BEAT CCM FIVE LIMITED

Annual Report

For the year-ended 31 December 2019

Registered number: 05976052

Contents

Directors and Administration

Directors

A J T Milligan
P M Rayner

Secretary

Asta Management Services Limited
5th Floor Camomile Court
23 Camomile Street
London
EC3A 7LL

Registered Office

5th Floor Camomile Court
23 Camomile Street
London
EC3A 7LL

Registered Number

05976052

Auditors

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Tax Advisors

PKF Littlejohn LLP
1 Westferry Circus
Canary Wharf
London
E14 4HD

Banker

Lloyds Bank
10 Gresham Street
London
EC2V 7AE

Strategic Report

The Directors present their Strategic Report for the year ended 31 December 2019.

Financial Results

Beat CCM Five Limited (the Company) generated a loss of $17,894 (loss of $28,257 in 2018) on gross written premiums of $0 ($0 in 2018).

Principal Activity and Review of the Business

The Company is incorporated in the United Kingdom (U.K.) and is a corporate member underwriting at Lloyd's of London (Lloyd's).

The 2012 underwriting year closed on 31 December 2014. After the 2012 underwriting year, the Company discontinued underwriting on Syndicate 4242.

The company changed its name on 01 February 2019 from 'ICAT CCM Five Limited' to 'Beat CCM Five Limited'.

The Company's immediate parent company, is Beat Syndicate Services Ltd.

Key Performance Indicators

In the opinion of the directors, the key financial performance indicators below best represent the performance and position of the Company before reinsurance of all its underwriting business from the Syndicate to an unrelated foreign reinsurer.

	2019 $'000	2018 $'000
Gross written premium	-	-
Loss for the financial year	(18)	(28)
Net loss ratio	0.0%	0.0%
Combined ratio	0.0%	0.0%

The Annual Report of the Directors of the Managing Agent on the audited annual accounts for the Syndicate, which is not a part of this report, details the business of the Syndicate on page 3.

Non-Financial Key Performance Indicators

Due to the nature of the Company's operations as a Lloyd's corporate member, the Syndicate carries out most of the Company's activities. The Company is not directly involved in the management of the Syndicate's activities, including the employment of staff: The Managing Agent is responsible for the management of the Syndicate. The Managing Agent also has responsibility for the environmental activities of the Syndicate, though by their nature, insurers generally do not produce significant environmental emissions. Therefore, the directors do not consider it appropriate to monitor and report any performance indicators for staff or environmental matters.

Member Outward Reinsurance Arrangement

The Company proportionally reinsures all its underwriting business from the Syndicate to an unrelated Bermuda reinsurer. Outward reinsurance premiums equal the Company's share of Syndicate gross premiums, less Syndicate outward reinsurance premiums; reinsured liabilities equal the Company's share of Syndicate losses and expenses, less investment income. The reinsurance contract limits the Company's net reinsurance recoveries to the reinsurer's related funds at Lloyd's. The reinsurer reimburses the Company for related administrative expenses (including professional fees for audit, tax and accounting services), market charges and excise taxes.

Foreign Exchange

Foreign exchange is not significant to the Company, since the Syndicate transacts all its business in the U.S. in U.S. Dollars, and the Company only undertakes a few transactions of its own.

Strategic Report (Continued)

Insurance Risk

As a corporate member of Lloyd's, most of the significant insurance risks and uncertainties facing the Company arise from its participation in the Syndicate. The Company's role in managing these risks is limited to monitoring the Syndicate's performance. This starts in advance of committing support to the Syndicate for the following underwriting year, with a review of the Syndicate's business plan as prepared by the Syndicate's Managing Agent. During the year, the directors monitor and, if necessary, make enquiries into the Syndicate's quarterly reports and annual accounts together with any other information made available by the Managing Agent. If the directors deem a risk in the Syndicate to be excessive, they will seek confirmation from the Managing Agent that adequate management of the risk is in place and, if considered appropriate, may withdraw the Company's support from the next underwriting year if they are not satisfied with the Managing Agent's response.

The Annual Report of the Directors of the Managing Agent on the audited annual accounts for the Syndicate details the significant risks and uncertainties facing the Syndicate on page 5. The Managing Agent manages these risks together with the Syndicate's service providers.

The reinsurer provided a $0.7 million letter of credit to Lloyd's (Funds at Lloyd's) to collateralise its reinsurance obligations to the Company.

Operational Risk

Since the Company only undertakes a few transactions of its own, it has limited systems and staffing requirements. Therefore, the directors do not consider the Company's operational risks to be significant. Close involvement of all the directors in the Company's key decision making and the fact that the Syndicate conducts most of the Company's operations provides control over any remaining operational risk.

Market, Credit, and Liquidity Risk

Other significant risks faced by the Company include its investment of available funds within its own custody. The elements of these risks are interest rate, investment price, and liquidity risk. Liquidity risk would arise if the Syndicate had inadequate liquid resources for a large claim and sought funds from the Company to pay the claim. To minimise interest rate, investment price, and liquidity risk, the Company invests its funds in readily realisable short-term cash deposits.

Since the Company only undertakes a few transactions of its own, the directors do not consider currency or credit risk to be significant.

Strategic Report (Continued)

Regulatory and Compliance Risk

The Company is subject to continuing approval by Lloyd's to be a corporate member of the Syndicate. The Company tries to reduce the risk of this approval being revoked by monitoring and fully complying with all its Lloyd's membership requirements.

The capital requirements to support the proposed amount of Syndicate insurance capacity for future years are subject to Lloyd's requirements. Lloyd's takes a variety of factors into account when setting these requirements including market conditions and Syndicate performance, and though Lloyd's intends for the process to be fair and reasonable, the requirements can fluctuate from one year to the next, which may constrain the amount of Syndicate insurance capacity that the Company can support.

Future Developments

The COVID-19 pandemic is having profound impacts on society and businesses. The effects on the global insurance industry and more specifically to the Company are fluid and subject to continuous assessment by the Board of Directors.

The Company temporarily shut its offices on 24 March 2020 further to public health advice and transitioned all staff to working from home. The Company's business activities, processes and controls have not been significantly impacted other than the obvious reduction of in person internal and external meetings.

The Company's existing assets and liabilities do not have foreseeable impacts from COVID-19 given underwriting ceased at the end of 2012 and there are therefore not current live exposures. COVID-19 does not impact the Company's future intention not to participate in further underwriting.

The Annual Report of the Directors of the Managing Agent on the annual accounts for the Syndicate discusses other future developments in the Syndicate's business on page 7.

On behalf of the Board

Paul Rayner

2020-Jun-26 12:19

P M Rayner
Director
26 June 2020

Registered number: 05976052

Directors' Report

The directors present their report below for the year ended 31 December 2019.

Below are the names of the people who were directors of Beat CCM Five Limited (the Company) during the year and to the date of this report.

A J T Milligan
P M Rayner

Dividend

The directors do not recommend the payment of a dividend.

Political Donations

The Company made no political donations or incurred any political expenditure during the year.

Future Developments

The directors discussed the future developments for the Company in the Strategic Report on page 5.

Going Concern

The Strategic report summarises the Company's activities, its financial performance and financial position together with any factors likely to affect its future development. In addition, the Strategic report discusses the principal risks and uncertainties it faces.

The Board has followed the UK Financial Reporting Council's "Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks (April 2016)" when performing their going concern assessment. To this end, the Board has undertaken a review of solvency, liquidity and cash flow projections under normal and stressed conditions.

As a result of this review the Directors believe the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Disclosure of Information to Auditors

Each of the directors who held office at the approval date of this report confirms to the best of their knowledge, that there is no relevant audit information of which the Company's auditors are unaware, and each Director took all action necessary as a Director to become aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Report (Continued

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

On behalf of the Board

Paul Rayner

2020-Jun-26 12:19

P M Rayner
Director
26 June 2020

Registered number: 05976052

Statement of Directors' Responsibilities

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report

Opinion

We have audited the financial statements of Beat CCM Five Limited for the year ended 31 December 2019 which comprise the Income Statement, Statement of Financial Position, the Statement of Changes in Equity and the related notes1 to 20, 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 company's affairs as at 31 December 2019 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 below. 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.

Emphasis of Matter – Effects of Covid-19

We draw attention to the Strategic Report and Note 20 of the financial statements, which describe the economic and operational consequences the company is facing as a result of Covid-19 and their impact upon the liquidity position and potential results of the Company. Our opinion is not modified in respect of this matter.

Conclusions relating 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.

Independent Auditors' Report (Continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

- the financial statements are not in agreement with the accounting records and returns; or

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

- we have not received all the information and explanations we require for our audit.

Independent Auditors' Report (Continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Stuart Wilson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
26 June 2020

Registered number: 05976052

Income Statement

Technical Account

For the year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Gross premiums written	4	-	-
Outwards reinsurance premiums		-	-
Net written premiums		-	-
Change in the provision for unearned premiums			
- Gross amount		-	-
- Reinsurers share		-	-
Net change in provision for unearned premiums		-	-
Earned premiums, net of reinsurance		-	-
Allocated investment return transferred from the non-technical account		-	-
Claims paid			
- Gross amount		-	-
- Reinsurers share		-	-
Net claims paid		-	-
Changes in the provision for claims outstanding	12		
- Gross amount		-	-
- Reinsurers share		-	-
Net change in provision for claims		-	-
Claims incurred, net of reinsurance		-	-
Net operating expenses	6	-	-
Balance on technical account		-	-

All operations relate to continuing activities.

The notes on pages 17 to 40 form part of these financial statements.

Income Statement (Continued)

Non-technical account

For the year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Balance on technical account		-	-
Investment income	5	-	-
Unrealised gains on investments		-	-
Investment expenses and charges	5	-	-
Allocated investments return transferred to the general business technical account		-	-
Other income		-	-
Other Charges		(18)	(27)
Operating loss on ordinary activities before tax		(18)	(27)
Tax on profit on ordinary activities	8	-	-
Loss for the financial year		(18)	(27)

Other than the items reported in the income statement the Company has no items of other comprehensive income in any of the periods for which the financial statements are presented. In accordance with FRS 102.3.19 the Company only presents an income statement and does not present a statement of comprehensive income.

All operations relate to continuing activities.

The notes on pages 17 to 40 form part of these financial statements.

Statement of Financial Position

As at 31 December 2019

	Note	2019 $'000	2018 $'000
Assets			
Investments:			
Other financial investments		-	-
Reinsurers' share of technical provisions:			
Provision for unearned premiums		-	-
Claims outstanding		-	-
		-	-
Debtors:			
Debtors arising out of direct insurance operations		-	-
Debtors arising out of reinsurance operations		-	-
Other debtors		-	-
		-	-
Cash and other assets:		16	59
		16	59
Prepayments and accrued income:			
Deferred acquisition costs		-	-
Other prepayments and accrued income		-	-
		-	-
Total assets:		16	59

The notes on pages 17 to 40 form part of these financial statements.

Statement of Financial Position (Continued)

As at 31 December 2019

	Note	2019 $'000	2018 $'000
Liabilities			
Capital and reserves:			
Called up share capital		-	-
Profit and loss account		1	19
		1	19
Technical provisions:	12		
Provision for unearned premiums		-	-
Claims outstanding		-	-
		-	-
Provision for taxation:		-	-
Creditors:			
Creditors arising out of direct insurance operations		-	-
Creditors arising out of reinsurance operations		-	-
Other creditors	13	1	2
		1	2
Accruals and deferred income:		14	38
Total liabilities:		15	40
Total equity and liabilities:		16	59

The board of Beat CCM Five Limited approved the financial statements on pages 12 to 40 on 1st June 2020, which the Director below signed on the board's behalf.

Paul Rayner

P M Rayner 2020-Jun-26 12:19
Director
26 June 2020

Registered number: 05976052
The notes on pages 17 to 40 form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2019	Called up Share Capital $'000	Capital Contribution $'000	Profit and Loss Account $'000	Total Equity $'000
Balance at 1 January 2019	-	-	19	19
Profit or loss	-	-	(18)	(18)
Other comprehensive income	-	-	-	-
Total income for the period	-	-	(18)	(18)
Balance at 31 December 2019	-	-	1	1

For the year ended 31 December 2018	Called up Share Capital $'000	Capital Contribution $'000	Profit and Loss Account $'000	Total Equity $'000
Balance at 1 January 2018	-	-	46	46
Profit or loss	-	-	(27)	(27)
Other comprehensive income	-	-	-	-
Total income for the period	-	-	(27)	(27)
Balance at 31 December 2018	-	-	19	19

The notes on pages 17 to 40 form part of these financial statements.

1. Basis of Preparation

The directors prepared these financial statements under the cost basis of accounting, and presented them in U.S. Dollars, which is the functional and presentational currency of Beat CCM Five Limited (the Company), and in compliance with Financial Reporting Standard 102, The Financial Reporting Standard (FRS 102) and Financial Reporting Standard 103, Insurance Contracts (FRS 103), being applicable United Kingdom (U.K.) Generally Accepted Accounting Practice (GAAP), and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The parent entity, Beat Capital Partners Limited, has committed to supporting envisaged expenses for the 12 month period from the date of these accounts via a letter of support. Through the support of its parent company the directors expect that the company will continue in operational existence for the foreseeable future and continue to adopt the going concern basis for accounting in preparing the annual financial statements.

As permitted by FRS 103, the Company continues to apply the same accounting policies that it applied prior to this standard for its insurance contracts.

Since the Company is a wholly owned subsidiary of Beat Capital Partners Limited (Group) and Group's consolidated financial statements, in which the Company is included, are publicly available from Companies House, the Company is exempt from preparing a cash flow under FRS 102.

2. Basis of Accounting for Underwriting Activities

The Company underwrites insurance business on an underwriting year basis through its participation in Lloyd's of London (Lloyd's) Syndicate 4242 (the Syndicate) under agency agreements with the Syndicate: each underwriting year is a separate annual venture. Agency agreements grant underwriting control to the Managing Agent of the Syndicate, and the Company has no access to funds controlled by the Syndicate. The Syndicate releases funds to the Company from the Syndicate premium trust funds when underwriting years close (normally after three calendar years). The Managing Agent assesses the result and net assets for each underwriting year based on the insurance policies incepting in that year for the membership of that year. The Syndicate may also release funds early on open underwriting years if the Managing Agent can determine the ultimate profitability of the year with enough accuracy (generally at the end of two calendar years).

The Company reports its share of the Syndicate's underwriting transactions, investment return, and operating expenses in its profit and loss account, and its share of the Syndicate's assets and liabilities on its balance sheet. The directors calculate these shares based on the Company's supplied insurance capacity to the Syndicate as a percentage of the Syndicate's total insurance capacity.

The Syndicate holds assets subject to trust deeds for the benefit of the Company's insurance creditors.

3. Accounting Policies

The directors consistently applied the material accounting policies below in preparing these financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.K. GAAP requires that the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include provision for claims outstanding.

Insurance Contracts

Insurance contracts are contracts where the Company (as an insurer or reinsurer) accepts significant insurance risk, arising from both underwriting risk and timing risk, from a policyholder or reinsured by agreeing to compensate them if a specified uncertain future event (the insured or reinsured event) adversely affects them. The Company determines whether it has significant insurance risk by comparing the amount and timing of premiums, commissions, and claim settlement expenses paid with the amount and timing of such cash flows if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once the Company classifies a contract as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk decreases significantly during this period, unless all rights and obligations extinguish or expire.

Gross Premiums Written

Gross premiums written consist of premiums on insurance contracts bound during the year. Gross premiums written also include premiums on reported but unprocessed insurance contracts at the balance sheet date, inward reinsurance premiums from ceding insurance companies, including portfolio transfers, and a deduction for expected insurance contract cancellations based on historical cancellation activity over the past two years. The Company shows premiums gross of coverholder commissions and excludes taxes and fees levied on them.

Outward Reinsurance Premiums

Outward reinsurance premiums consist of: (a) the Company's share of the Syndicate's reinsurance premiums on the outward reinsurance contracts bound during the year, and (b) the Company's reinsurance premiums on the outward reinsurance contracts that it has with foreign reinsurers to proportionally reinsure a majority of its underwriting business from the Syndicate. Reinsurance transactions do not relieve the Company of its primary obligations to its policyholders.

The Company offsets actual or estimated assets and liabilities under each outward reinsurance contract with the foreign reinsurers that proportionately reinsure a majority of its underwriting business from the Syndicate into single net balances, because they do not represent separate assets and liabilities.

Accounting Policies (Continued)

Provision for Unearned Premiums

The provision for unearned premiums is the Company's share of the Syndicate's gross premiums written and corresponding reinsurance premiums that the Syndicate will earn in the future. The Syndicate earns hurricane premiums, inclusive of attritional catastrophe coverage for tornados, hail, and other windstorm risks, evenly over the Atlantic Hurricane Season(s) (the incidence of risk) that occur during the policy term. The Atlantic Hurricane Season runs from July 15th to November 15th of each year. The Syndicate earns earthquake and all other property peril premiums evenly over the policy term. The Syndicate expenses related reinsurance premiums evenly over the contract term, or incidence of risk, if significantly different.

Provision for Unexpired Risks

At the balance sheet date, the Company performs a liability adequacy test on it insurance liabilities less related deferred acquisition costs to ensure that the carrying value is adequate, using current estimates of future cash flows. If this test shows that the liabilities is inadequate, any deficiency is recognised as an expense to the profit or loss account initially by recognising an additional liability for claims provisions or recognising a provision for unexpired risks.

The directors assess the provision for unexpired risks by class of business, after considering related investment returns. No provision for unexpired risks was recorded in 2019 or 2018.

Claims Incurred, Net of Reinsurance

Gross claims incurred consist of the Company's share of the Syndicate's estimated cost of settling all claims occurring during the year, whether reported or not, including related claims handling expenses. Gross claims incurred consist of the estimated cost of settling all claims occurring before the balance sheet date, whether reported or not, including related claims handling expenses. The Company does not discount claims outstanding. The Company anticipates subrogation recoveries when it sets provisions for reported claims. The Company accounts for reinsurance recoveries when it incurs the related losses. The directors assess the provision for claims outstanding on a case basis based on the estimated cost of all claims notified but not settled at the balance sheet date.

The provision also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date based on statistical methods and includes adjustments for catastrophes and other significant events, changes in historical trends, economic and social conditions, judicial decisions, and legislation, as necessary.

In evaluating the provision, the directors use the findings of the Syndicate's actuaries, which include an associated third-party claims administrator's loss estimates for large catastrophes. The claims administrator, together with loss modelling staff, base the selected estimate of losses for each large catastrophe after considering the range of ultimate loss estimates using various methods. Such methods include expected claim count and average cost per claim, incurred loss development, stochastic event scenario modelling from different software vendors, market share analysis, and other information, including independent third-party evaluations. For smaller catastrophes, all other property perils, equipment breakdown, and general liability claims, the Syndicate's actuaries apply Initial Expected Loss Ratios (IELRs) for each class of business, which is segmented by homogeneous regions and policy types. The Syndicate's actuaries develop these IELRs against catastrophe models, market data, and past claims on similar classes of business.

Accounting Policies (Continued)

Claims Incurred, Net of Reinsurance (Continued)

The provision for claims outstanding is subject to significant variability. While the directors believe that the recorded provision for gross claims and reinsurance recoveries is adequate, establishing this liability is a judgmental and inherently uncertain process. Therefore, it is possible that actual losses may not conform to the assumptions that the directors used in determining the amount of this provision. Accordingly, the ultimate provision may be significantly greater or less than the outstanding amount held at the balance sheet date. The Company recognises adjustments to the provision for claims outstanding in the profit and loss account when known. The nature of short tail claims, such as the property insurance that the Syndicate provides, where policyholders typically notify the Syndicate of their claims within an average of 28 days and the Syndicate typically settles these claims within a short time period which is normally less uncertain after a few years than long tail risks, such as some liability lines of business, where it may be several years before policyholders advise their insurance carriers of their claims and the carriers settle them.

The directors base the reinsurers' share of the provision for claims outstanding on the provisions for reported claims and IBNR, net of estimated irrecoverable amounts from potential reinsurer insolvencies based on the type of balance and security ratings of the involved reinsurers. The directors use statistical methods to help them make these estimates.

Claims Handling Expenses

Claims handling expenses mostly consist of the Company's share of the fees that the Syndicate pays to an associated third-party claims administrator for the handling of claims on its behalf. In exchange for these services, the Syndicate pays a base fee equal to a percentage of gross premiums written. The paid fee gives the Syndicate access to the claims administrator's staff for the administration of claims; it also entitles the Syndicate to a predetermined number of new claim file allowances. To the extent that actual claim volume exceeds the accumulated claim file allowances under the base fee, the claims administrator charges an additional fee for each additional claim.

This claims administration arrangement contains multiple deliverables, each representing a separate unit of accounting. As such, the Syndicate defers the portion of fees attributable to new claim file allowances based on their selling prices (contract rates) until actual claims are reported against them, or the allowances expire, whichever occurs first. If an actual claim is reported against a claim file allowance, the Syndicate recognises the allowance expense over the period that the claim is administered based on historical settlement patterns. If a claim is not reported against a claim file allowance before the allowance expires, the Syndicate includes the allowance in the profit and loss account when the allowance expires. The Syndicate defers the rest of the base fee (for access to staff and infrastructure) and recognises it as expense evenly over the term of services. The Company includes its share of the Syndicate's deferred claims handling expenses in other prepayments and accrued income.

Accounting Policies (Continued)

Closed Years of Account

At the end of the third calendar year that an underwriting year is open, the year normally closes by way of reinsurance into the following open underwriting year. The Managing Agent determines the amount of the reinsurance to close premium payable, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling expenses. The open underwriting year into which the closed underwriting year is reinsured bares the risk of any subsequent variation in the ultimate liabilities of the closed year.

The payment of a reinsurance to close premium does not relieve the closed year from its primary obligations for outstanding claims. If the reinsuring syndicate is unable to meet its obligations and other elements of Lloyd's chain of security fail, then the closed underwriting year would have to settle the outstanding claims. The directors consider the likelihood of such a reinsurance to close failure to be remote and therefore deem reinsurance to close as settlement of the liabilities outstanding at the closure of an underwriting year. The Company includes its share of the reinsurance to close premiums payable in creditors arising out of reinsurance operations at the balance sheet date, and the Company makes no further provision for any potential risk of variation in the ultimate liability of closed years.

Run-off Years of Account

If an underwriting year is not closed at the end of the third calendar year that it is open (a "run-off" year), the Company makes a provision for the estimated cost of all known and unknown outstanding liabilities of that year. The Managing Agent first determines the provision on a similar basis to the reinsurance to close. The Company determines any subsequent variation in the ultimate liabilities for that year. Therefore, the Company will continue to report movements in its results from any run-off year after the third calendar year until it secures reinsurance to close.

The Company had no run-off years at 31 December 2019 or 2018.

Acquisition Costs, Net of Reinsurance

Acquisition costs consist of the Company's share of Syndicate related coverholder and ceding commissions (on inward reinsurance acceptances) primarily related to the production of new and renewal business. The Syndicate defers acquisition costs to the extent that they are attributable to unearned premiums at the balance sheet date and expenses them as it earns the underlying insurance contract premiums. The Company includes its share of the Syndicate's acquisition costs in net operating expenses. The Syndicate defers recoveries of acquisition costs (ceding commissions) from outward reinsurers; the Company includes its share of these deferrals in accruals and deferred revenue. The Syndicate earns ceding commissions as it expenses underlying reinsurance contract premiums. The Company includes its share of these commissions in net operating expenses under reinsurance commissions and profit participation.

Accounting Policies (Continued)

Investment Return

Investment return primarily consists of income from the Company's share of the Syndicate's investments, gains and losses on the realisation of investments, and movements in unrealised gains and losses on investments, net of investment management expenses. Income from investments consists of interest, which the Syndicate recognises when earned. The Syndicate records realised gains and losses on investments on the difference between the sale proceeds and the cost of the investment. Movements in unrealised gains and losses on investments represent the difference between the carrying value of investments at the balance sheet date and the purchase price of investments in earlier accounting periods, after considering investment disposals. Investment management expenses consist of investment custodian and management fees.

The Company first records its investment return in the non-technical account. The Company then transfers this return to the general business technical account to reflect the investment return on funds supporting its share of the Syndicate's underwriting business; no funds outside of those in the Syndicate support the Company's underwriting business.

Net Operating Expenses

The Company recognises operating expenses when incurred. Operating expenses include acquisition costs and the change in deferred acquisition costs, administrative expenses, and reinsurance commissions and profit participation. Administrative expenses consist of:

- the Company's share of Syndicate operating costs,
- Managing Agent fees and profit commissions,
- Lloyd's membership costs, and
- the reimbursement of administrative expenses from the foreign reinsurers that proportionately reinsure a majority of the Company's underwriting business from the Syndicate.

The Company also includes its share of the Syndicate's brokerage sharing from reinsurance brokers that place reinsurance coverage for the Syndicate in administrative expenses. The Company recognises brokerage sharing as revenue when brokers place the reinsurance coverage.

Reinsurance commissions and profit participation consist of: (a) the Company's share of the Syndicate's ceding and contingent profit commissions from outward reinsurers, and (b) the recovery of acquisition costs from the foreign reinsurers that proportionately reinsure a majority of the Company's underwriting business from the Syndicate.

Accounting Policies (Continued)

Investments

Investments consist of the Company's share of the Syndicate's shares and other variable yield securities and debt and other fixed income securities.

Fair Value Measurements of Financial Assets and Liabilities

The Company follows the recognition and measurement requirements of FRS 102 section 11 Basic Financial Instruments and section 12 Other Financial Instruments. All the Company's financial assets and liabilities are basic financial instruments.

The Company measures its investments at fair value through profit or loss using valuation techniques that maximise the use of observable market data and minimise the use of unobservable market data. The Company determines fair value based on assumptions that market participants would use in pricing an investment in the principal or most advantageous market. When considering market participant assumptions in its fair value measurements, the Company uses the fair value hierarchy below to classify its investments.

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

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

- Level 3 – Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the Company bases the entire fair value measurement on the lowest level input that is significant to the entire measurement. The Company recognises transfers between levels of the fair value hierarchy when events or changes in circumstances causing the transfer to occur.

The Company carries all its other financial assets and liabilities at cost.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Company's share of the Syndicate's cash and Company's own cash at banks and in hand.

Offsetting

The Company sets off and presents its financial assets and liabilities net where:

- each it and another party owe the other determinable amounts,

- it has the right to set off the amount owed with the amount owed by the other party,

- it intends to set off, and

- the right of setoff is enforceable at law.

Accounting Policies (Continued)

Foreign Currency Translation

The Company's functional and reporting currency is the U.S. Dollar. The Company measures foreign currency assets and liabilities at the closing exchange rate in effect at the balance sheet date, while it measures foreign currency revenues and expenses at the historical exchange rates in effect at the time of the related transactions. The directors used an exchange rate of 1.32 to translate Sterling balances into U.S. Dollars at 31 December 2019 (1.27 at 31 December 2018).

Current Taxation

The Company makes a provision for current United Kingdom (U.K.) taxes based on its taxable result for the year after considering permanent and timing differences between the treatment of certain items for book and tax. The Company also makes a provision for current United States (U.S.) federal tax where due based on U.S. taxable income for the year.

Deferred Taxation

The Company makes a full provision for deferred taxation on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when these items reverse based on current tax rates and law. Timing differences arise from including income and expense items in tax computations in different periods from those in which the financial statements include them. The Company recognises deferred tax assets to the extent that it is more likely than not that they will be recovered. The Company does not discount deferred tax assets and liabilities.

Contingent Liabilities

The Company records liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources when it is probable that it incurred such a liability, and that liability is reasonably estimable. The Company expenses legal costs in connection with loss contingencies when incur and includes them in net operating expenses.

4. Segment Reporting

The tables below detail the Company's underwriting results before investment return by class of business.

	2019 $'000 Gross Premiums Written	Gross Premiums Earned	Gross Claims Incurred	Gross Operating Expenses	Reinsurance Balance	Total
Fire and other damage to property	-	-	-	-	-	-
Third party liability	-	-	-	-	-	-
Reinsurance accepted	-	-	-	-	-	-
Total	-	-	-	-	-	-

	2018 $'000 Gross Premiums Written	Gross Premiums Earned	Gross Claims Incurred	Gross Operating Expenses	Reinsurance Balance	Total
Fire and other damage to property	-	-	-	-	-	-
Third party liability	-	-	-	-	-	-
Reinsurance accepted	-	-	-	-	-	-
Total	-	-	-	-	-	-

Included in the reinsurance balance are reinsurance commissions and profit participation of $0 million ($0 million in 2018). The Company only writes business in the U.S. through its participation in the Syndicate. Surplus lines wholesale brokers pay fire and other damage to property premiums to the Syndicate's coverholders in single payments, while policyholders working through licensed retail agents pay premiums in single or multiple instalments.

ICAT Managers underwrites most of the Company's direct insurance business.

5. Investment Return

	2019	2018
	$'000	$'000
Gross investment return:		
Income from investments	-	-
Gains on realisation of investments	-	-
Unrealised losses on investments	-	-
Investment management expenses	-	-
	-	-
Reinsurance share of investment return	-	-
Total	-	-

6. Net Operating Expenses

	2019	2018
	$'000	$'000
Acquisition costs	-	-
Change in deferred acquisition costs	-	-
Administrative expenses	-	-
Reinsurance commissions and profit participations	-	-
Total	-	-

Net operating expenses represent the Company's share of expenses incurred directly by the Syndicate, less the recovery of these expenses from an unrelated foreign reinsurer that proportionately reinsures all the Company's underwriting business from the Syndicate.

This table details administrative expenses included in net operating expenses.

	2019	2018
	$'000	$'000
Share of syndicate operating costs	-	-
Managing Agent fees and profit commissions	-	-
Lloyd's membership costs	-	-
Share of syndicate brokerage sharing		
Reinsurer reimbursements of administrative expenses	-	-
Total	-	-

7. Profit on Ordinary Activities before Tax

This table details the (charges) / credits to profit on ordinary activities before taxation in the non-technical account under other income and charges.

	2019 $'000	2018 $'000
Net foreign exchange losses	-	-
Audit of these financial statements	(5)	(4)
Professional fees	(14)	(26)
Reinsurance reimbursements of member expenses	-	-
Other expenses	1	3
Total	(18)	(27)

8. Tax on Profit on Ordinary Activities

This table summarises the tax charge on the Company's profit (loss) on ordinary activities during the year.

	2019 $'000	2018 $'000
Current tax:		
U.K. corporation tax		
- Tax on profit for the year	-	-
- Adjustments to prior periods	-	-
	-	-
Foreign tax:		
- Tax on profit for the year	-	-
- Adjustments to prior periods	-	-
	-	-
Deferred tax:		
- Origination and reversal of timing differences	-	-
- Impact of rate changes	-	-
- Adjustments to prior periods	-	-
	-	-
Tax on profit on ordinary activities	-	-

Tax on Profit on Ordinary Activities (Continued)

Factors Affecting the Tax for the Year

This table summarises why the current tax charge for the year is different than the tax from applying the main U.K. corporation tax rate to the Company's profit on ordinary activities.

	2019	2018
	$'000	$'000
(Loss) on ordinary activities before tax	(18)	(27)
Current tax at 19.00% (19.00% in 2018)	(3)	(5)
Tax effect of:		
- Other permanent differences	-	-
- Group relief surrendered for no payment	-	-
- Deferred tax not recognised	3	5
- Adjustments to prior periods	-	-
Foreign tax credits	-	-
Foreign taxes.	-	-
Tax on profit on ordinary activities	-	-

The company has a deferred tax asset of $4,792 not provided (2018: $4,636) in relation to tax losses of $28,188 (2018: $27,268). These losses are available to the Company and a deferred tax asset in respect of these losses may be recognised in the future if it is more likely than not that the Company will generate sufficient taxable profits. The unrecognised deferred tax asset has been calculated at 17%, being the rate of corporation tax substantively enacted by the Balance Sheet date.

On 11 March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. The deferred tax balances included within the accounts have been calculated with reference to the rate of 17%, as required under FRS 102. However, following the substantive enactment of the rate of 19%, it is anticipated that the reversal of timing differences will occur at this rate and that the maximum impact on the quantum of the unrecognised deferred tax asset will be £5,356.

9. Directors' Compensation and Staffing

None of the directors received any compensation for their services during 2019 or 2018.

The Company has no employees.

10. Other Financial Investments

	2019	
	Fair Value	Cost
	$'000	$'000
Share and other variable yield securities	-	-
Debt securities and other fixed income securities	-	-
Deposits with credit institutions (overseas deposits)	-	-
Total	-	-

	2018	
	Fair Value	Cost
	$'000	$'000
Share and other variable yield securities	-	-
Debt securities and other fixed income securities	-	-
Deposits with credit institutions (overseas deposits)	-	-
Total	-	-

All debt securities and other fixed income securities are listed. The Company did not write down any of its investments during 2019 or 2018.

Other Financial Investments (Continued)

The tables below detail the placement in the fair value hierarchy of non-deposit related investments measured at fair value through profit or loss.

	2019			
	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Share and other variable yield securities	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-
Deposits with credit institutions	-	-	-	-
Total	-	-	-	-

	2018			
	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Share and other variable yield securities	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-
Deposits with credit institutions	-	-	-	-
Total	-	-	-	-

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Recent prices for identical investments.
- Level 3 – Significant observable and unobservable market data.

11. Debtors Arising Out of Direct Insurance Operations

	2019	2018
	$'000	$'000
Amounts due from associated intermediaries	-	-
Amounts due from other intermediaries	-	-
Total	-	-

12. Technical Provisions

The tables below detail the changes in the Company's claims outstanding.

	Gross	2019 Reinsurers' Share	Net
	$'000	$'000	$'000
At 1 January 2019	-	-	-
Claims incurred during the year related to:			
- Current underwriting year	-	-	-
- Prior underwriting years	-	-	-
Total claims incurred during the year	-	-	-
Paid claims during the year	-	-	-
At 31 December 2019	-	-	-

	Gross	2018 Reinsurers' Share	Net
	$'000	$'000	$'000
At 1 January 2018	-	-	-
Claims incurred during the year related to:			
- Current underwriting year	-	-	-
- Prior underwriting years	-	-	-
Total claims incurred during the year	-	-	-
Paid claims during the year	-	-	-
At 31 December 2018	-	-	-

13. Other Creditors

	2019 $'000	2018 $'000
U.S. federal income taxes payable	-	-
U.S. federal excise taxes payable	-	-
Amounts owed to associated and group companies	1	2
Amounts recoverable from Syndicate	-	-
Amounts owed to others	-	-
Total	1	2

14. Related Parties

Asta Managing Agency Ltd provides accounting and reporting services for the Company for £8,000\.

Beat Syndicate Services Limited paid invoices on behalf of CCM Five Limited in the year. There was an outstanding intercompany balance of $1,212 at year end.

15. Funds at Lloyd's

The unrelated Bermuda reinsurer that proportionately reinsures all the Company's underwriting results from the Syndicate provided a $0.7 million letter of credit to Lloyd's to collateralise its reinsurance obligations to the Company.

16. Contingent Liabilities

Lloyd's Obligations

Other group companies operate under separate agreements with Lloyd's. Under these agreements, however, if any other group companies fail to meet their Lloyd's obligations, Lloyd's can require the Company to cease or reduce its underwriting.

At the date of these financial statements, no group company failed to meet its Lloyd's obligations.

Legal Proceedings

The Syndicate and wider group are regularly involved in various legal proceedings in the ordinary course of their insurance business. The directors believe the outcome of these proceedings will not have a material adverse effect on the Company's financial position or future profitability.

17. Risk Management

As a corporate member of Lloyd's, most of the significant risks and uncertainties facing the Company arise from its participation in the Syndicate. The Company's role in managing these risks is limited to monitoring the Syndicate's performance.

Governance Framework

The Company is subject to continuing approval by Lloyd's to be a corporate member of the Syndicate. The Company tries to reduce the risk of this approval being revoked by monitoring and fully complying with all its Lloyd's membership requirements.

The capital requirements to support the proposed amount of Syndicate insurance capacity for future years are subject to Lloyd's requirements. Lloyd's takes a variety of factors into account when setting these requirements including market conditions and Syndicate performance, and though Lloyd's intends for the process to be fair and reasonable, the requirements can fluctuate from one year to the next, which may constrain the amount of Syndicate insurance capacity that the Company can support.

Capital Management

The object of the Company in managing its capital is to ensure that it will be able to continue as a going concern and comply with Lloyd's market requirements, while maximising the return to capital providers through the optimisation of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders, comprising issued capital and retained earnings. As a corporate member of the Syndicate, the Company provides capital to meet the Syndicate Economic Capital Assessment by assets held in trust by Lloyd's (Funds at Lloyd's) to represent resources available to meet members' and Lloyd's capital requirements.

The Company was compliant with regulatory requirements during the financial year.

Insurance Risk

As a corporate member of Lloyd's, most of the significant insurance risks and uncertainties facing the Company arise from its participation in the Syndicate. The Syndicate accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The Syndicate is exposed to the uncertainty surroundings the timing, frequency and severity of claims under these contracts. The Syndicate manages its risk via its underwriting and reinsurance strategy within an overall risk management framework, which is detailed in the Risk Management note in the Syndicate annual accounts on pages 32 to 48.

The tables below detail the Company's liabilities for claims outstanding by class of business.

	2019		
	Gross	**Reinsurance**	**Net**
	$'000	**$'000**	**$'000**
Fire and other damage to property	-	-	-
Third party liability	-	-	-
Reinsurance accepted	-	-	-
Total	-	-	-

Risk Management (Continued)

	2018		
	Gross	Reinsurance	Net
	$'000	$'000	$'000
Fire and other damage to property	-	-	-
Third party liability	-	-	-
Reinsurance accepted	-	-	-
Total	-	-	-

The liabilities in the tables above may be significantly greater or less than the ultimate cost of settling the associated claims; this level of uncertainty varies by class of business. The Company considers a five percent increase or decrease in the ultimate cost of settling its outstanding claim liabilities reasonably possible at the balance sheet date.

The tables below show how a five percent increase or decrease in net claim liabilities would affect the Company's profit for the financial year and its members' balances.

	2019	
	Five Percent Increase	Five Percent Decrease
	$'000	$'000
Fire and other damage to property	-	-
Third party liability	-	-
Reinsurance accepted	-	-
Total	-	-

	2018	
	Five Percent Increase	Five Percent Decrease
	$'000	$'000
Fire and other damage to property	-	-
Third party liability	-	-
Reinsurance accepted	-	-
Total	-	-

The uncertainty associated with the ultimate claims experience of an underwriting year is greatest when the underwriting year is at an early stage of development and the margin for future experience potentially being more adverse than assumed is at its highest. As claims develop, and the ultimate cost of the claims becomes more certain, the relative level of margin should decrease. Due to the uncertainty inherent in the claims estimation process, initial reserves may not always be in a surplus.

Risk Management (Continued)

Market Risk

Market risk is the risk that the fair value or future cash flows of the Syndicate's financial assets will fluctuate because of changes in the market. Market risk consists of the three risks below.

- Interest Rate Risk

Increasing market interest rates reduce the value of the Company's fixed maturities. The Company may realise a loss if it sells fixed maturities whose value has fallen below their acquisition cost. Declining market interest rates may reduce the Company's investment income, as it invests proceeds from positive operating cash flows and reinvests proceeds from maturing or sold investments in new investments that may yield less than the investment portfolio's historical average rate of return. Interest rates are highly sensitive to many factors, including government monetary policies, domestic and international economic and political conditions, and other factors beyond the Company's control. The Company significantly reduces this risk by maintaining high quality investments (rated AA or better on average by Standard & Poor's) with an average duration of one year or less in its investment portfolio to provide downside protection against increases in interest rates; accordingly, the Company does not have material interest rate risk.

- Currency Risk

The Company's share of Syndicate's business is in U.S. Dollars, which is its functional currency. The Company also keeps all its reinsurance balances and investments in U.S. Dollars. The Company has no exposure to other currencies. Since the Company only undertakes a few transactions of its own, the directors do not consider currency risk to be significant.

- Investment Price Risk

Disruptions in the public debt market, including widening credit spreads, bankruptcies, and government intervention in large financial institutions, may result in significant realised and unrealised losses in the Company's share of the Syndicate's investment portfolio. Also, market conditions and other factors beyond the Company's control could cause the credit quality ratings of its investments to deteriorate. The Company significantly limits this risk by purchasing short-term, high quality investments consisting mostly of money funds, commercial paper, and U.S. Treasury bills, and generally holding them to maturity; accordingly, the Company does not have material investment price risk.

Risk Management (Continued)

Credit Risk

Credit risk is the risk that other parties, including issuers of investments, fail to honour their obligations to the Company. Bankruptcy, liquidity problems, distressed financial condition, or the general effects of today's economic environment may increase the risk that policyholders or intermediaries, such as insurance agents and brokers, may not pay a part of or the full amount of premiums owed to the Syndicate's coverholders, despite an obligation to do so. If non-payment becomes widespread, whether because of bankruptcy, lack of liquidity, adverse economic conditions, operational failure, or otherwise, it may affect the coverholders' ability to pay the premiums they in turn owe to the Syndicate.

The Company transfers significant amounts of insurance risk to reinsurers. If these reinsurers fail to honour their obligations, the Company's financial condition, profitability, and cash flows could be adversely affected. The Syndicate tries to reduce the risk of reinsurers failing to honour their obligations by setting maximum exposure and credit limits for each of its reinsurers based on their industry credit rating and net asset balance. The Syndicate regularly evaluates the financial condition and payment performance of its reinsurers with the help of outside brokers; evaluations include reviewing credit ratings and monitoring concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics to minimise the Syndicate's exposure to significant losses from reinsurer insolvencies. The Syndicate mostly purchases reinsurance from reinsurers with an A.M. Best or Standard & Poor's rating of A or better. If a reinsurer does not have an A or better rating, the Syndicate may obtain U.S. Dollar denominated collateral from the reinsurer to secure their reinsurance obligations.

	2019			
	Neither Past Due nor Impaired	**Past Due**	**Impaired**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Other financial investments	-	-	-	-
Reinsurers' share of claims outstanding	-	-	-	-
Debtors arising out of direct insurance operations	-	-	-	-
Debtors arising out of reinsurance operations	-	-	-	-
Other debtors	-	-	-	-
Cash and cash equivalents	16	-	-	16
Total	16	-	-	16

Risk Management (Continued)

	2018			
	Neither Past Due nor Impaired	Past Due	Impaired	Total
	$'000	$'000	$'000	$'000
Other financial investments	-	-	-	-
Reinsurers' share of claims outstanding	-	-	-	-
Debtors arising out of direct insurance operations	-	-	-	-
Debtors arising out of reinsurance operations	-	-	-	-
Other debtors	-	-	-	-
Cash and cash equivalents	59	-	-	59
Total	59	-	-	59

Past due balances were less than three months past due at 31 December.

The tables below classify the exposure that the Syndicate's assets have to credit risk by the Standard & Poor's credit ratings of the investments and parties involved.

Risk Management (Continued)

	2019					
	AAA	AA	A	BBB	NR	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Other financial investments	-	-	-	-	-	-
Reinsurers' share of outstanding claims	-	-	-	-	-	-
Debtors arising out of direct insurance operations	-	-	-	-	-	-
Debtors arising out of reinsurance operations	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
Cash and cash equivalents	-	-	16	-	-	16
Total	-	-	16	-	-	16

	2018					
	AAA	AA	A	BBB	NR	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Other financial investments	-	-	-	-	-	-
Reinsurers' share of outstanding claims	-	-	-	-	-	-
Debtors arising out of direct insurance operations	-	-	-	-	-	-
Debtors arising out of reinsurance operations	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
Cash and cash equivalents	-	-	59	-	-	59
Total	-	-	59	-	-	59

Risk Management (Continued)

Liquidity risk

Liquidity risk would arise if the Syndicate had inadequate liquid resources for a large claim and sought funds from the Company to pay the claim. The Syndicate tries to reduce this risk by reviewing its expected cash obligations on a quarterly basis and keeping adequate cash on deposit to meet those obligations. The Syndicate settles its payment obligations in accordance with the vendor terms of each transaction The Syndicate holds any excess funds in cash or invests them in money funds readily convertible to cash without excessive cost to the business.

The tables below summarise the Company's future expected cash obligations on its undiscounted liabilities, including payments of its outstanding claim liabilities based on historical settlement patterns.

	2019				
	< 1 Year	1 – 3 Years	3 – 5 Years	> 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
Claims outstanding	-	-	-	-	-
Creditors arising out of insurance operations	-	-	-	-	-
Creditors arising out of reinsurance operations	-	-	-	-	-
Other creditors	1	-	-	-	1
Total	1				1

	2018				
	< 1 Year	1 – 3 Years	3 – 5 Years	> 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
Claims outstanding	-	-	-	-	-
Creditors arising out of insurance operations	-	-	-	-	-
Creditors arising out of reinsurance operations	-	-	-	-	-
Other creditors	2	-	-	-	2
Total	2	-	-	-	2

18. Share Capital

	2019	2018
	£	£
Authorised share capital		
Ordinary shares of £1.00 each	100	100
	100	100
Allotted, called up, and fully paid up		
Ordinary shares of £1.00 each	100	100
	100	100

19. Immediate and Ultimate Parents

The Company's immediate parent company is Beat Syndicate Services Ltd.

The Company's ultimate parent, which prepares group financial statements, is Beat Capital Partners Limited, a company incorporated in the U.K. and registered in England and Wales. Copies of the Group's consolidated financial statements can be obtained from the registered office address listed on page 1 of this report.

20. Post balance sheet events

The coronavirus 2019 (COVID 19) pandemic is affecting both economic and financial markets, and there are numerous challenges associated with the economic conditions resulting from efforts to address it. These include increased financial market volatility, liquidity concerns and government intervention. The Company continually monitors the situation to ensure that it is able to continue to operate and maintain its service levels and meet its customers' requirements, while keeping staff safe and healthy.

In line with the Financial Reporting Council guidance issued in March 2020, the Company considers Covid-19 to be a non-adjusting post balance sheet event. The Company has sufficient liquidity to meet its obligations for the foreseeable future and since the year ended 31 December 2019, COVID-19 has not materially impacted the valuation of any of the items in the Company's statement of financial position.

Beat CCM 5 does not have any outstanding insurance liabilities – all potential liabilities have been reinsured to close to Syndicate 4242's open years of account. CCM 5 does not have any employees, and so the effect of Covid-19 is negligible.