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**COVERYS MANAGING AGENCY LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**



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**COVERYS MANAGING AGENCY LIMITED**

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**COMPANY INFORMATION**

**DIRECTORS**

Erin Brennan Bagley  
Michael Bell  
Colin David Charles (appointed 3 May 2018)  
Arthur Giragos Chopourian  
Joanne Patricia Fox (resigned 31 December 2018)  
Michael Geoffrey Gardiner  
Robin Edward McCoy  
Todd Colin Mills  
Kenneth Edward Randall (resigned 4 October 2018)  
Philippe Michel Sloan

**COMPANY SECRETARY**

Andrew David Smith

**REGISTERED NUMBER**

04690709

**REGISTERED OFFICE**

One Creechurch Place  
London  
EC3A 5AF

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Statutory Auditor  
7 More London  
Riverside  
London  
SE1 2RT

**BANKERS**

National Westminster Bank  
1 Princes Street  
PO BOX 12258  
London  
EC2R 8PA

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**COVERYS MANAGING AGENCY LIMITED**

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## **COVERYS MANAGING AGENCY LIMITED**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **INTRODUCTION**

During the year the Company acted as managing agent for Lloyd's Syndicates 1975, 1991, 3330 and 1110. The Company also provided services to a third party Syndicate.

#### **BUSINESS REVIEW**

The Directors are satisfied with the Company's progress to date and expect the Company to operate profitably in the future as Syndicates 1975 and 1991 continue to grow.

Further run off business opportunities are being evaluated to incorporate into Syndicate 3330, and the run off of Syndicate 1110 will continue to be managed efficiently.

The Company will continue to provide services to the third party Syndicate and to prospective new entrants to the Lloyd's market.

The fundamental change to these financial statements compared to 2017 is that management fee income and the majority of expenses are recognised in the Company's subsidiary Coverys MA Services Limited. As such, only managing agency fees and profit commission, as well as specific expenses relating to the Company are recognised in these financial statements.

This treatment is consistent with the last month of 2017, but as these financial statements compare all of 2018 to 2017, there are significant decreases in both revenue and expenses.

The loss in the period arises mainly from a provision made in relation to the onerous lease contract for the Company's previous office premises. This is a one off expense and the Company is expected to return to profit in the future.

A capital contribution of £3,825k was received during the year from the Company's parent, Coverys UK Holding Co. Limited. The purpose of this capital contribution was to fund the fit out of the Company's new office located at One Creechurch Place, London. The Company's wholly owned subsidiary Coverys MA Services Limited bore these costs and the associated assets are recognised in their financial statements.

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## COVERYS MANAGING AGENCY LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

#### PRINCIPAL RISKS AND UNCERTAINTIES

##### Company Risks

As a managing agent at Lloyd's, the majority of the risks to the Company's future cash flows come from its income arising from the management of Lloyd's Syndicates. The level of fees and profit commission receivable are largely governed by the future size and profitability of the Syndicates. If the results of the Syndicates are not considered adequate by the members of these Syndicates, support may be reduced along with potential income to the Company.

There is the risk that any losses suffered by the Syndicates will potentially reduce the capital available to support the Syndicates in future years. In such circumstances, to avoid a reduction in capacity managed, the Managing Agent is dependent upon the existing members finding additional capital or attracting new members to the Syndicate.

If significant losses are made by a Syndicate, the Company may be at risk of litigation if capital providers to the Syndicate, or other third parties, consider they have suffered a loss due to negligence of the Syndicate.

The Company manages the Syndicates in return for a managing agency fee and profit commission out of which it must meet retained expenses. The Company is required to hold a minimum amount of regulatory capital. To this end, the Company monitors its financial position by way of quarterly management accounts and weekly cash flow reports and action would be taken to maintain the regulatory capital position where appropriate.

To manage these risks the Company's Board have in place a strong risk management and internal controls framework which supports the delivery of growth and profitability for its managed Syndicates.

##### Syndicate Risks

The principal risks and uncertainties of the managed Syndicates are presented below:

##### Insurance Risk

The Company manages both live and run off Syndicates the nature of which exposes them to the risk of claims arising on business written. To this end, the Company maintains detailed Solvency II compliant policies, procedures and techniques covering underwriting, claims, reserving and reinsurance to manage the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities.

##### Liquidity Risk

Most of the risk applicable to the Company relates to the Syndicates. The Syndicates are subject to calls on cash resources in respect of expenses which the Company pays on its behalf and then recharges back to the Syndicates. The Company maintains a weekly cash flow report to monitor funds and an expense budget report to ensure that expenses stay in line with expectation.

##### Credit Risk

The Syndicates have an exposure to credit risk in respect of insurance and reinsurance debtors. The Company maintains an internal credit rating policy and a limit setting process has been implemented to mitigate this risk.

##### Market/Currency Risk

The Syndicates write a significant proportion of insurance business in currencies other than sterling, which gives rise to a potential exposure to currency risk. The Company seeks to mitigate this risk by asset and liability matching in currencies within the Syndicate funds.

The investment of the Syndicates' financial assets is partly managed by external investment managers on behalf of the Company. The performance of the investment managers is regularly reviewed to mitigate risks arising from market fluctuations and to manage liquidity accordingly.

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## COVERYS MANAGING AGENCY LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

#### Operational Risk

This is the risk that errors caused by people, processes, systems or external events lead to losses to the Syndicates. The Company seeks to manage this risk with detailed policies and procedures addressing each potential source of operational risk and a structured programme of testing of processes and systems by internal audit.

#### Legal and Regulatory Risk

The Company's approval as a Managing Agent of Lloyd's Syndicates is subject to continuing approval by Lloyd's, the Financial Conduct Authority and the Prudential Regulation Authority. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to a Lloyd's Managing Agent and the operation of its managed Syndicates.

#### Group Risk

The Company's Board of Directors is responsible for oversight of management of Group Risk. The key elements of the control framework for Group Risk are as follows:

- Cross directorships
- Acknowledgement of Conflicts of Interest Policy by Group companies
- Inter-group liaison/reporting
- Common shareholdings
- Aligned interests

The risk is captured on the Company's risk register and is managed through controls including conflict of interest policy, externally conducted Governance independent reviews and adequate independent non-executive members' representation on the Company's board.

#### FINANCIAL KEY PERFORMANCE INDICATORS

The Company's key financial performance indicators during the year are standard for managing agencies within the insurance industry and were as follows

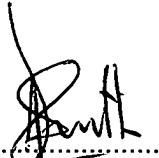
	2018	2017
	£000	£000
Turnover	1,607	10,609
Profit Commission	325	-

Refer to the Business Review for an explanation of the significant year on year decrease in revenue.

#### OTHER KEY PERFORMANCE INDICATORS

The use of non-financial key performance indicators is not considered appropriate in understanding the performance and development of the Company.

This report was approved by the Board and signed on its behalf.

  
.....  
Andrew David Smith  
Secretary

Date: 15 March 2019

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## COVERYS MANAGING AGENCY LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

*The Directors present their report and the Financial Statements for the year ended 31 December 2018.*

#### DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, 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 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 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 for the Company's Financial Statements and then apply them consistently;
- make judgments 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;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £314k (2017: £200k profit).

No dividends were paid in 2018 (2017:£6,500k)

Refer to the Business Review for an explanation of the loss made in 2018.

#### DIRECTORS

The Directors who served during the year were:

Erin Brennan Bagley  
Michael Bell  
Colin David Charles (appointed 3 May 2018)  
Arthur Giragos Chopourian  
Joanne Patricia Fox (resigned 31 December 2018)  
Michael Geoffrey Gardiner  
Robin Edward McCoy  
Todd Colin Mills  
Kenneth Edward Randall (resigned 4 October 2018)  
Philippe Michel Sloan

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## COVERYS MANAGING AGENCY LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

#### FUTURE DEVELOPMENTS

The Company plans to increase the underwriting capacity of Syndicate 1975 over time. Syndicate 1991 will continue to grow and further legacy opportunities will be pursued for Syndicate 3330. The run off of Syndicate 1110 will continue to be managed efficiently.

The Company will continue to offer services to prospective new entrants to the Lloyd's market.

#### DISCLOSURE OF INFORMATION TO AUDITORS

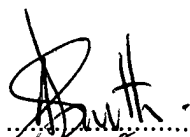
Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### AUDITORS

PricewaterhouseCoopers LLP will be proposed for re appointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board and signed on its behalf.



.....  
Andrew David Smith  
Secretary

Date: 15 March 2019



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## COVERYS MANAGING AGENCY LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF COVERYS MANAGING AGENCY LIMITED

#### *Independent auditors' report to the members of Coverys Managing Agency Limited*

#### **Report on the audit of the financial statements**

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- **Opinion**

In our opinion, Coverys Managing Agency Limited's 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and

have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report And Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018, the statement of comprehensive income for the year then ended, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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- **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

- *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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- **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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- **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF  
COVERYS MANAGING AGENCY LIMITED**

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

- *Strategic Report and Directors' Report*

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 year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

**Responsibilities for the financial statements and the audit**

- *Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible 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.

- *Auditors' 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 auditors' 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

- *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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**COVERYS MANAGING AGENCY LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF  
COVERYS MANAGING AGENCY LIMITED**

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- **Other required reporting**

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- **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

we have not received all the information and explanations we require for our audit; or

adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or

certain disclosures of directors' remuneration specified by law are not made; or

the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Philip Watson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
15 March 2019

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**COVERYS MANAGING AGENCY LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £'000	2017 £'000
Turnover	4	1,607	10,609
<b>GROSS PROFIT</b>		<b>1,607</b>	<b>10,609</b>
Administrative expenses		(1,930)	(10,465)
<b>Operating profit</b>		<b>(323)</b>	<b>144</b>
Interest receivable and similar income	7	9	106
Interest payable and expenses		0	(1)
<b>(LOSS) / PROFIT BEFORE TAX</b>		<b>(314)</b>	<b>249</b>
Tax on (loss) / profit	9	0	(49)
<b>(LOSS) / PROFIT FOR THE FINANCIAL YEAR</b>		<b>(314)</b>	<b>200</b>

There was no other comprehensive income for 2018 (2017: £Nil).

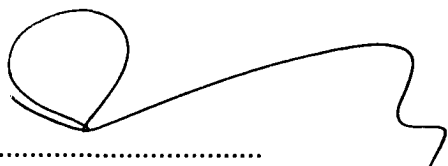
The notes on pages 12 to 21 form part of these Financial Statements.

**COVERYS MANAGING AGENCY LIMITED**

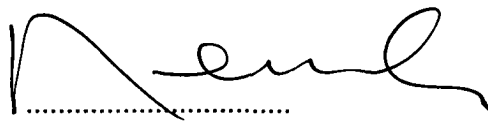
**BALANCE SHEET  
AS AT 31 DECEMBER 2018**

			2018	2017
	Note	£'000	£'000	£'000
<b>CURRENT ASSETS</b>				
Debtors	12	4,602		126
Cash and cash equivalents	13	<u>1,120</u>		<u>938</u>
		5,722		1,064
Creditors: amounts falling due within one year	14	(1,423)		(276)
<b>NET CURRENT ASSETS</b>			<u>4,299</u>	<u>788</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>4,299</u>	<u>788</u>
Creditors: amounts falling due after one year			0	0
<b>NET ASSETS</b>			<u><u>4,299</u></u>	<u><u>788</u></u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	15		400	400
Capital contribution			3,825	0
Profit and loss account	16		74	388
			<u><u>4,299</u></u>	<u><u>788</u></u>

The Financial Statements were approved and authorized for issue by the Board and were signed on its behalf by:



.....  
**Michael Bell**  
Director



.....  
**Robin Edward McCoy**  
Director

Date: 15 March 2019

The notes on pages 12 to 21 form part of these Financial Statements.

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**COVERYS MANAGING AGENCY LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital	Capital contribution	Retained earnings	Total
<b>AT 1 JANUARY 2018</b>	400		388	788
Capital contribution received		3,825		3,825
Profit (Loss) for the period			(314)	(314)
<b>AT 31 DECEMBER 2018</b>	<u><u>400</u></u>	<u><u>3,825</u></u>	<u><u>74</u></u>	<u><u>4,299</u></u>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Share capital	Capital contribution	Retained earnings	Total
<b>AT 1 JANUARY 2017</b>	125		6,688	6,813
Issue of shares	275			275
Dividends: equity capital			(6,500)	(6,500)
Profit (Loss) for the period			200	200
<b>AT 31 DECEMBER 2017</b>	<u><u>400</u></u>		<u><u>388</u></u>	<u><u>788</u></u>

The notes on pages 12 to 21 form part of these Financial Statements.

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## COVERYS MANAGING AGENCY LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1. GENERAL INFORMATION

The Company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is One Creechurch Place, London, EC3A 5AF.

#### 2. ACCOUNTING POLICIES

##### 2.1. Basis of preparation of Financial Statements

The Financial Statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of Financial Statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

##### 2.2. Financial reporting standard 102 reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Coverys UK Holding Co. Limited as at 31 December 2018 and these financial statements may be obtained from Coverys UK Holding Co. Limited, 6th Floor, One Creechurch Place, London, EC3A 5AF.

##### 2.3. Going concern

The Directors have assessed the position of the Company and it is expected to be able to meet its own liabilities as they fall due. The Directors believe that no material uncertainty exists that may cast significant doubt over the ability of the Company to continue as a going concern. Therefore the Company's Directors have reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future.

##### 2.4. Turnover

Turnover comprises managing agency fees and profit commissions.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

**2. ACCOUNTING POLICIES (CONTINUED)**

Managing agency fees are recorded in revenue over the period in which they are considered to be earned.

Profit commission from managed Syndicates is recognised as the related underwriting profits from the managed Syndicates are earned.

**2.5. Cash and cash equivalents**

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

**2.6. Financial instruments**

**(i) Financial assets**

Basic financial assets, including trade and other receivables, cash and bank balances, loans to Group Companies and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit or loss.

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group Companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**(iii) Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the Financial Statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.7. Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is Great British Pounds (GBP).

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

**2.8. Finance costs**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.9. Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

**2.10. Interest income**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

**2.11. Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.12. Taxation**

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

**3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**(a) Critical judgements in applying the entity's accounting policies**

No judgements have been made in applying the entities accounting policies that would have a significant effect on the amounts recognised in these Financial Statements.

**(b) Critical accounting estimates and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**(i) Deferred income provision**

Managing agency fees are recorded in revenue over the period in which they are considered to be earned. Fees relating to an underwriting year are deferred over two years in line with the estimated performance of the underlying duties. At 31 December 2018 the Company has deferred £120,863 (2017: deferred £94,867) in respect of these fees; this amount is included within accruals and deferred income.

**(ii) Recoverability of debtors**

The Company makes an estimate of the recoverable value of trade and other debtors, including amounts owed by Group undertakings. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 12 for the net carrying amount of debtors and associated impairment provision.

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**COVERYS MANAGING AGENCY LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**4. TURNOVER**

An analysis of turnover by class of business is as follows:

	2018 £000	2017 £000
Management fees	-	9,427
Managing agency fees	1,282	951
Profit Commissions	325	-
Recharged income	-	231
	<u>1,607</u>	<u>10,609</u>

All turnover arose within the United Kingdom.

**5. AUDITORS' REMUNERATION**

	2018 £000	2017 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	<u>24</u>	<u>11</u>
	<u>24</u>	<u>11</u>

**6. DIRECTORS' REMUNERATION**

	2018 £000	2017 £000
Wages and salaries	-	1,652
Cost of defined contribution scheme	-	75
	<u>-</u>	<u>1,727</u>

All employees, including directors, were employed and paid by Coverys MA Services Limited during the year.

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**COVERYS MANAGING AGENCY LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**7. INTEREST RECEIVABLE AND SIMILAR  
INCOME**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from Coverys Group undertakings	<u>9</u>	<u>106</u>
	<u><b>9</b></u>	<u><b>106</b></u>

**8. INTEREST PAYABLE AND SIMILAR  
CHARGES**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interest payable to Coverys Group undertakings	<u>-</u>	<u>1</u>
	<u><b>-</b></u>	<u><b>1</b></u>

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**COVERYS MANAGING AGENCY LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**9. TAXATION**

	2018 £000	2017 £000
<b>CORPORATION TAX</b>		
Current tax on profits for the year	-	7
Group taxation relief	-	42
<b>TOTAL CURRENT TAX</b>	<u>-</u>	<u>49</u>

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is the same as (2017: same as) the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
(Loss) / Profit on ordinary activities before tax	<u>(314)</u>	<u>249</u>
(Loss) / Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(60)	49

**EFFECTS OF:**

Expenses not deductible for tax purposes	-	-
Transfer pricing adjustments	-	-
Unrecognised deferred tax asset in respect of trading losses	60	-
<b>TOTAL TAX CHARGE FOR THE YEAR</b>	<u>-</u>	<u>49</u>

The Company has an unrecognised deferred tax asset of £60k in respect of trading losses carried forward.

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

In the Finance Bill 2015, it was announced that the main rate of UK corporate tax would reduce to 18% from 1 April 2020. The Bill was substantively enacted on 26 October 2015.

In March 2016, it was announced that there would be a further reduction to 17% from 1 April 2020. The Finance Bill 2016 was substantively enacted on 6 September 2016.

The Company's 2018 losses are taxed at an effective rate of 19%.

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**COVERYS MANAGING AGENCY LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**10. DIVIDENDS**

	<b>2018</b>	2017
	<b>£000</b>	£000
Dividends paid	-	6,500
	-	6,500

**11. INVESTMENTS**

The Company owns 100% of the issued share capital of Coverys 1975 Underwriting Limited, Coverys MA Services Limited and DTW 1991 Underwriting Limited, Companies registered in England and Wales.

The Company owns 100% of the issued share capital of CMAL LLC, a Company registered in Delaware, USA.

The aforementioned companies form the Coverys Group referred to in these financial statements.

The aggregate of the share capital and reserves as at 31 December 2018 for the subsidiary undertakings registered in England and Wales was £3.

**12. DEBTORS: Amounts falling due within one year**

	<b>2018</b>	2017
	<b>£000</b>	£000
Trade debtors	216	116
Other debtors	23	10
Intercompany debtors	4,038	-
Prepayments and accrued income	325	-
	4,602	126

Prepayments and accrued income included £325k (2017: £Nil) due from managed syndicates in respect of profit commission.

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**COVERYS MANAGING AGENCY LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**13. CASH AND CASH EQUIVALENTS**

	<b>2018</b>	2017
	<b>£000</b>	£000
Cash at bank and in hand	<u>1,120</u>	938
	<u><b>1,120</b></u>	<u><b>938</b></u>

**14. CREDITORS: Amounts falling due within one year**

	<b>2018</b>	2017
	<b>£000</b>	£000
Amounts owed to Group undertakings	-	51
Corporation tax	-	7
Trade creditors	<b>34</b>	-
Other creditors	<b>1,184</b>	113
Accruals and deferred income	<u><b>205</b></u>	105
	<u><b>1,423</b></u>	<u><b>276</b></u>

Included in Other creditors is £1,134k relating to the onerous lease provision for the Company's previous address at 71 Fenchurch Street, London.

**15. SHARE CAPITAL**

	<b>2018</b>	2017
	<b>£000</b>	£000
<b>Allotted, called up and fully paid</b>		
400,000 (2017: 400,000) Ordinary shares of £1 each	<u><b>400</b></u>	400
	<u><b>400</b></u>	<u><b>400</b></u>

There is a single class of Ordinary share. There are no restrictions on the distribution of dividends and the repayment of capital.

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**COVERYS MANAGING AGENCY LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**16. RESERVES**

**Profit & loss account**

The profit and loss account represents accumulated profits.

**17. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	2017
	£	£
Not later than 1 year	601,976	601,976
Later than 1 year and not later than 5 years	3,171,177	702,305
	<u>3,773,153</u>	<u>1,304,281</u>

On 30 November 2017 an operating lease was entered into by the Company relating to 71 Fenchurch Street, London. All future payments under this lease have been expensed within the onerous lease provision referred to in the Business Review. Surety for the lease is provided by Randell & Quilter Investment Holdings Ltd.

**18. RELATED PARTY TRANSACTIONS**

The company is exempt from disclosing related party transactions as they were only with other Coverys companies that are wholly owned within the Coverys Group.

**19. CONTROLLING PARTY**

The immediate parent undertaking is Coverys UK Holding Co. Limited, which is registered in England and Wales.

Group Financial Statements are prepared by the immediate parent undertaking, Coverys UK Holding Co. Limited, a company registered in England & Wales, and can be obtained from Coverys UK Holding Co. Limited, 6th Floor, One Creechurch Place, London, EC3A 5AF.