Capital and reserves</b>							
Called up share capital	9	-	200	200	-	200	200
Capital redemption		-	-	-	-	-	-
Capital contribution		-	-	-	-	-	-
Share premium account		-	117	117	-	117	117
Profit and loss account	10	50,603	371,089	421,692	77,286	324,829	402,115
<b>Shareholders' funds – attributable to equity interests</b>		50,603	371,406	422,009	77,286	325,146	402,432
<b>Technical provisions</b>							
Provision for unearned premiums	8	216,197	-	216,197	183,250	-	183,250
Claims outstanding	8	684,493	-	684,493	580,449	-	580,449
Other technical provisions		-	-	-	-	-	-
<b>Provisions for other risks and charges</b>							
Deferred taxation	11	-	11,596	11,596	-	20,102	20,102
Other		-	-	-	-	-	-
<b>Deposit received from reinsurers</b>		69	-	69	52	-	52
<b>Creditors</b>							
Arising out of direct insurance operations		14,231	-	14,231	20,866	-	20,866
Arising out of reinsurance operations		45,985	-	45,985	37,007	-	37,007
Amounts owed to credit institutions		-	-	-	1,361	-	1,361
Other creditors including taxation and social security	7	79,052	38,834	117,886	53,797	23,893	77,690
		1,040,027	50,430	1,090,457	876,782	43,995	920,777
<b>Accruals and deferred income</b>		10,209	9,029	19,238	4,899	13,576	18,475
<b>Total liabilities</b>		1,100,839	430,865	1,531,704	958,967	382,717	1,341,684

Approved and authorised for issue by the Board of Directors on 19/06/2017  
and signed on its behalf by:

J E SPARKES  
Director

Company registration number: 3829481

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

# Llewellyn House Underwriting Limited

## Statement of changes in equity For the year ended 31 December 2016

	Called up share capital £	Capital redemption reserve £	Share premium account £	Profit and loss account £	Capital contribution reserve £	Total £
<b>Opening balance</b>	200	-	117	447,146	-	447,463
Profit/(loss) for the year	-	-	-	10,076	-	10,076
Other comprehensive income	-	-	-	2,393	-	2,393
<b>Total comprehensive income</b>	-	-	-	12,469	-	12,469
<i>Proceeds from the issue of shares</i>	-	-	-	-	-	-
<i>Movement in reserves</i>	-	-	-	-	-	-
<i>Dividends paid</i>	-	-	-	(57,500)	-	(57,500)
<b>As at 31 December 2015</b>	200	-	117	402,115	-	402,432
Profit/(loss) for the year	-	-	-	38,028	-	38,028
Other comprehensive income	-	-	-	6,549	-	6,549
<b>Total comprehensive income</b>	-	-	-	44,577	-	44,577
<i>Proceeds from the issue of shares</i>	-	-	-	-	-	-
<i>Movement in reserves</i>	-	-	-	-	-	-
<i>Dividends paid</i>	-	-	-	(25,000)	-	(25,000)
<b>As at 31 December 2016</b>	200	-	117	421,692	-	422,009

Called-up share capital represents the nominal value of shares that have been issued.

Capital redemption reserve records the nominal value of shares repurchased by the Company.

The share premium account records the amount above the nominal value received for shares sold, less transaction costs.

The profit and loss account represents cumulative profits and losses of the Company.

Capital contribution reserve relates to contributions to the equity capital of the Company.

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

# Llewellyn House Underwriting Limited

## Cash flow statement

For the year ended 31 December 2016

	2016 £	2015 £
<b>Operating activities</b>		
Profit/(loss) on ordinary activities before tax	48,703	20,365
(Profit)/loss attributable to syndicate transactions	33,232	7,496
Profit/(loss) - excluding syndicate transactions	81,935	27,861
Adjusted for:		
(Increase)/decrease in debtors	-	-
Increase/(decrease) in creditors	(3,542)	8,158
(Profit)/loss on disposal of intangible assets	(18,067)	-
Amortisation of syndicate capacity	3,939	10,325
Realised/unrealised (gains)/losses on investments	-	-
Investment income	(1,289)	(1,023)
Corporation and overseas taxes (paid)/refunded	(5,245)	(2,010)
Net cash inflow/(outflow) from operating activities	57,731	43,311
<b>Investing activities</b>		
Investment income	1,289	1,023
Purchase of syndicate capacity	(23,053)	(946)
Proceeds from sale of syndicate capacity	20,766	-
Purchase of financial investments	-	-
Proceeds from sale of financial investments	-	-
Net cash (outflow)/inflow from investing activities	(998)	77
<b>Financing activities</b>		
Issue of shares	-	-
Share issue expenses	-	-
Capital contribution/redemption	-	-
Equity dividends paid	(25,000)	(57,500)
Net cash (outflow)/inflow from financing activities	(25,000)	(57,500)
Net cash increase/(decrease) in cash and cash equivalents	31,733	(14,112)
Effect of exchange rates on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	372,326	386,438
Cash and cash equivalents at the end of the year	404,059	372,326
Consisting of:		
Cash at bank and in hand	404,059	372,326
Cash equivalents	-	-
	404,059	372,326

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

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

# **Llewellyn House Underwriting Limited**

## **Notes to the Financial Statements For the year ended 31 December 2016**

### **Basis of preparation of financial statements**

#### **General information**

The Company is a limited company incorporated in the United Kingdom.

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

#### **Basis of preparation**

These financial statements have been prepared in accordance with FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland*, FRS103 *Insurance Contracts* and applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI 2008/410"). These financial statements have been prepared under the historical costs convention as modified for certain financial instruments held at fair value.

#### **Recognition of insurance transactions**

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

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 and loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

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

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

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

#### **Sources of data**

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

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

# **Llewellyn House Underwriting Limited**

## **Notes to the Financial Statements For the year ended 31 December 2016**

### **Accounting policies**

#### **i Going concern**

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

#### **ii Premiums**

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

#### **iii Claims incurred**

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

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

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

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

#### **v Unexpired risk provision**

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

## **Llewellyn House Underwriting Limited**

### **Notes to the Financial Statements For the year ended 31 December 2016**

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

##### **vi Reinsurance to close**

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

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

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

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

##### **vii Financial instruments**

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

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

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

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



## **Llewellyn House Underwriting Limited**

### **Notes to the Financial Statements For the year ended 31 December 2016**

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

##### **vii Financial instruments (continued)**

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

All other financial instruments are measured at fair value through profit or loss, except for investments in equity instruments that are not publicly traded, and whose fair value cannot otherwise be measured reliably, which are measured at cost less impairment.

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

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

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

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

##### **viii Derivative financial instruments**

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes. Derivates are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

##### **ix Derecognition of financial assets**

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- The rights to the cash flows from the asset have expired; or
- The Company retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. In that case, the Company also recognises an associated liability.

##### **x Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if there is a currently enforceable legal right to offset the recognised amounts; and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

# Llewellyn House Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2016

### Accounting policies (continued)

#### **xi Net operating expenses**

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

#### **xii Foreign currencies**

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

#### **xiii Intangible assets**

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

#### **xiv Insurance contracts – product classification**

Insurance contracts are those contracts when the Company (the insurer/reinsurer) has accepted significant insurance risk from another party (the policyholder/reinsured) by agreeing to compensate the policyholder if a specified uncertain future event (the re/insured event) adversely affects the policyholder. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with sections 11 and 12 of FRS102 unless the embedded derivative is itself an insurance contract (i.e. the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

#### **xv Taxation**

The Company is taxed on its share of the underwriting results declared by Syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. The Syndicate results included in these financial statements (excluding any losses on open years of account) are only declared for tax purposes in the calendar year following closure of the year of account. HM Revenue & Customs agrees the taxable results of Syndicates at a Syndicate level on the basis of computations submitted by the Managing Agent. At the date of approval of these financial statements, the Syndicate taxable results of this year have not been agreed. Any adjustments that may be necessary to the tax provision as a result of HM Revenue & Customs agreement of Syndicate taxable results will be reflected in the financial statements of subsequent periods.

#### **xvi Deferred taxation**

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date, that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

# **Llewellyn House Underwriting Limited**

## **Notes to the Financial Statements For the year ended 31 December 2016**

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

#### **xvi Deferred taxation (continued)**

Deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **xvii Critical accounting judgements and key sources of estimated uncertainty**

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

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

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

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

##### *Assessing indicators of impairment*

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

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

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

##### *Estimating value in use*

Where an indication of impairment exists the 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 the Directors to estimate the future cash flows expected to arise from the asset or the cash generating unit and a suitable discount rate in order to calculate present value.

##### *Recoverability of receivables*

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

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

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

# Llewellyn House Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2016

### 1. Class of Business

2016	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
<b>Direct Insurance</b>						
Accident and health	20,277	20,159	(10,153)	(9,283)	(531)	192
Motor – third party liability	1,266	1,321	(791)	(437)	(9)	84
Motor – other classes	65,409	55,839	(57,542)	(17,433)	14,369	(4,767)
Marine, aviation and transport	45,767	48,990	(29,126)	(20,368)	(2,345)	(2,849)
Fire and other damage to property	120,490	119,934	(55,988)	(39,624)	(16,018)	8,304
Third party liability	85,869	80,524	(50,314)	(30,208)	(2,050)	(2,048)
Credit and suretyship	6,540	6,659	(3,121)	(2,113)	(1,004)	421
Legal expenses	452	485	(228)	(254)	-	3
Assistance	-	-	-	-	-	-
Miscellaneous	1,718	1,802	(1,033)	(545)	-	224
	347,788	335,713	(208,296)	(120,265)	(7,588)	(436)
<b>Reinsurance</b>	103,856	106,533	(43,436)	(30,131)	(22,818)	10,148
<b>Total</b>	<b>451,644</b>	<b>442,246</b>	<b>(251,732)</b>	<b>(150,396)</b>	<b>(30,406)</b>	<b>9,712</b>

2015	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
<b>Direct Insurance</b>						
Accident and health	18,639	18,214	(7,772)	(8,444)	(1,232)	766
Motor – third party liability	1,319	1,037	(696)	(365)	132	108
Motor – other classes	46,138	44,326	(31,543)	(13,151)	(725)	(1,093)
Marine, aviation and transport	49,171	46,196	(14,149)	(21,017)	(6,455)	4,575
Fire and other damage to property	107,686	108,022	(41,742)	(38,939)	(16,399)	10,942
Third party liability	76,596	75,991	(42,317)	(28,498)	1,775	6,951
Credit and suretyship	6,632	6,660	(3,656)	(1,755)	(806)	443
Legal expenses	738	1,136	(381)	(549)	(2)	204
Assistance	-	-	-	-	-	-
Miscellaneous	2,018	2,004	(1,179)	(579)	(2)	244
	308,937	303,586	(143,435)	(113,297)	(23,714)	23,140
<b>Reinsurance</b>	95,343	94,044	(33,065)	(26,082)	(23,721)	11,176
<b>Total</b>	<b>404,280</b>	<b>397,630</b>	<b>(176,500)</b>	<b>(139,379)</b>	<b>(47,435)</b>	<b>34,316</b>

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

# Llewellyn House Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2016

<b>2. Net Operating Expenses</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Acquisition costs	119,894	108,980
Change in deferred acquisition costs	(2,956)	(2,471)
Administrative expenses	25,380	22,721
Reinsurance commissions and profit participations	(11,229)	(9,843)
Personal expenses	19,307	19,992
	<u>150,396</u>	<u>139,379</u>
<b>3. Investment Income</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	9,455	8,708
Realised gains and losses	283	362
Unrealised gains and losses	49	(3,934)
Other	-	-
	<u>9,787</u>	<u>5,136</u>
Financial instruments held at amortised cost:		
Interest	1,289	1,023
Other	-	-
	<u>1,289</u>	<u>1,023</u>
Investment management expenses, including interest	(811)	(701)
	<u>(811)</u>	<u>(701)</u>
	<u>10,265</u>	<u>5,458</u>
<b>4. Profit/(Loss) on Ordinary Activities before Taxation</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Operating profit/(loss) is stated after charging:		
Directors' remuneration	-	-
Amortisation of syndicate capacity	3,939	10,325
(Profit)/loss on disposal of intangible fixed assets	(18,067)	-
(Profit)/loss on exchange	(30,117)	(7,039)

The Company has no employees and no staff costs are met by the Company.

The Directors are considered to be the key management personnel of the Company.

The fees payable to the Company's auditor for audit services are included in the fees payable to the Members' Agent.

# Llewellyn House Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2016

5. Taxation	2016 £	2015 £
<b>Analysis of charge in year</b>		
Current tax:		
UK corporation tax on profit/(loss) of the year	17,064	3,128
Adjustment in respect of previous period	1,388	1,000
	<u>18,452</u>	<u>4,128</u>
Foreign tax	729	1,010
	<u>19,181</u>	<u>5,138</u>
Total current tax		
Deferred tax:		
Origination and reversal of timing differences	(9,347)	2,187
Change in tax rate	841	571
	<u>10,675</u>	<u>7,896</u>
Total tax		
	<u>10,675</u>	<u>7,896</u>
<b>Factors affecting tax charge for period</b>		
The tax assessed for the period is different to the standard rate of corporation tax in the UK of 20.00% (2015 - 20.00%). The differences are explained below:		
Profit/(loss) on ordinary activities before tax	<u>48,703</u>	<u>20,365</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.00%)	9,741	4,073
Effects of:		
Change in deferred tax rate	841	571
Deferred tax asset previously unrecognised	-	-
Foreign tax	583	808
Expenses not deductible for tax purposes	-	-
Other corporation computation adjustments	-	-
Marginal rates of taxation and prior period adjustment	<u>(490)</u>	<u>2,444</u>
Total tax charge/(credit) for the period	<u>10,675</u>	<u>7,896</u>

The results of the Company's participation on the 2014, 2015 and 2016 years of account and any 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.

The current UK corporation tax rate is 20%. The rate will be reduced to 19% from 1 April 2017 and to 17% from 1 April 2020. The effect of these reductions are reflected in the recognised deferred tax liability/(asset).

# Llewellyn House Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2016

<b>6. Intangible Assets</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Purchased Syndicate Capacity</b>		
<b>Cost</b>		
At 1 January 2016	62,961	62,015
Additions	23,053	946
Disposals	(7,095)	-
	<hr/>	<hr/>
At 31 December 2016	78,919	62,961
<b>Amortisation</b>		
At 1 January 2016	52,570	42,245
Additions	3,939	10,325
Disposals	(4,396)	-
	<hr/>	<hr/>
At 31 December 2016	52,113	52,570
<b>Net Book Value</b>		
At 31 December 2016	<hr/>	<hr/>
	26,806	10,391
At 31 December 2015	<hr/>	<hr/>
	10,391	19,770
<b>7. Financial Instruments and Financial Risk Management</b>		
<b>7.1 Financial Investments</b>		
<b>Other financial investments – Syndicate participation</b>		
	<b>2016</b>	<b>2015</b>
	<b>Market</b>	<b>Market</b>
	<b>Value</b>	<b>Value</b>
	<b>£</b>	<b>£</b>
Shares and other variable yield securities and units in unit trusts	66,925	2,359
Debt securities and other fixed income securities	466,117	457,239
Participation in investment pools	20,278	9,336
Loans with credit institutions	41	65
Derivative financial instruments	943	332
Other investments	2,349	-
Deposits with credit institutions	1,984	4,498
Other	3,980	46,025
	<hr/>	<hr/>
	562,617	519,854
<b>Other financial investments – Corporate</b>		
Shares and other variable yield securities and units in unit trusts	-	-
Debt securities and other fixed income securities	-	-
Other investments	-	-
	<hr/>	<hr/>
	-	-

# Llewellyn House Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2016

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

#### 7.2 Other Debtors

	2016			2015		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts due from group undertakings	-	-	-	-	-	-
Other	73,174	-	73,174	62,838	-	62,838
	73,174	-	73,174	62,838	-	62,838

#### 7.3 Funds at Lloyd's

The amount of Funds at Lloyd's is represented in the balance sheet as:

	2016			2015		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	304,020	304,020	-	294,397	294,397
Investments	-	-	-	-	-	-
	-	304,020	304,020	-	294,397	294,397

Funds at Lloyd's 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 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.

#### 7.4 Other Creditors including Taxation and Social Security

	2016			2015		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Corporation tax	-	17,064	17,064	-	3,128	3,128
Directors' loan accounts	-	21,770	21,770	-	20,765	20,765
Third party funds	-	-	-	-	-	-
Other creditors	79,052	-	79,052	53,797	-	53,797
Amount due to group undertakings	-	-	-	-	-	-
	79,052	38,834	117,886	53,797	23,893	77,690



# Llewellyn House Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2016

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

#### 7.5 Classification of Financial Instruments

The tables below set out the Company's financial instruments by classification.

##### Other financial investments – Syndicate participation

	2016			2015		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
<b>Financial assets</b>						
Investments	562,617	-	562,617	557,813	-	557,813
Deposits with ceding undertakings	-	31	31	-	26	26
Insurance debtors	-	102,363	102,363	-	91,253	91,253
Reinsurance debtors	-	52,651	52,651	-	53,881	53,881
Other debtors	-	73,174	73,174	-	62,838	62,838
Cash at bank and in hand	-	28,446	28,446	-	18,470	18,470
Other assets	49,573	-	49,573	-	-	-
	612,190	256,665	868,855	557,813	226,468	784,281
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	32	-	32	-	-	-
Insurance creditors	-	14,231	14,231	-	20,866	20,866
Reinsurance creditors	-	45,985	45,985	-	37,007	37,007
Amounts owed to credit institutions	-	-	-	-	1,361	1,361
Other creditors	-	-	-	-	-	-
	32	60,216	60,248	-	59,234	59,234

##### Other financial investments – Corporate

	2016			2015		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
<b>Financial assets</b>						
Investments	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
Cash at bank and in hand	-	404,059	404,059	-	372,326	372,326
Other assets	-	-	-	-	-	-
	-	404,059	404,059	-	372,326	372,326
<b>Financial liabilities</b>						
Other creditors	-	38,834	38,834	-	23,893	23,893
	-	38,834	38,834	-	23,893	23,893

# Llewellyn House Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2016

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

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

The table below sets out details of the Company's derivative financial instruments.

	2016		2015	
	Notional amount £	Fair value £	Notional amount £	Fair value £
Foreign exchange forward contracts	27,541	941	14,152	326
Interest rate future contracts	1,728	(2)	7,574	4
Foreign exchange options	-	-	-	-
Equity options	-	-	-	-
Foreign exchange contract for difference	-	-	94	2
Other	-	4	-	-
	29,269	943	21,820	332

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

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

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

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

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

# Llewellyn House Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2016

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

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

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

#### Other financial investments – Syndicate participation

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
<b>2016</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	20,429	46,454	42	66,925	-	66,925
Debt securities and other fixed income securities	56,146	409,971	-	466,117	-	466,117
Participation in investment pools	11,701	3,065	5,512	20,278	-	20,278
Loans and deposits with credit institutions	1,975	2,399	-	4,374	-	4,374
Overseas deposits	15,853	35,786	1,877	53,516	-	53,516
Derivatives	33	910	-	943	-	943
Other investments	-	-	15	15	-	15
Financial assets classified as held for sale	-	-	-	-	-	-
	106,137	498,585	7,446	612,168	-	612,168
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative liabilities	13	19	-	32	-	32
Financial liabilities classified as held for sale	-	-	-	-	-	-
	13	19	-	32	-	32

# Llewellyn House Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2016

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

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

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

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
<b>2015</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	4,532	32,882	10,970	48,384	-	48,384
Debt securities and other fixed income securities	108,399	215,976	132,863	457,238	-	457,238
Participation in investment pools	2,575	1,607	5,154	9,336	-	9,336
Loans and deposits with credit institutions	11,501	(15,470)	1,905	(2,064)	-	(2,064)
Overseas deposits	19,460	23,364	1,746	44,570	-	44,570
Derivatives	9	-	324	333	-	333
Other investments	-	-	17	17	-	17
Financial assets classified as held for sale	-	-	-	-	-	-
	146,476	258,359	152,979	557,814	-	557,814
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative liabilities	9	-	527	536	-	536
Financial liabilities classified as held for sale	-	-	-	-	-	-
	9	-	527	536	-	536

##### Other financial investments – Corporate

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
<b>2016</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	-	-	-	-	-	-

## Llewellyn House Underwriting Limited

### Notes to the Financial Statements For the year ended 31 December 2016

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

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

###### Other financial investments – Corporate (continued)

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
<b>2015</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	-	-	-	-	-	-

##### 7.7 Financial Risk Management

The Company is a financial institution and therefore provides the following disclosures in respect of the financial instruments it holds.

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

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

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

# Llewellyn House Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2016

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

#### 7.7 Financial Risk Management (continued)

##### Credit risk

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

The Company manages credit risk at the Corporate level by ensuring that investments and cash and cash equivalent deposits are placed only with highly rated credit institutions. At the Corporate level the Company did not hold any collateral as security against its receivables, or have any other credit enhancements at the reporting dates.

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

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

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
<b>2016</b>						
Shares and other variable yield securities and units in unit trusts	7,978	9,310	23,693	4,409	21,535	66,925
Debt securities and other fixed income securities	110,717	157,349	150,172	41,900	5,979	466,117
Participation in investment pools	2,511	9,777	2,922	-	5,068	20,278
Loans secured with credit institutions	-	2,390	-	-	-	2,390
Deposits with credit institutions	-	428	1,556	-	-	1,984
Overseas deposits	28,743	13,247	4,342	4,379	2,805	53,516
Derivative investments	-	-	-	33	910	943
Other investments	-	-	-	-	15	15
Deposits with ceding undertakings	-	-	-	-	31	31
Reinsurers share of claims outstanding	3,121	30,459	102,776	2,362	8,302	147,020
Reinsurance debtors	1,054	881	3,344	310	1,506	7,095
Cash at bank and in hand	88	(1,063)	21,779	7,626	16	28,446
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	154,212	222,778	310,584	61,019	46,167	794,760

## Llewellyn House Underwriting Limited

### Notes to the Financial Statements For the year ended 31 December 2016

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

##### 7.7 Financial Risk Management (continued)

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
<b>2015</b>						
Shares and other variable yield securities and units in unit trusts	6,732	5,778	15,802	3,743	16,329	48,384
Debt securities and other fixed income securities	116,085	154,226	138,685	43,764	4,478	457,238
Participation in investment pools	374	2,066	509	-	6,387	9,336
Loans secured with credit institutions	-	50	15	-	-	65
Deposits with credit institutions	-	93	630	-	-	723
Overseas deposits	24,822	10,604	6,058	2,931	82	44,497
Derivative investments	-	-	2	7	324	333
Other investments	-	-	-	-	17	17
Deposits with ceding undertakings	-	-	-	-	26	26
Reinsurers share of claims outstanding	2,201	32,637	61,178	1,030	5,467	102,513
Reinsurance debtors	248	674	4,412	114	108	5,556
Cash at bank and in hand	2,451	548	13,123	2,348	-	18,470
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	152,913	206,676	240,414	53,937	33,218	687,158

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

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
<b>2016</b>						
Shares and other variable yield securities and units in unit trusts	66,925	-	-	-	-	66,925
Debt securities and other fixed income securities	466,117	-	-	-	-	466,117
Participation in investment pools	20,278	-	-	-	-	20,278
Loans secured with credit institutions	2,390	-	-	-	-	2,390
Deposits with credit institutions	1,984	-	-	-	-	1,984
Overseas deposits	53,516	-	-	-	-	53,516
Derivative investments	943	-	-	-	-	943
Other investments	15	-	-	-	-	15
Deposits with ceding undertakings	31	-	-	-	-	31
Reinsurers share of claims outstanding	147,020	-	-	-	-	147,020
Reinsurance debtors	5,463	1,363	17	252	-	7,095
Cash at bank and in hand	28,446	-	-	-	-	28,446
Insurance debtors	90,756	7,672	1,291	2,852	(208)	102,363
Other debtors	190,562	497	22	141	-	191,222
	1,074,446	9,532	1,330	3,245	(208)	1,088,345

## Llewellyn House Underwriting Limited

### Notes to the Financial Statements For the year ended 31 December 2016

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

##### 7.7 Financial Risk Management (continued)

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
<b>2015</b>						
Shares and other variable yield securities and units in unit trusts	48,383	-	-	-	-	48,383
Debt securities and other fixed income securities	457,239	-	-	-	-	457,239
Participation in investment pools	9,336	-	-	-	-	9,336
Loans secured with credit institutions	65	-	-	-	-	65
Deposits with credit institutions	723	-	-	-	-	723
Overseas deposits	44,497	-	-	-	-	44,497
Derivative investments	332	-	-	-	-	332
Other investments	17	-	-	-	-	17
Deposits with ceding undertakings	26	-	-	-	-	26
Reinsurers share of claims outstanding	102,512	-	-	-	(256)	102,256
Reinsurance debtors	5,555	16,704	106	256	(8)	22,613
Cash at bank and in hand	18,470	-	-	-	-	18,470
Insurance debtors	97,715	6,232	1,205	1,247	(160)	106,239
Other debtors	18,716	-	-	96	-	18,812
	803,586	22,936	1,311	1,599	(424)	829,008

At the Corporate level the Company is not exposed to significant credit risk. Consequently a sensitivity analysis for credit risk has not been presented for the Corporate.

#### Liquidity risk

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

At the Corporate level the Company manages liquidity by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of assets and liabilities.

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

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
<b>2016</b>						
Derivative financial instruments	-	32	-	-	-	32
Deposits received from reinsurers	-	69	-	-	-	69
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	219,362	244,664	115,257	105,210	684,493
Creditors	906	77,223	10,447	2,469	449	91,494
Other	-	-	-	-	-	-
	906	296,686	255,111	117,726	105,659	776,088



# Llewellyn House Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2016

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

#### 7.7 Financial Risk Management (continued)

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
<b>2015</b>						
Derivative financial instruments	-	537	-	-	-	537
Deposits received from reinsurers	-	52	-	-	-	52
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	185,117	196,381	104,950	94,001	580,449
Creditors	793	68,565	7,372	537	-	77,267
Other	586	-	-	-	-	586
	1,379	254,271	203,753	105,487	94,001	658,891

At the Corporate level the Company is not exposed to significant liquidity risk. Consequently a maturity profile has not been presented for the Corporate.

#### Interest rate risk

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

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

At the Corporate level the Company manages interest rate risk by maintaining an appropriate mix between fixed and floating rate financial instruments.

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

Syndicate participation	2016 £	2015 £
Impact of 50 basis point increase on profit or loss	(5,174)	(3,187)
Impact of 50 basis point decrease on profit or loss	5,100	2,921
Impact of 50 basis point increase on equity	(5,174)	(3,386)
Impact of 50 basis point decrease on equity	5,100	3,124

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

#### Equity price risk

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

The Company is exposed to equity price risk in respect of its equity investments.

At the Corporate level the Company manages equity price risk by maintaining an appropriate mix between equity and debt financial instruments, and by spreading the risk on equity investments across a portfolio of investments.

# Llewellyn House Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2016

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

#### 7.7 Financial Risk Management (continued)

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

#### Syndicate participation

	2016 £	2015 £
Impact on profit or loss of 5% increase in Stock Market Prices	330	173
Impact on profit or loss of 5% decrease in Stock Market Prices	(328)	(178)
Impact on equity of 5% increase in Stock Market Prices	330	173
Impact on equity of 5% decrease in Stock Market Prices	(328)	(178)

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

#### Currency risk

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

At the Corporate level the Company manages currency risk by ensuring that exchange rate exposures are managed within approved policy parameters.

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

#### Net assets and liabilities

		2016		2015
	Syndicate Participation £	Corporate £	Syndicate Participation £	Corporate £
Sterling	(115,300)	210,159	(45,518)	210,775
United States Dollar	60,373	134,441	77,058	103,980
Euro	33,836	-	3,354	-
Canadian Dollar	74,810	-	30,445	-
Australian Dollar	7,443	-	1,508	-
Japanese Yen	(3,401)	-	(2,295)	-
Other	(5,855)	-	(6,692)	-

## Llewellyn House Underwriting Limited

### Notes to the Financial Statements For the year ended 31 December 2016

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

##### 7.7 Financial Risk Management (continued)

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

The Company's assets are primarily Funds at Lloyd's to support its underwriting. These are held in various currencies but are all either listed investments or cash. As such, any exchange movement would be accounted for in the profit and loss.

	Corporate Profit and loss			
	31 December 2016		31 December 2015	
	Increase	Decrease	Increase	Decrease
	£	£	£	£
Effect of sterling exchange movement by 10%				
United States Dollar	12,222	(14,938)	9,453	(11,553)
Euro	-	-	-	-
Canadian Dollar	-	-	-	-
Australian Dollar	-	-	-	-
Japanese Yen	-	-	-	-
Other	-	-	-	-

##### 7.8 Capital Management

###### Lloyd's capital setting process

In order to meet Lloyd's requirements, each Syndicate is required to calculate its Standard Capital Requirement ("SCR") for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR "to ultimate"). The Syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each Syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

Each Syndicate member is liable for its own share of underwriting liabilities on the Syndicate on which it participates but not other members' shares.

Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR "to ultimate".

Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, the ECA. The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2016 was 35% of the member's SCR "to ultimate".

Effective 1 January 2016, Lloyd's is subject to the Solvency II capital regime and the Solvency I figures are no longer applicable from that date. Although the capital regime has changed, this has not significantly impacted the solvency capital requirement of the Syndicate, since this has been previously calculated using Solvency II principles.

The Funds at Lloyd's represent the capital which allows the Company to participate on the Syndicates. Refer to Note 7.3 for further information.

## Llewellyn House Underwriting Limited

### Notes to the Financial Statements For the year ended 31 December 2016

#### 8. Insurance Contracts

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

	2016			2015		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	580,449	102,256	478,193	600,336	124,214	476,122
Movements in the year	47,288	29,543	17,745	(29,589)	(22,815)	(6,774)
Exchange differences	56,756	15,221	41,535	9,702	857	8,845
At 31 December	684,493	147,020	537,473	580,449	102,256	478,193

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

	2016			2015		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	183,250	18,655	164,595	172,986	12,733	160,253
Movements in the year	9,398	3,624	5,774	6,650	(1,156)	7,806
Exchange differences	23,549	3,146	20,403	3,614	7,078	(3,464)
At 31 December	216,197	25,425	190,772	183,250	18,655	164,595

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

	2016 £	2015 £
At 1 January	45,638	43,948
Movements in the year	2,956	2,471
Exchange differences	5,968	(781)
At 31 December	54,562	45,638

#### 8.1 Risks arising from Insurance Contracts

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

# Llewellyn House Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2016

### 9. Called-up Share Capital

#### Issued and fully paid

	At 1 January	Issued during the year	Redeemed during the year	At 31 December
Par value per share				
Ordinary £1 shares	200	-	-	200
<b>Total</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>200</b>

The Ordinary £1 shares each hold one voting right. There are no restrictions on the distribution of dividends and the repayments of capital.

### 10. Profit and Loss Account

	2016			2015		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Retained profit/(loss) brought forward	77,286	324,829	402,115	84,782	362,364	447,146
Reallocate distribution	(62,481)	62,481	-	(62,801)	62,801	-
Profit/(loss) for the financial year	35,798	8,779	44,577	55,305	(42,836)	12,469
Equity dividends	-	(25,000)	(25,000)	-	(57,500)	(57,500)
<b>Retained profit/(loss) carried forward</b>	<b>50,603</b>	<b>371,089</b>	<b>421,692</b>	<b>77,286</b>	<b>324,829</b>	<b>402,115</b>

# Llewellyn House Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2016

### 11. Deferred Tax

					2016
	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £	Total £
At 1 January	15,365	-	11,967	(7,230)	20,102
Movement in the year	(5,587)	-	(2,293)	(626)	(8,506)
At 31 December	9,778	-	9,674	(7,856)	11,596

					2015
	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £	Total £
At 1 January	17,108	(3,072)	9,890	(6,582)	17,344
Movement in the year	(1,743)	3,072	2,077	(648)	2,758
At 31 December	15,365	-	11,967	(7,230)	20,102

The unused tax losses carried forward at the Balance Sheet date are £Nil. Unused tax losses are expected to be recoverable against the future profits of the Company and have no expiry date.

The deferred tax balance consists of timing differences relating to the taxation of underwriting results. Deferred tax assets are shown within other debtors (Note 7.2).

### 12. Related Party Disclosure

During the year the Directors made loans to and from the Company. At the Balance Sheet date the amount due (to)/from the Company was £21,770 (2015: £20,765).

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

### 13. Ultimate Controlling Party

The Company is controlled by Mr J E Sparkes who holds 51% of the issued £200 ordinary share capital.