

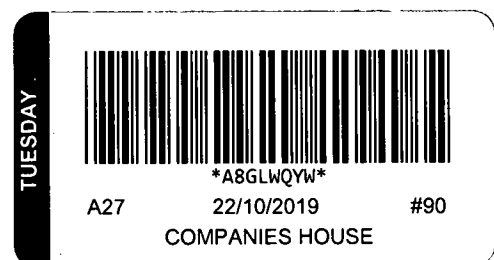
Company Registration Number: 4068469

Merrieworth (Derby) Limited

**Annual Report
31 December 2018**

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Merrieworth (Derby) Limited
Company Information

Directors	Mr W E G Ellis Mr N G Ellis
Company Secretary	Argenta Secretariat Limited
Registered Office	5th Floor, 70 Gracechurch Street London EC3V 0XL
Auditors	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD

Merrieworth (Derby) Limited Strategic Report

The Directors submit their Strategic Report for the Company for the year ended 31 December 2018.

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 2016, 2017 and 2018 years of account, as well as any 2015 and prior run-off years. The 2016 year closed at 31 December 2018 with a result of £26,938 (2015 - £139,466). The 2017 and 2018 open underwriting accounts will normally close at 31 December 2019 and 2020 respectively.

Results and Dividends

The results for the year are set out on pages 8 to 9 of the Financial Statements. Dividends totalling £Nil were paid in the year (2017 - £Nil).

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

	2018	2017
Capacity (youngest underwriting year)	£ 1,618,836	£ 1,785,081
Gross premium written as a % of capacity	99.3%	95.7%
Underwriting profit of latest closed year:		
as a % of capacity	1.5%	8.4%
Run-off years of account movement	£ -	£ -
Combined ratio	103.2%	115.3%

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

Brexit

The Brexit talks continue with parliament debating the EU Withdraw Bill. At present the insurance sector still needs certainty on the UK's future trading relationship with the EU. The priority is to ensure mutual insurance and reinsurance market access if the UK leaves the EU. Lloyd's have established a subsidiary, Lloyd's Brussels, which opened for business on 13 November 2018 and provides certainty for the market and Lloyd's clients. All legacy European Economic Area business will be moving to Lloyd's Brussels before the end of 2020 via a part VII transfer. 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 Group.

Approved by the Board on 17 October 2019
and signed on its behalf by:



N G ELLIS

Director

Merrieworth (Derby) 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 2018.

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 2019 year of account.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Report of the Directors' and the Financial Statements in accordance with applicable law 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 applicable law and United Kingdom Accounting Standards (United Kingdom Accounting Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 and to the date of this report were as follows:

Mr W E G Ellis
Mr N G Ellis

Merrieworth (Derby) 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 17 October 2019
and signed on its behalf by:



N G ELLIS

Director

Merrieworth (Derby) Limited

Independent Auditor's Report

Independent auditor's report to the members of Merrieworth (Derby) Limited

Opinion

We have audited the Financial Statements of Merrieworth (Derby) Limited (the 'Company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its 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.

Basis for opinion

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

The impact of uncertainties due to the United Kingdom exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 2.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

Conclusions relation to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Merrieworth (Derby) Limited

Independent Auditor's Report (continued)

Other information (continued)

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the 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 the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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

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

Responsibilities of Directors

As explained more fully in the 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, and for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

Merrieworth (Derby) Limited
Independent Auditor's Report (continued)

Use of the audit report

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



Aminda Barker (Oct 21, 2019)

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

21/10/2019

Merrieworth (Derby) Limited
Statement of Comprehensive Income
Technical Account – general business
For the year ended 31 December 2018

	Note	2018 £	2017 £
Premiums			
Gross premiums written	1	1,606,871	1,708,826
Outward reinsurance premiums	1	(357,039)	(363,599)
Net premiums written		<u>1,249,832</u>	<u>1,345,227</u>
Change in the provision for unearned premiums			
Gross provision	1	28,563	11,390
Reinsurers' share	1	14,690	12,356
Earned premiums, net of reinsurance		<u>1,293,085</u>	<u>1,368,973</u>
Allocated investment return transferred from the non-technical account		17,074	36,142
Other technical income, net of reinsurance		97	134
Claims paid			
Gross amount	1	(985,700)	(847,386)
Reinsurers' share	1	231,518	106,270
Net claims paid		<u>(754,182)</u>	<u>(741,116)</u>
Change in provision for claims			
Gross amount	1	(68,242)	(630,883)
Reinsurers' share	1	(6,570)	344,039
Change in net provision for claims		<u>(74,812)</u>	<u>(286,844)</u>
Claims incurred, net of reinsurance		(828,994)	(1,027,960)
Changes in other technical provisions, net of reinsurance		(5,186)	3,571
Net operating expenses	1,2	(505,860)	(550,785)
Other technical charges, net of reinsurance	1	-	-
Balance on the technical account for general business		<u>(29,784)</u>	<u>(169,925)</u>

The accounting policies and notes on pages 14 to 41 form part of these Financial Statements.

Merrieworth (Derby) Limited
Statement of Comprehensive Income
Non Technical Account
For the year ended 31 December 2018

	Note	2018 £	2017 £
Balance on technical account for general business		(29,784)	(169,925)
Investment income	3	(27,031)	98,207
Allocated investment return transferred to the general business technical account		(17,074)	(36,142)
Other income		-	8,675
Other charges, including value adjustments		(49,690)	(59,485)
Loss on ordinary activities before taxation	4	<u>(123,579)</u>	<u>(158,670)</u>
Tax on loss on ordinary activities	5	24,679	32,235
Loss for the financial year		<u>(98,900)</u>	<u>(126,435)</u>
Other comprehensive expenditure:			
Currency translation differences		(13,229)	1,094
Tax on other comprehensive (expenditure)/income		2,332	(152)
Total comprehensive expenditure	10	<u>(109,797)</u>	<u>(125,493)</u>

All amounts relate to continuing operations.

The accounting policies and notes on pages 14 to 41 form part of these Financial Statements.

Merrieworth (Derby) Limited
Statement of Financial Position
As at 31 December 2018

		31 December 2018			31 December 2017		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Assets							
Intangible assets	6	-	20,892	20,892	-	45,924	45,924
Investments							
Other financial investments	7	1,434,495	937,011	2,371,506	1,452,808	1,076,127	2,528,935
Deposits with ceding undertakings		117	-	117	98	-	98
		1,434,612	937,011	2,371,623	1,452,906	1,076,127	2,529,033
Reinsurers' share of technical provisions							
Provision for unearned premiums	8	126,609	-	126,609	106,548	-	106,548
Claims outstanding	8	786,034	-	786,034	785,560	-	785,560
Other technical provisions		3,262	-	3,262	5,818	-	5,818
		915,905	-	915,905	897,926	-	897,926
Debtors							
Amounts falling due within one year	7	795,432	50,144	845,576	773,822	9,388	783,210
Amounts falling due after one year	7	211,275	52,122	263,397	268,386	-	268,386
		1,006,707	102,266	1,108,973	1,042,208	9,388	1,051,596
Other assets							
Cash at bank and in hand		84,244	385,934	470,178	77,835	262,438	340,273
Other		129,595	-	129,595	123,842	-	123,842
		213,839	385,934	599,773	201,677	262,438	464,115
Prepayments and accrued income							
Accrued interest		3,033	-	3,033	2,611	78	2,689
Deferred acquisitions costs	8	194,439	-	194,439	204,458	-	204,458
Other prepayments and accrued income		12,596	-	12,596	10,336	-	10,336
		210,068	-	210,068	217,405	78	217,483
Total assets		3,781,131	1,446,103	5,227,234	3,812,122	1,393,955	5,206,077

The accounting policies and notes on pages 14 to 41 form part of these Financial Statements.

Merrieworth (Derby) Limited
Statement of Financial Position
As at 31 December 2018

		31 December 2018			31 December 2017		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Liabilities and shareholders' funds							
Capital and reserves							
Called up share capital	9	-	100	100	-	100	100
Capital redemption		-	-	-	-	-	-
Capital contribution		-	-	-	-	-	-
Share premium account		-	-	-	-	-	-
Profit and loss account	10	(382,384)	1,411,753	1,029,369	(187,105)	1,326,271	1,139,166
Shareholders' funds – attributable to equity interests		(382,384)	1,411,853	1,029,469	(187,105)	1,326,371	1,139,266
Technical provisions							
Provision for unearned premiums	8	728,791	-	728,791	729,410	-	729,410
Claims outstanding	8	2,844,084	-	2,844,084	2,725,505	-	2,725,505
Other technical provisions		2,544	-	2,544	-	-	-
Provisions for other risks							
Deferred taxation	11	-	-	-	-	-	-
Other		-	-	-	-	-	-
Deposit received from reinsurers		6,932	-	6,932	171	-	171
Creditors							
Amounts falling due within one year	7	464,174	15,277	479,451	422,846	39,845	462,691
Amounts falling due after one year	7	82,335	-	82,335	87,325	-	87,325
		546,509	15,277	561,786	510,171	39,845	550,016
Accruals and deferred income		34,655	18,973	53,628	33,970	27,739	61,709
Total liabilities		3,781,131	1,446,103	5,227,234	3,812,122	1,393,955	5,206,077

Approved and authorised for issue by the Board of Directors on 17 October 2019
and signed on its behalf by:



N G ELLIS
Director

Company registration number: 4068469

The accounting policies and notes on pages 14 to 41 form part of these Financial Statements.

Merrieworth (Derby) Limited
Statement of Changes in Equity
For the year ended 31 December 2018

	Called up share capital £	Capital redemption reserve £	Share premium account £	Profit and loss account £	Capital contribution reserve £	Total £
Opening balance	100	-	-	1,264,659	-	1,264,759
Loss for the year	-	-	-	(126,435)	-	(126,435)
Other comprehensive income	-	-	-	942	-	942
Total comprehensive expenditure	-	-	-	(125,493)	-	(125,493)
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
As at 31 December 2017	100	-	-	1,139,166	-	1,139,266
Loss for the year	-	-	-	(98,900)	-	(98,900)
Other comprehensive expenditure	-	-	-	(10,897)	-	(10,897)
Total comprehensive expenditure	-	-	-	(109,797)	-	(109,797)
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
As at 31 December 2018	100	-	-	1,029,369	-	1,029,469

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 14 to 41 form part of these Financial Statements.

Merrieworth (Derby) Limited
Statement of Cash Flows
For the year ended 31 December 2018

	2018 £	2017 £
Operating activities		
Loss on ordinary activities before tax	(123,579)	(158,670)
Loss attributable to Syndicate transactions	182,050	352,586
Profit - excluding Syndicate transactions	<u>58,471</u>	<u>193,916</u>
Adjusted for:		
Increase in debtors	(52,046)	(78)
Decrease in creditors	(7,976)	(1,583)
Loss on disposal of intangible assets	-	(952)
Amortisation of Syndicate capacity	25,032	27,003
Realised/unrealised gains/(losses) on investments	66,367	(31,962)
Investment income	(33,018)	(34,934)
Corporation and overseas taxes losses	<u>(39,101)</u>	<u>(49,566)</u>
Net cash inflow from operating activities	<u>17,729</u>	<u>101,844</u>
Investing activities		
Investment income	33,018	34,934
Purchase of Syndicate capacity	-	(6,000)
Proceeds from sale of Syndicate capacity	-	952
Purchase of financial investments	(842,882)	(202,624)
Proceeds from sale of financial investments	<u>915,631</u>	<u>20,111</u>
Net cash inflow/(outflow) from investing activities	<u>105,767</u>	<u>(152,627)</u>
Financing activities		
Issue of shares	-	-
Share issue expenses	-	-
Capital contribution/redemption	-	-
Equity dividends paid	<u>-</u>	<u>-</u>
Net cash inflow from financing activities	<u>-</u>	<u>-</u>
Net cash increase/(decrease) in cash and cash equivalents	123,496	(50,783)
Effect of exchange rates on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	<u>262,438</u>	<u>313,221</u>
Cash and cash equivalents at the end of the year	<u>385,934</u>	<u>262,438</u>
Consisting of:		
Cash at bank and in hand	385,934	262,438
Cash equivalents	<u>-</u>	<u>-</u>
	<u>385,934</u>	<u>262,438</u>

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 14 to 41 form part of these Financial Statements.

Merrieworth (Derby) Limited

Notes to the Financial Statements

For the year ended 31 December 2018

Basis of preparation of Financial Statements

General information

The Company is a private company limited by shares and 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

The Company recognises 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 Participation"). 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 consistent with the audited annual reports to Syndicate members.

The format of the Returns is established by Lloyd's. Lloyd's collates this data at a Syndicate level analysing it into corporate member level results which reflects the relevant data in respect of all the Syndicates in which the Company participates.

Merrieworth (Derby) Limited
Notes to the Financial Statements
For the year ended 31 December 2018

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 vii below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see vii 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.

vi Deferred acquisition costs

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

Merrieworth (Derby) Limited
Notes to the Financial Statements
For the year ended 31 December 2018

Accounting policies (continued)

vii 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.

viii 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 debtors, trade and other creditors 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 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. Financial instruments subsequently measured at amortised cost include cash, debtors and creditors.

Merrieworth (Derby) Limited
Notes to the Financial Statements
For the year ended 31 December 2018

Accounting policies (continued)

viii 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 method.

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

ix 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. Derivatives 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.

x 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.

xi 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.

Merrieworth (Derby) Limited
Notes to the Financial Statements
For the year ended 31 December 2018

Accounting policies (continued)

xii 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.

xiii 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 through the non-technical account in the profit and loss account.

xiv 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.

xv 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).

xvi 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.

xvii 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.

Merrieworth (Derby) Limited
Notes to the Financial Statements
For the year ended 31 December 2018

Accounting policies (continued)

xvii 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.

xviii 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.

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.

Impairment review

The impairment of the Syndicate Assets is performed by the Syndicate themselves. The Directors perform an impairment review when indications of impairment arise.

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.

Merrieworth (Derby) Limited
Notes to the Financial Statements
For the year ended 31 December 2018

1. Class of Business

2018	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	47,443	49,518	(24,559)	(20,976)	(1,105)	2,878
Motor – third party liability	5,504	5,663	(3,139)	(1,920)	(525)	79
Motor – other classes	33,386	80,820	(15,887)	(23,883)	(31,536)	9,514
Marine, aviation and transport	126,372	131,862	(75,432)	(47,575)	(15,564)	(6,709)
Fire and other damage to property	462,900	444,318	(301,919)	(140,611)	(53,018)	(51,230)
Third party liability	401,970	372,401	(233,478)	(131,370)	6,088	13,641
Credit and suretyship	38,770	36,713	(18,257)	(10,862)	(3,961)	3,633
Legal expenses	1,594	1,625	(648)	(1,056)	25	(54)
Assistance	-	-	-	-	-	-
Miscellaneous	7,278	8,246	(4,346)	(2,915)	(880)	105
	1,125,217	1,131,166	(677,665)	(381,168)	(100,476)	(28,143)
Reinsurance	481,654	504,268	(376,277)	(124,692)	(16,925)	(13,626)
Total	1,606,871	1,635,434	(1,053,942)	(505,860)	(117,401)	(41,769)

2017	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	48,925	47,811	(24,940)	(21,058)	(966)	847
Motor – third party liability	4,268	4,759	(3,720)	(1,387)	54	(294)
Motor – other classes	142,278	148,252	(117,188)	(41,376)	528	(9,784)
Marine, aviation and transport	133,255	149,308	(97,118)	(57,300)	(1,112)	(6,222)
Fire and other damage to property	418,959	401,780	(388,977)	(140,582)	52,344	(75,435)
Third party liability	367,045	346,401	(203,499)	(126,101)	(5,839)	10,962
Credit and suretyship	36,539	30,673	(17,693)	(11,399)	(244)	1,337
Legal expenses	1,093	1,694	(1,435)	(929)	(42)	(712)
Assistance	-	-	-	-	-	-
Miscellaneous	9,859	9,234	(5,186)	(3,464)	(661)	(77)
	1,162,221	1,139,912	(859,756)	(403,596)	44,062	(79,378)
Reinsurance	546,605	580,304	(618,513)	(147,189)	55,004	(130,394)
Total	1,708,826	1,720,216	(1,478,269)	(550,785)	99,066	(209,772)

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.

Merrieworth (Derby) Limited
Notes to the Financial Statements
For the year ended 31 December 2018

2. Net Operating Expenses

	2018 £	2017 £
Acquisition costs	427,112	456,997
Change in deferred acquisition costs	11,337	(4,576)
Administrative expenses	75,116	87,320
Reinsurance commissions and profit participations	(44,582)	(33,654)
Personal expenses	36,877	44,698
	<u>505,860</u>	<u>550,785</u>

3. Investment Income

	2018 £	2017 £
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	64,975	65,935
Realised gains and losses	(13,247)	3,223
Unrealised gains and losses	(66,954)	36,094
Other	-	-
	<u>(15,226)</u>	<u>105,252</u>
Financial instruments held at amortised cost:		
Interest	687	733
Other	-	-
	<u>687</u>	<u>733</u>
Investment management expenses, including interest	(12,492)	(7,778)
	<u>(12,492)</u>	<u>(7,778)</u>
	<u>(27,031)</u>	<u>98,207</u>

4. Loss on Ordinary Activities before Taxation

	2018 £	2017 £
Operating loss is stated after charging:		
Directors' remuneration	-	-
Amortisation of Syndicate capacity	25,032	27,003
Profit on disposal of intangible fixed assets	-	(952)
Loss/(profit) on exchange	7,453	(638)

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 auditors charge a fixed fee to Argenta Private Capital Limited of £365 for the provision of the statutory audit, they also provide non-audit services through an outsourcing arrangement of approximately £515.

Merrieworth (Derby) Limited
Notes to the Financial Statements
For the year ended 31 December 2018

5. Taxation	2018 £	2017 £
Analysis of charge in year		
Current tax:		
UK corporation tax on loss of the year	11,826	37,185
Adjustment in respect of previous period	173	(177)
	<u>11,999</u>	<u>37,008</u>
Foreign tax	1,744	720
	<u>13,743</u>	<u>37,728</u>
Total current tax	13,743	37,728
Deferred tax:		
Origination and reversal of timing differences	(46,544)	(66,772)
Change in tax rate	5,790	(3,039)
	<u>(27,011)</u>	<u>(32,083)</u>
Total tax	(27,011)	(32,083)
Factors affecting tax charge for period		
The tax assessed for the period is different to the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:		
Loss on ordinary activities before tax	<u>(123,579)</u>	<u>(158,670)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%)	(23,480)	(30,544)
Effects of:		
Change in deferred tax rate	5,790	(3,039)
Deferred tax asset previously unrecognised	-	-
Foreign tax	1,413	581
Expenses not deductible for tax purposes	-	-
Other corporation computation adjustments	(6,143)	(6,584)
Prior period and other adjustments	<u>(4,591)</u>	<u>7,503</u>
Total tax credit for the period	<u>(27,011)</u>	<u>(32,083)</u>

The results of the Company's participation on the 2016, 2017 and 2018 years of account and any calendar year movement on 2015 and prior run-offs, will not be assessed to tax until the year ended 31 December 2019, 2020 and 2021 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 19%. The rate will be reduced to 17% from 1 April 2020. The effect of this reduction is reflected in the recognised deferred tax liability/(asset).

Merrieworth (Derby) Limited
Notes to the Financial Statements
For the year ended 31 December 2018

6. Intangible Assets	Total £
Purchased Syndicate Capacity	
Cost	
At 1 January 2018	157,415
Additions	-
Disposals	-
At 31 December 2018	<u>157,415</u>
Amortisation	
At 1 January 2018	111,491
Additions	25,032
Disposals	-
At 31 December 2018	<u>136,523</u>
Net Book Value	
At 31 December 2018	<u>20,892</u>
At 31 December 2017	<u>45,924</u>

7. Financial Instruments and Financial Risk Management

7.1 Financial Investments

Other financial investments – Syndicate participation

	2018 Market Value £	2017 Market Value £
Shares and other variable yield securities and units in unit trusts	221,079	237,572
Debt securities and other fixed income securities	1,113,781	1,125,977
Participation in investment pools	62,306	51,456
Loans with credit institutions	1,406	1,511
Derivative financial instruments	807	4,022
Other investments	1,002	903
Deposits with credit institutions	10,372	10,396
Other	23,742	20,971
	<u>1,434,495</u>	<u>1,452,808</u>

Other financial investments – Corporate

Shares and other variable yield securities and units in unit trusts	714,772	943,287
Debt securities and other fixed income securities	222,239	132,840
Other investments	-	-
	<u>937,011</u>	<u>1,076,127</u>

Merrieworth (Derby) Limited
Notes to the Financial Statements
For the year ended 31 December 2018

7. Financial Instruments and Financial Risk Management (continued)

7.2 Debtors

	2018			2017		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts falling due within one year:						
Arising out of direct insurance operations	325,676	-	325,676	314,253	-	314,253
Arising out of reinsurance operations	348,758	-	348,758	317,534	-	317,534
Other Debtors:						
Amounts due from group undertakings	-	-	-	-	-	-
Other	120,998	50,144	171,142	142,035	9,388	151,423
Total Amounts falling due within one year	795,432	50,144	845,576	773,822	9,388	783,210
Amounts falling due after one year:						
Arising out of direct insurance operations	8,378	-	8,378	4,555	-	4,555
Arising out of reinsurance operations	190,362	-	190,362	248,370	-	248,370
Other Debtors:						
Amounts due from group undertakings	-	-	-	-	-	-
Other	12,535	52,122	64,657	15,461	-	15,461
Total Amounts falling due after one year	211,275	52,122	263,397	268,386	-	268,386
	1,006,707	102,266	1,108,973	1,042,208	9,388	1,051,596

7.3 Funds at Lloyd's

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

	2018			2017		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	207,607	207,607	-	60,186	60,186
Investments	-	937,011	937,011	-	1,076,127	1,076,127
	-	1,144,618	1,144,618	-	1,136,313	1,136,313

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.

Merrieworth (Derby) Limited
Notes to the Financial Statements
For the year ended 31 December 2018

7. Financial Instruments and Financial Risk Management (continued)

7.4 Creditors

	2018			2017		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts falling due within one year:						
Arising out of direct insurance operations	53,461	-	53,461	58,102	-	58,102
Arising out of reinsurance operations	205,733	-	205,733	189,810	-	189,810
Amounts owed to credit institutions	-	-	-	7,917	-	7,917
Other creditors:						
Corporation tax	-	11,827	11,827	-	37,185	37,185
Directors' loan accounts	-	3,450	3,450	-	2,660	2,660
Third party funds	-	-	-	-	-	-
Other creditors	204,980	-	204,980	167,017	-	167,017
Amount due to group undertakings	-	-	-	-	-	-
Total Amounts falling due within one year	464,174	15,277	479,451	422,846	39,845	462,691
Amounts falling due after one year:						
Arising out of direct insurance operations	454	-	454	255	-	255
Arising out of reinsurance operations	63,105	-	63,105	66,153	-	66,153
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors:						
Corporation tax	-	-	-	-	-	-
Directors' loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	18,776	-	18,776	20,917	-	20,917
Amount due to group undertakings	-	-	-	-	-	-
Total Amounts falling due after one year	82,335	-	82,335	87,325	-	87,325
	546,509	15,277	561,786	510,171	39,845	550,016

Merrieworth (Derby) Limited
Notes to the Financial Statements
For the year ended 31 December 2018

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

	2018			2017		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
Financial assets						
Investments	1,434,495	-	1,434,495	1,452,808	-	1,452,808
Deposits with ceding undertakings	-	117	117	-	98	98
Insurance debtors	-	334,054	334,054	-	318,808	318,808
Reinsurance debtors	-	539,120	539,120	-	565,904	565,904
Other debtors	-	133,533	133,533	-	157,496	157,496
Cash at bank and in hand	-	84,244	84,244	-	77,835	77,835
Other assets	129,595	-	129,595	123,842	-	123,842
	1,564,090	1,091,068	2,655,158	1,576,650	1,120,141	2,696,791
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	660	-	660	185	-	185
Insurance creditors	-	53,915	53,915	-	58,357	58,357
Reinsurance creditors	-	268,838	268,838	-	255,963	255,963
Amounts owed to credit institutions	-	-	-	-	7,917	7,917
Other creditors	-	-	-	-	-	-
	660	322,753	323,413	185	322,237	322,422

Other financial investments – Corporate

	2018			2017		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
Financial assets						
Investments	714,772	222,239	937,011	943,288	132,840	1,076,128
Other debtors	-	102,266	102,266	-	9,388	9,388
Cash at bank and in hand	-	385,934	385,934	-	262,438	262,438
Other assets	-	-	-	-	-	-
	714,772	710,439	1,425,211	943,288	404,666	1,347,954
Financial liabilities						
Other creditors	-	15,277	15,277	-	39,845	39,845
	-	15,277	15,277	-	39,845	39,845

Merrieworth (Derby) Limited
Notes to the Financial Statements
For the year ended 31 December 2018

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.

	2018		2017	
	Notional amount £	Fair value £	Notional amount £	Fair value £
Foreign exchange forward contracts	98,760	805	106,283	3,690
Interest rate future contracts	2,710	2	10,515	18
Foreign exchange options	-	-	-	-
Equity options	-	-	-	-
Foreign exchange contract for difference	-	-	32,118	230
Other	-	-	5,714	84
	101,470	807	154,630	4,022

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.

Merrieworth (Derby) Limited
Notes to the Financial Statements
For the year ended 31 December 2018

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 £
2018						
Financial assets						
Shares and other variable yield securities and units in unit trusts	69,376	144,330	7,373	221,079	-	221,079
Debt securities and other fixed income securities	270,755	843,026	-	1,113,781	-	1,113,781
Participation in investment pools	43,251	13,230	5,825	62,306	-	62,306
Loans and deposits with credit institutions	10,359	1,419	1,002	12,780	-	12,780
Overseas deposits	77,915	70,714	4,685	153,314	-	153,314
Derivatives	498	309	-	807	-	807
Other investments	-	23	-	23	-	23
Financial assets classified as held for sale	-	-	-	-	-	-
	472,154	1,073,051	18,885	1,564,090	-	1,564,090
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	619	41	-	660	-	660
Financial liabilities classified as held for sale	-	-	-	-	-	-
	619	41	-	660	-	660

Merrieworth (Derby) Limited
Notes to the Financial Statements
For the year ended 31 December 2018

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 £
2017						
Financial assets						
Shares and other variable yield securities and units in unit trusts	59,720	166,393	11,459	237,572	-	237,572
Debt securities and other fixed income securities	244,393	881,584	-	1,125,977	-	1,125,977
Participation in investment pools	30,081	12,954	8,421	51,456	-	51,456
Loans and deposits with credit institutions	10,386	1,521	903	12,810	-	12,810
Overseas deposits	43,116	98,566	3,109	144,791	-	144,791
Derivatives	780	3,242	-	4,022	-	4,022
Other investments	-	22	-	22	-	22
Financial assets classified as held for sale	-	-	-	-	-	-
	388,476	1,164,282	23,892	1,576,650	-	1,576,650
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	182	3	-	185	-	185
Financial liabilities classified as held for sale	-	-	-	-	-	-
	182	3	-	185	-	185

Other financial investments – Corporate

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2018						
Financial assets						
Shares and other variable yield securities and units in unit trusts	714,772	-	-	714,772	-	714,772
Debt securities and other fixed income securities	-	-	-	-	222,239	222,239
Other investments	-	-	-	-	-	-
	714,772	-	-	714,772	222,239	937,011

Merrieworth (Derby) Limited
Notes to the Financial Statements
For the year ended 31 December 2018

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 £
2017						
Financial assets						
Shares and other variable yield securities and units in unit trusts	943,288	-	-	943,288	-	943,288
Debt securities and other fixed income securities	-	-	-	-	132,840	132,840
Other investments	-	-	-	-	-	-
	<u>943,288</u>	<u>-</u>	<u>-</u>	<u>943,288</u>	<u>132,840</u>	<u>1,076,128</u>

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
- Currency 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.

Merrieworth (Derby) Limited
Notes to the Financial Statements
For the year ended 31 December 2018

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 £
2018						
Shares and other variable yield securities and units in unit trusts	44,437	13,713	41,718	7,789	113,422	221,079
Debt securities and other fixed income securities	243,566	392,216	334,449	116,033	27,517	1,113,781
Participation in investment pools	6,642	44,794	2,574	521	7,775	62,306
Loans secured with credit institutions	1,394	12	-	-	1,002	2,408
Deposits with credit institutions	-	-	9,095	-	1,277	10,372
Overseas deposits	73,563	32,843	8,944	12,030	25,934	153,314
Derivative investments	-	-	413	73	321	807
Other investments	-	-	-	-	23	23
Deposits with ceding undertakings	-	-	-	-	117	117
Reinsurers share of claims outstanding	43,036	146,267	524,666	620	71,445	786,034
Reinsurance debtors	1,299	7,292	30,608	2	7,404	46,605
Cash at bank and in hand	542	1,185	66,825	9,017	6,675	84,244
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	414,479	638,322	1,019,292	146,085	262,912	2,481,090

Merrieworth (Derby) Limited
Notes to the Financial Statements
For the year ended 31 December 2018

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 £
2017						
Shares and other variable yield securities and units in unit trusts	36,372	12,820	34,155	22,812	131,413	237,572
Debt securities and other fixed income securities	266,041	354,046	377,852	107,358	20,680	1,125,977
Participation in investment pools	29,347	9,077	4,789	616	7,627	51,456
Loans secured with credit institutions	1,484	27	-	-	903	2,414
Deposits with credit institutions	-	64	8,745	-	1,587	10,396
Overseas deposits	66,529	34,526	9,567	13,486	20,683	144,791
Derivative investments	2	76	455	309	3,180	4,022
Other investments	-	-	-	-	22	22
Deposits with ceding undertakings	-	-	-	-	98	98
Reinsurers share of claims outstanding	4,349	157,609	551,705	2,833	69,064	785,560
Reinsurance debtors	-	4,421	16,369	305	10,113	31,208
Cash at bank and in hand	7,948	3,374	46,302	19,289	922	77,835
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	412,072	576,040	1,049,939	167,008	266,292	2,471,351

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 £
2018						
Shares and other variable yield securities and units in unit trusts	221,079	-	-	-	-	221,079
Debt securities and other fixed income securities	1,113,781	-	-	-	-	1,113,781
Participation in investment pools	62,306	-	-	-	-	62,306
Loans secured with credit institutions	2,408	-	-	-	-	2,408
Deposits with credit institutions	10,372	-	-	-	-	10,372
Overseas deposits	153,314	-	-	-	-	153,314
Derivative investments	807	-	-	-	-	807
Other investments	23	-	-	-	-	23
Deposits with ceding undertakings	117	-	-	-	-	117
Reinsurers share of claims outstanding	786,186	-	-	-	(152)	786,034
Reinsurance debtors	28,021	17,528	534	532	(10)	46,605
Cash at bank and in hand	84,244	-	-	-	-	84,244
Insurance debtors	301,908	23,066	4,424	4,939	(283)	334,054
Other debtors	931,351	887	442	1	-	932,681
	3,695,917	41,481	5,400	5,472	(445)	3,747,825

Merrieworth (Derby) Limited
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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 £
2017						
Shares and other variable yield securities and units in unit trusts	237,572	-	-	-	-	237,572
Debt securities and other fixed income securities	1,125,977	-	-	-	-	1,125,977
Participation in investment pools	51,456	-	-	-	-	51,456
Loans secured with credit institutions	2,414	-	-	-	-	2,414
Deposits with credit institutions	10,396	-	-	-	-	10,396
Overseas deposits	144,791	-	-	-	-	144,791
Derivative investments	4,022	-	-	-	-	4,022
Other investments	22	-	-	-	-	22
Deposits with ceding undertakings	98	-	-	-	-	98
Reinsurers share of claims outstanding	785,842	-	-	-	(282)	785,560
Reinsurance debtors	20,583	9,874	361	406	(16)	31,208
Cash at bank and in hand	77,835	-	-	-	-	77,835
Insurance debtors	284,114	23,238	4,200	7,545	(289)	318,808
Other debtors	976,733	769	45	6	-	977,553
	3,721,855	33,881	4,606	7,957	(587)	3,767,712

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 £
2018						
Derivative financial instruments	-	660	-	-	-	660
Deposits received from reinsurers	-	6,932	-	-	-	6,932
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	1,052,080	1,031,253	411,422	349,329	2,844,084
Creditors	9,939	372,420	82,906	16,213	-	481,478
Other	-	-	-	-	-	-
	9,939	1,432,092	1,114,159	427,635	349,329	3,333,154

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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 £
2017						
Derivative financial instruments	-	185	-	-	-	185
Deposits received from reinsurers	-	171	-	-	-	171
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	17,468	1,016,282	991,519	408,528	291,708	2,725,505
Creditors	4,713	358,146	68,789	17,682	5	449,335
Other	-	-	-	-	-	-
	22,181	1,374,784	1,060,308	426,210	291,713	3,175,196

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	2018 £	2017 £
Impact of 50 basis point increase on profit or loss	(13,308)	(13,508)
Impact of 50 basis point decrease on profit or loss	12,793	13,289
Impact of 50 basis point increase on equity	(13,308)	(13,508)
Impact of 50 basis point decrease on equity	12,793	13,289

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.

Merrieworth (Derby) Limited
Notes to the Financial Statements
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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

	2018 £	2017 £
Impact on profit or loss of 5% increase in Stock Market Prices	5,152	2,306
Impact on profit or loss of 5% decrease in Stock Market Prices	(5,146)	(2,309)
Impact on equity of 5% increase in Stock Market Prices	5,152	2,306
Impact on equity of 5% decrease in Stock Market Prices	(5,146)	(2,309)

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

	2018	2017
	Syndicate Participation £	Syndicate Participation £
	Corporate £	Corporate £
Sterling	(317,272)	1,106,971
United States Dollar	(217,357)	(304,254)
Euro	41,148	(135,384)
Canadian Dollar	116,761	67,074
Australian Dollar	20,544	119,870
Japanese Yen	(6,821)	27,878
Other	14,208	358
	34,117	14,460

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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 2018		31 December 2017	
	Increase	Decrease	Increase	Decrease
	£	£	£	£
Effect of Sterling exchange movement by 10%				
United States Dollar	20,384	(24,913)	11,764	(14,379)
Euro	2,332	(2,850)	-	-
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.

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.

Merrieworth (Derby) Limited
Notes to the Financial Statements
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8. Insurance Contracts

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

	2018			2017		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	2,725,505	785,560	1,939,945	2,211,872	432,508	1,779,364
Movements in the year	68,242	(6,570)	74,812	630,883	344,039	286,844
Exchange differences	50,337	7,044	43,293	(117,250)	9,013	(126,263)
At 31 December	<u>2,844,084</u>	<u>786,034</u>	<u>2,058,050</u>	<u>2,725,505</u>	<u>785,560</u>	<u>1,939,945</u>

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

	2018			2017		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	729,410	106,548	622,862	799,169	104,995	694,174
Movements in the year	(28,563)	14,690	(43,253)	(11,390)	12,356	(23,746)
Exchange differences	27,944	5,371	22,573	(58,369)	(10,803)	(47,566)
At 31 December	<u>728,791</u>	<u>126,609</u>	<u>602,182</u>	<u>729,410</u>	<u>106,548</u>	<u>622,862</u>

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

	2018 £	2017 £
At 1 January	204,458	207,991
Movements in the year	(11,337)	4,576
Exchange differences	1,318	(8,109)
At 31 December	<u>194,439</u>	<u>204,458</u>

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.

The development of insurance liabilities provides a measure of the managing agent's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the estimate of total claims outstanding for each accident year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

Merrieworth (Derby) Limited
Notes to the Financial Statements
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8. Insurance Contracts (continued)

8.1 Risks arising from Insurance Contracts (continued)

Claims development - gross

	At end of reporting year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later
2011	563,126	884,430	880,877	877,307	865,333	862,252	847,337	840,927
2012	589,205	838,074	819,409	800,115	795,678	783,351	778,356	
2013	438,571	745,727	736,508	720,449	711,874	703,374		
2014	435,345	756,526	784,419	770,401	788,129			
2015	413,477	820,820	847,597	831,196				
2016	526,287	1,076,046	1,129,733					
2017	980,588	1,450,092						
2018	662,946							
	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received					
2011	783,855	57,071	(41,476)					
2012	703,671	74,685	(74,487)					
2013	611,814	91,561	(46,132)					
2014	617,090	171,039	(78,557)					
2015	603,086	228,110	(93,761)					
2016	576,883	552,851						
2017	605,296	844,795						
2018	88,445	574,501						

Claims development - net

	At end of reporting year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later
2011	473,667	736,092	729,943	714,502	696,548	693,977	686,626	681,996
2012	487,698	716,066	698,810	674,981	667,086	664,233	660,966	
2013	381,258	658,978	643,761	624,759	623,605	619,683		
2014	378,988	671,355	692,577	683,305	698,484			
2015	358,647	716,680	728,071	716,261				
2016	439,187	872,082	929,456					
2017	629,003	1,022,104						
2018	478,854							

Merrieworth (Derby) Limited
Notes to the Financial Statements
For the year ended 31 December 2018

8. Insurance Contracts (continued)

8.1 Risks arising from Insurance Contracts (continued)

Claims development – net (continued)

	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received
2011	642,060	39,936	(57,032)
2012	599,230	61,736	(79,644)
2013	541,485	78,198	(67,412)
2014	573,975	124,509	(56,200)
2015	533,851	182,410	(63,810)
2016	495,444	434,012	
2017	440,056	582,048	
2018	76,395	402,459	

9. Called-up Share Capital

Issued and fully paid	Number of shares			At 31 December
	At 1 January	Issued during the year	Redeemed during the year	
Par value per share				
100 Ordinary £1 shares	100	-	-	100
Total	100	-	-	100

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

Merrieworth (Derby) Limited
Notes to the Financial Statements
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10. Profit and Loss Account

	2018			2017		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Retained profit brought forward	(187,105)	1,326,271	1,139,166	164,387	1,100,272	1,264,659
Reallocate distribution	(139,403)	139,403	-	(190,384)	190,384	-
Loss for the financial year	(55,876)	(53,921)	(109,797)	(161,108)	35,615	(125,493)
Equity dividends	-	-	-	-	-	-
Retained profit carried forward	(382,384)	1,411,753	1,029,369	(187,105)	1,326,271	1,139,166

11. Deferred Tax

	2018			
	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £
At 1 January	(31,461)	-	24,841	(2,768)
Movement in the year	(34,202)	-	(6,510)	(42)
At 31 December	(65,663)	-	18,331	(2,810)

	2017			
	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £
At 1 January	31,709	-	31,437	(2,723)
Movement in the year	(63,170)	-	(6,596)	(45)
At 31 December	(31,461)	-	24,841	(2,768)

The unused tax losses carried forward at the Statement of Financial Position 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).

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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 £3,450 (2017: £2,660).

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 W E G Ellis who holds 100% of the issued £100 ordinary share capital.