Company registration number: 5976567

Labuan Re Underwriting Limited

Annual Report and Financial Statements
31 December 2016

Labuan Re Underwriting Limited

Contents

Labuan Re Underwriting Limited

Company Information

Directors	Sharkawi Alis Johana Era Zainudin
Company Secretary	Hampden Legal Plc
Registered Office	40 Gracechuch Street London EC3V 0BT
Auditors	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD
Solicitors	Jones Day 21 Tudor Street London EC4Y 0DJ

Report of the Directors

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

Principal activities

The principal activity of the Company is that of trading as a Lloyd's corporate capital member.

Results and dividends

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

Directors

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

Sharkawi Alis
Johana Erai Zainudin

Directors' Responsibilities Statement

The Directors are responsible for preparing the Report of the Directors, the Strategic Report and the Financial Statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Auditor

i. PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

ii. Disclosure of information to the Auditor:

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

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

Approved by the Board of Directors on 30 May 2017 and signed on its behalf by:

Hampden Legal Plc

Hampden Legal Plc
Secretary

Labuan Re Underwriting Limited

Strategic Report

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

Business review and future developments

The Financial Statements incorporate the annual accounting results of the syndicates on which the Company participates for the 2014, 2015 and 2016 years of account, as well as any prior run-off years. The 2014 year closed at 31 December 2016 with a result of £7,014,732 (2013: £6,624,217). The 2015 and 2016 open underwriting accounts will normally close at 31 December 2017 and 2018.

Key performance indicators

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

	2016	2015
Capacity (youngest underwriting year)	46,193,465	42,909,961
Gross premium written as a % of capacity	114.4%	112.8%
Underwriting profit of latest closed year:		
as a % of capacity	13.9%	13.6%
Run-off years of account movement	-	-

Other performance indicators

As a result of the nature of this Company as a Lloyd's corporate member the majority of its activities are carried out by the syndicates in which it participates. The Company is not involved directly in the management of the syndicates' activities, including employment of syndicate staff, as these are the responsibility of the relevant managing agent. Each managing agent will also have responsibility for the environmental activities of each syndicate, although by their nature, insurers do not produce significant environmental emissions. As a result, the Directors of the Company do not consider it appropriate to monitor and report any performance indicators in relation to staff or environmental matters.

Financial risk management objectives and policies

As a corporate member of Lloyd's the majority of the risks to this Company's future cash flows arise from its participation in the results of Lloyd's syndicates. As detailed in Note 4, these risks are mostly managed by the managing agent of the syndicate. The Company's role in managing this risk is limited to selection of syndicate participations and monitoring performance of the syndicates. The Company is also directly exposed to these risks, but they are not considered material compared to the syndicate risk for the assessment of the assets, liabilities, financial position and profit or loss of the Company.

Impact of Brexit vote

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

Approved by the Board of Directors on 30 May 2017 and signed on its behalf by:

Hampden Legal Plc

Hampden Legal Plc
Secretary

Independent Auditor's Report to the Members of Labuan Re Underwriting Limited

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

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

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

1 Westferry Circus
Canary Wharf
London
E14 4HD

Labuan Re Underwriting Limited

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

	Note		2016 £		2015 £
Premiums written					
Gross premiums written	5,6		52,830,026		48,393,985
Outward reinsurance premiums			(42,107,632)		(38,107,012)
Net premiums written			10,722,394		10,286,973
Change in the provision for unearned premiums	7				
Gross provision			497,156		2,539,436
Reinsurers' share			(232,543)		(1,624,323)
Net change in the provision for unearned premiums			264,613		915,113
Earned premiums, net of reinsurance			10,987,007		11,202,086
Allocated investment return transferred from the non-technical account			241,075		167,808
Other technical income, net of reinsurance			1,891		65,886
Total technical income			11,229,973		11,435,780
Claims paid					
Gross amount		(22,004,843)		(28,430,852)	
Reinsurers' share		16,365,973		23,356,837	
Net claims paid		(5,638,870)		(5,074,015)	
Change in the provision for claims					
Gross amount		(6,061,175)		6,984,683	
Reinsurers' share		5,415,442		(6,954,760)	
Change in the net provision for claims	7	(645,733)		29,923	
Claims incurred, net of reinsurance			(6,284,603)		(5,044,092)
Changes in other technical provisions, net of reinsurance			-		-
Net operating expenses	8		(4,222,382)		(4,728,444)
Other technical charges, net of reinsurance			-		-
Balance on the technical account for general business			722,988		1,663,244

The Notes are an integral part of these Financial Statements.

Labuan Re Underwriting Limited

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

	Note	2016 £	2015 £
Balance on technical account for general business		722,988	1,663,244
Investment income	9	1,681,403	2,058,626
Unrealised gains on investments	9	179,803	139,986
Investment expenses and charges	9	(1,438,870)	(1,754,888)
Unrealised losses on investments	9	(144,428)	(259,910)
Allocated investment return transferred to the general business technical account		(241,075)	(167,808)
Other income		-	-
Other charges		45,393	(204,986)
Profit/(loss) before taxation	10	805,214	1,474,264
Tax on profit/(loss)	11	249,585	76,354
Profit/(loss) for the financial year		1,054,799	1,550,618

Statement of Comprehensive Income

	Note	2016 £	2015 £
Profit/(loss) for the financial year		1,054,799	1,550,618
Other comprehensive income:			
Currency translation differences		317,118	88,309
Tax on other comprehensive income		16,779	(16,779)
Other comprehensive income for the year, net of tax		333,897	71,530
Total comprehensive income for the financial year	16	1,388,696	1,622,148

All amounts relate to continuing operations.

The Notes are an integral part of these Financial Statements.

Labuan Re Underwriting Limited

Balance Sheet
as at 31 December 2016

		31 December 2016			31 December 2015		
	Note	Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
Assets							
Intangible assets	12	-	589,903	589,903	-	56,440	56,440
Investments							
Financial investments	13	32,694,676	-	32,694,676	46,567,103	-	46,567,103
Deposits with ceding undertakings		11,955	-	11,955	9,477	-	9,477
		32,706,631	-	32,706,631	46,576,580	-	46,576,580
Reinsurers' share of technical provisions							
Provision for unearned premiums	7	6,055,488	-	6,055,488	5,232,939	-	5,232,939
Claims outstanding	7	22,753,252	-	22,753,252	26,765,457	-	26,765,457
Other technical provisions		-	-	-	-	-	-
		28,808,740	-	28,808,740	31,998,396	-	31,998,396
Debtors							
Arising out of direct insurance operations							
- Policyholders		-	-	-	-	-	-
- Intermediaries		7,750,874	-	7,750,874	6,443,358	-	6,443,358
Arising out of reinsurance operations		42,622,357	-	42,622,357	33,881,837	-	33,881,837
Other debtors	14	1,122,049	4,654,427	5,776,476	1,292,512	4,264,088	5,556,600
		51,495,280	4,654,427	56,149,707	41,617,707	4,264,088	45,881,795
Other assets							
Cash at bank and in hand		1,981,757	4,339,342	6,321,099	1,695,649	2,487,113	4,182,762
Other		924,063	-	924,063	1,924,840	-	1,924,840
		2,905,820	4,339,342	7,245,162	3,620,489	2,487,113	6,107,602
Prepayments and accrued income							
Accrued interest		223,818	-	223,818	114,147	-	114,147
Deferred acquisition costs	7	5,479,136	-	5,479,136	4,933,988	-	4,933,988
Other prepayments and accrued income		266,578	-	266,578	319,151	-	319,151
		5,969,532	-	5,969,532	5,367,286	-	5,367,286
Total assets		121,886,003	9,583,672	131,469,675	129,180,458	6,807,641	135,988,099

The Notes are an integral part of these Financial Statements.

Labuan Re Underwriting Limited

Balance Sheet
as at 31 December 2016

	Note	31 December 2016 Syndicate participation £	Corporate £	Total £	31 December 2015 Syndicate participation £	Corporate £	Total £
Liabilities and shareholders' funds							
Capital and reserves							
Called up share capital	15	-	100	100	-	100	100
Share premium account		-	-	-	-	-	-
Profit and loss account	16	9,766,254	(3,439,019)	6,327,235	13,403,699	(8,465,160)	4,938,539
Shareholders' funds		9,766,254	(3,438,919)	6,327,335	13,403,699	(8,465,060)	4,938,639
Technical provisions							
Provision for unearned premiums	7	26,678,881	-	26,678,881	24,171,089	-	24,171,089
Claims outstanding – gross amount	7	75,958,800	-	75,958,800	82,115,997	-	82,115,997
Other technical provisions		-	-	-	-	-	-
		102,637,681	-	102,637,681	106,287,086	-	106,287,086
Provisions for other risks and charges							
Deferred taxation	17	-	-	-	-	284,858	284,858
Other		-	-	-	-	-	-
		-	-	-	-	284,858	284,858
Deposits received from reinsurers		88	-	88	9	-	9
Creditors							
Arising out of direct insurance operations		951,466	-	951,466	258,583	-	258,583
Arising out of reinsurance operations		7,522,521	7,344,853	14,867,374	5,213,636	9,619,608	14,833,244
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors including taxation and social security	18	3,569,296	4,678,829	8,248,125	5,598,548	4,518,966	10,117,514
		12,043,283	12,023,682	24,066,965	11,070,767	14,138,574	25,209,341
Accruals and deferred income		(2,561,303)	998,909	(1,562,394)	(1,581,103)	849,269	(731,834)
Total liabilities		112,119,749	13,022,591	125,142,340	115,776,759	15,272,701	131,049,460
Total liabilities and shareholders' funds		121,886,003	9,583,672	131,469,675	129,180,458	6,807,641	135,988,099

The Financial Statements were approved and authorised for issue by the Board of Directors on 30 May 2017 and signed on its behalf by:

Sharkawi Alis
Director

Company registration number: 5976567

The Notes are an integral part of these Financial Statements.

Labuan Re Underwriting Limited

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

	Note	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2015		100	-	3,316,391	3,316,491
Total comprehensive income for the year:					
Profit/(loss) for the financial year		-	-	1,550,618	1,550,618
Other comprehensive income for the year		-	-	71,530	71,530
Total comprehensive income for the year		-	-	1,622,148	1,622,148
Transactions with owners:					
Dividends paid	16	-	-	-	-
Proceeds from issue of shares	15	-	-	-	-
Total transactions with owners		-	-	-	-
At 31 December 2015		100	-	4,938,539	4,938,639
At 1 January 2016		100	-	4,938,539	4,938,639
Total comprehensive income for the year:					
Profit/(loss) for the financial year		-	-	1,054,799	1,054,799
Other comprehensive income for the year		-	-	333,897	333,897
Total comprehensive income for the year		-	-	1,388,696	1,388,696
Transactions with owners:					
Dividends paid	16	-	-	-	-
Proceeds from issue of shares	15	-	-	-	-
Total transactions with owners		-	-	-	-
At 31 December 2016		100	-	6,327,235	6,327,335

The Notes are an integral part of these Financial Statements.

Labuan Re Underwriting Limited

Statement of Cash Flows
for the year ended 31 December 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit/(loss) before tax	805,214	1,474,264
Deduction of (profit)/loss attributed to syndicate transactions	(1,882,290)	(6,657,830)
Distribution/(collection) of closed year result from/(to) syndicates	6,576,796	11,929,860
Profit/(loss) excluding syndicate transactions	5,499,720	6,746,294
Adjustments for:		
(Increase)/decrease in debtors	(390,339)	(115,319)
Increase/(decrease) in creditors	(2,705,195)	(3,468,321)
(Profit)/loss on disposal of intangible assets	-	-
Amortisation of syndicate capacity	14,110	14,110
Investment income	(36,832)	(16,006)
Realised/unrealised (gains)/losses on investments	-	-
Income tax paid	(18,494)	(712,990)
Net cash inflow/(outflow) from operating activities	2,362,970	2,447,768
Cash flows from investing activities		
Investment income	36,832	16,006
Purchase of syndicate capacity	(547,573)	-
Proceeds from sale of syndicate capacity	-	-
Purchase of investments	-	-
Proceeds from sale of investments	-	-
Net cash inflow/(outflow) from investing activities	(510,741)	16,006
Cash flows from financing activities		
Equity dividends paid	-	-
Issue of shares	-	-
Net cash inflow/(outflow) from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	1,852,229	2,463,774
Cash and cash equivalents at beginning of year	2,487,113	23,339
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at end of year	4,339,342	2,487,113
Cash and cash equivalents comprise:		
Cash at bank and in hand	4,339,342	2,487,113
Other financial investments	-	-
Cash and cash equivalents	4,339,342	2,487,113

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

The Notes are an integral part of these Financial Statements.

1. General information

The Company is a private company limited by shares that was incorporated in England and whose registered office is 40 Gracechurch Street, London, EC3V 0BT. The Company participates in insurance business as an underwriting member of various syndicates at Lloyd's.

2. Accounting policies

Basis of preparation

These Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts", the Companies Act 2006 and Schedule 3 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations, relating to insurance.

Transition to FRS 102 and FRS 103

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

Going concern

The Company participates as an underwriting member of Lloyd's. Its underwriting is supported by Funds at Lloyd's, either made available by the Company directly or by its members. The Directors are of the opinion that the Company has adequate resources to meet its underwriting and other operational obligations for the foreseeable future. Accordingly, the going concern concept has been adopted in the preparation of the Financial Statements.

Basis of accounting

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

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

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

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the syndicates' managing agents. Accordingly, these assets and liabilities have been shown separately in the Balance Sheet as "Syndicate participation". Other assets and liabilities are shown as "Corporate". The syndicate assets are held subject to trust deeds for the benefit of the syndicates' insurance creditors.

The information included in these Financial Statements in respect of the syndicates has been supplied by managing agents based upon the various accounting policies they have adopted. The following describes the policies they have adopted:

General business

i. Premiums

Premiums written comprise the total premiums receivable in respect of business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the syndicates on which the Company participates, less an allowance for cancellations. All premiums are shown gross of commission payable to intermediaries and exclude taxes and duties levied on them.

ii. Unearned premiums

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the Balance Sheet date, calculated on a time apportionment basis having regard where appropriate, to the incidence of risk. The specific basis adopted by each syndicate is determined by the relevant managing agent.

2. Accounting policies (continued)

iii. Deferred acquisition costs

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

iv. Reinsurance premiums

Managing agents enter into reinsurance contracts on behalf of syndicates, in the normal course of business, in order to limit the potential losses arising from certain exposures. Reinsurance premium costs are allocated by the managing agent of each syndicate to reflect the protection arranged in respect of the business written and earned.

v. Claims incurred and reinsurers' share

Claims incurred comprise claims and settlement expenses (both internal and external) occurring in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and settlement expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount included in respect of IBNR is based on statistical techniques of estimation applied by each syndicate's in-house reserving team and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to each syndicate's reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. Each syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly the two most critical assumptions made by each syndicate's managing agent as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used including pricing models for recent business are reasonable indicators of the likely level of ultimate claims to be incurred.

The level of uncertainty with regard to the estimations within these provisions generally decreases with time as the exposure period recedes. In addition the nature of short tail claims such as property where claims are typically notified and settled within a short period of time will normally have less uncertainty after a few years than long tail risks such as some liability business where it may be several years before claims are fully advised and settled. In addition to these factors if there are disputes regarding coverage under policies or changes in the relevant law regarding a claim this may increase the uncertainty in the estimation of the outcomes.

The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses. The provisions for gross claims and related reinsurance recoveries have been assessed on the basis of the information currently available to the directors of each syndicate's managing agent. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the Financial Statements for the period in which the adjustments are made. The provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used, and the estimates made, are reviewed regularly.

vi. Unexpired risks provision

Provisions for unexpired risks are made where the costs of outstanding claims, related expenses and deferred acquisition costs are expected to exceed the unearned premium provision carried forward at the Balance Sheet date. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return. The provision is made on a syndicate by syndicate basis by the relevant managing agent.

2. Accounting policies (continued)

vii. Closed years of account

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling costs.

Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The Company has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

viii. Run-off years of account

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result, any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

ix. Net operating expenses (including acquisition costs)

Net operating costs include acquisition costs, profit and loss on exchange and other amounts incurred by the syndicates on which the Company participates.

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the Balance Sheet date.

x. *Distribution of profits and collection of losses*

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between syndicates and their members. Lloyd's continues to require membership of syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

2. Accounting policies (continued)

xi. Financial assets and financial liabilities

Classification:
The accounting classification of financial assets and liabilities determines their basis of measurement and how changes in those values are presented in the Profit and Loss Account and Other Comprehensive Income. These classifications are made at initial recognition and subsequent classification is only permitted in restricted circumstances.

The syndicates' investments comprise of debt and equity investments, derivatives, cash and cash equivalents and loans and receivables. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the syndicate after deducting all of its liabilities.

Recognition:
Financial assets and liabilities are recognised when the syndicate becomes party to the contractual provisions of the instrument. In respect of the purchases and sales of financial assets, they are recognised on the trade date.

Initial measurement:
All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate if interest for a similar debt instrument.

Subsequent measurement:
Non-current debt instruments are subsequently measured at amortised cost using the effective interest method.

Debt instruments that are classified as payable or receivable within one financial year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

Other debt instruments are measured at fair value through profit or loss.

De-recognition of financial assets and liabilities:
Financial assets are derecognised when and only when a) the contractual rights to the cash flow from the financial asset expire or are settled, b) the syndicates transfer to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the syndicates, despite having retained some significant risks and rewards of ownership, have transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurement:
The best evidence of fair value is a quoted price for an identical asset or liability in an active market that the entity can access at the measurement date.

When quoted prices are unavailable, observable inputs developed using market data for the asset or liability, either directly or indirectly, are used to determine the fair value.

If the market for the asset is not active and there are no observable inputs, then the syndicate estimates the fair value by using unobservable inputs, i.e. where market data is unavailable.

Impairment of financial instruments measured at amortised cost or cost:
For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, i.e. using the effective interest method.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in profit and loss immediately.

2. Accounting policies (continued)

xi. Financial assets and financial liabilities (continued)

Offsetting:
Debtors/creditors arising from insurance/reinsurance operations shown in the Balance Sheet include the totals of all the syndicates' outstanding debit and credit transactions as processed by the Lloyd's central facility. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

xii. Investment return

Investment return comprises all investment income, realised investment gains and losses, movements in unrealised gains and losses, net of investment expenses and charges.

Realised and unrealised gains and losses are measured by reference to the original cost of the investment if purchased in the year, or if held at the beginning of the year by reference to the fair value at that date.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting the underwriting business.

xiii. Basis of currency translation

The presentation and functional currency of the Company is Pound Sterling, which is the currency of the primary economic environment in which it operates. Supported syndicates may have different functional currencies.

Income and expenditure in US dollars, Canadian dollars and Euros is translated at the average rate of exchange for the year. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Monetary assets and liabilities, which according to FRS 103 are deemed to include unearned premiums and deferred acquisition costs, are translated into Pound Sterling at the rates of exchange at the Balance Sheet date.

Any non-monetary items are translated into the functional currency using the rate of exchange prevailing at the time of the transaction.

Differences arising on translation to the functional currency of the syndicates where the functional currency was not Pound Sterling are reported in the Statement of Other Comprehensive Income. All other exchange differences are reported within the Profit and Loss Account, Non-Technical Account (or the Technical Account in respect of Life syndicates).

Reinsurance at corporate level

Where considered applicable by the Directors, the Company may purchase additional reinsurance to that purchased through the syndicates. Any such reinsurance premiums and related reinsurance recoveries are treated in the same manner as described for syndicates in Note 2 (iv) and (v) above.

Taxation

The Company is taxed on its results including its share of underwriting results declared by the syndicates. These are deemed to accrue evenly over the calendar year in which they are declared. The syndicate results included in these Financial Statements are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for corporation tax in relation to open years of account. However, full provision is made for deferred tax on underwriting results not subject to current corporation tax.

HM Revenue & Customs agrees the taxable results of the syndicates at a syndicate level on the basis of computations submitted by the managing agent. At the date of the approval of these Financial Statements the syndicate taxable results of years of account closed at this and at previous year ends may not have been fully agreed with HM Revenue & Customs. Any adjustments that may be necessary to the tax provisions established by the Company, as a result of HM Revenue & Customs agreement of syndicate results, will be reflected in the Financial Statements of subsequent periods.

2. Accounting policies (continued)

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the Balance Sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise, based on current tax rates and law.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax assets and liabilities have not been discounted.

Intangible assets

Costs incurred by the Company in the Corporation of Lloyd's auctions in order to acquire rights to participate on syndicates' underwriting years are included within intangible assets and amortised over a five year period beginning in the year following the purchase of the syndicate participation.

The intangible assets are reviewed for impairment where there are indicators for impairment, and any impairment is charged to the Profit and Loss Account for the period.

Cash and cash equivalents and Statement of Cash Flows

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

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

Share capital

Ordinary share capital is classified as equity. The difference between fair value of the consideration received and the nominal value of the share capital being issued, is taken to the share premium account. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of taxes, from the proceeds.

Dividend distributions to shareholders

Dividend distributions to the Company's shareholders are recognised in the Financial Statements in the period in which the dividends are approved by the shareholders. These amounts are recognised in the Statement of Changes in Shareholders' Equity.

3. Key accounting judgements and estimation uncertainties

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

The measurement of the provision for claims outstanding is the most significant judgement involving estimation uncertainty regarding amounts recognised in these Financial Statements in relation to underwriting by the syndicates and this is disclosed further in Note 4.

The management and control of each syndicate is carried out by the managing agent of that syndicate, and the Company looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each syndicate.

The key accounting judgements and sources of estimation uncertainty set out below therefore relate to those made in respect of the Company only, and do not include estimates and judgements made in respect of the syndicates.

3. Key accounting judgements and estimation uncertainties (continued)

Purchased syndicate capacity:

Estimating value in use:
Where an indication of impairment of capacity values exists, the Directors will carry out an impairment review to determine the recoverable amount, which is the higher of fair value less cost to sell and value in use. The value in use calculation requires an estimate of the future cash flows expected to arise from the capacity and a suitable discount rate in order to calculate present value.

Determining the useful life of purchased syndicate capacity:
The assessed useful life of syndicate capacity is five years. This is on the basis that this is the life over which the original value of the capacity acquired is used up.

Assessing indicators of impairment:

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

Recoverability of receivables:

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

4. Risk management

This section summarises the financial and insurance risks the Company is exposed to either directly at its own corporate level or indirectly via its participation in the Lloyd's syndicates.

Risk background

The syndicate's activities expose it to a variety of financial and non-financial risks. The managing agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. Each year, the managing agent prepares a Lloyd's Capital Return ("LCR") for the syndicate, the purpose of this being to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the syndicate's business, and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the LCR, and, typically, the majority of the total assessed value of the risks concerned is attributable to insurance risk.

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risks arise from the risk that a reinsurer fails to meet their share of a claim. The management of the syndicate's funds is exposed to risks of investment, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks including its ability to continue to trade. However, supervision by Lloyd's provides additional controls over the syndicate's management of risks.

The Company manages the risks faced by the syndicates on which it participates by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate for the following year, with a review of the business plan prepared for each syndicate by its managing agent. In addition, quarterly reports and annual accounts together with any other information made available by the managing agent are monitored and if necessary enquired into. If the Company considers that the risks being run by the syndicate are excessive it will seek confirmation from the managing agent that adequate management of the risk is in place and, if considered appropriate will withdraw support from the next underwriting year. The Company relies on advice provided by the members' agent which acts for it, who are specialists in assessing the performance and risk profiles of syndicates. The Company also mitigates its insurance risks by participating across several syndicates as detailed in Note 23.

Impact of Brexit vote:
The Brexit vote will have an impact on various risk factors, including currency risks. The Lloyd's market is in the process of developing a strategy for dealing with Brexit and the Company will monitor these developments and identify whether it needs to modify its participation in the Lloyd's market.

The analysis below provides details of the financial risks the Company is exposed to from syndicate insurance activities and at a corporate company level, as required by FRS 103. Note 7 provides further analysis of sensitivities to reserving and underwriting risks.

4. Risk management (continued)

Syndicate risks

i. Liquidity risk

The syndicates are exposed to daily calls on their available cash resources, principally from claims arising from its insurance business. Liquidity risk arises where cash may not be available to pay obligation when due, or to ensure compliance with the syndicate's obligations under the various trust deeds to which it is party.

The syndicates aim to manage their liquidity position so that they can fund claims arising from significant catastrophic events, as modelled in their Lloyd's realistic disaster scenarios ("RDS").

Although there are usually no stated maturities for claims outstanding, syndicates have provided their expected maturity of future claims settlements as follows:

2016	No stated maturity £	0-1 year £	1-3 years £	3-5 years £	>5 years £	Total £
Claims outstanding	(114,942)	25,122,972	25,113,561	12,301,148	13,536,061	75,958,800

2015	No stated maturity £	0-1 year £	1-3 years £	3-5 years £	>5 years £	Total £
Claims outstanding	21,325,596	17,927,647	20,954,713	10,603,301	11,304,740	82,115,997

ii. Credit risk

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

2016	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
Financial investments	16,032,258	6,998,967	4,467,549	2,768,316	2,427,586	32,694,676
Deposits with ceding undertakings	315	-	-	-	11,640	11,955
Reinsurers share of claims outstanding	9,805	5,718,244	13,960,505	2,293,386	216,187	22,198,127
Reinsurance debtors	2,831	136,927	31,916	219	231	172,124
Cash at bank and in hand	-	-	1,204,067	777,690	-	1,981,757
	16,045,209	12,854,138	19,664,037	5,839,611	2,655,644	57,058,639

2015	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
Financial investments	29,037,093	5,495,021	4,331,762	3,750,015	3,953,212	46,567,103
Deposits with ceding undertakings	-	-	-	-	9,477	9,477
Reinsurers share of claims outstanding	9,634,983	4,513,805	10,777,392	627,113	917,949	26,471,242
Reinsurance debtors	514	9,470,125	17,362,821	1,647,422	2,992,653	31,473,535
Cash at bank and in hand	198,879	-	821,246	675,524	-	1,695,649
	38,871,469	19,478,951	33,293,221	6,700,074	7,873,291	106,217,006

4. Risk management (continued)

Syndicate risks (continued)

ii. Credit risk (continued)

Syndicate assets emerging directly from insurance activities, with reference to their due date or impaired are as follows:

2016	Neither past due nor impaired	Past due but not impaired: Less than 6 months	Between 6 months and 1 year	Greater than 1 year	Impaired	Total
	£	£	£	£	£	£
Financial investments	32,694,676	-	-	-	-	32,694,676
Deposits with ceding undertakings	11,955	-	-	-	-	11,955
Reinsurers share of claims outstanding	22,198,127	505,803	30,882	18,440	-	22,753,252
Reinsurance debtors	172,124	468,905	46,750	24,187	147,325	859,291
Cash at bank and in hand	1,981,757	-	-	-	-	1,981,757
Insurance and other debtors	60,808,730	816,599	496,966	122,925	-	62,245,220
	117,867,369	1,791,307	574,598	165,552	147,325	120,546,151

2015	Neither past due nor impaired	Past due but not impaired: Less than 6 months	Between 6 months and 1 year	Greater than 1 year	Impaired	Total
	£	£	£	£	£	£
Financial investments	46,567,103	-	-	-	-	46,567,103
Deposits with ceding undertakings	9,477	-	-	-	-	9,477
Reinsurers share of claims outstanding	26,471,242	261,152	27,102	5,961	-	26,765,457
Reinsurance debtors	31,473,535	887,710	138,696	30,613	282,672	32,813,226
Cash at bank and in hand	1,695,649	-	-	-	-	1,695,649
Insurance and other debtors	6,993,791	969,926	89,038	19,164	-	8,071,919
	113,210,797	2,118,788	254,836	55,738	282,672	115,922,831

iii. Interest rate and equity price risk

Interest rate risk and equity price risk are the risks that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates and market prices, respectively.

iv. Currency risk

The syndicates' main exposure to foreign currency risk arises from insurance business originating overseas, primarily denominated in US dollars. Transactions denominated in US dollars form a significant part of the syndicates' operations. This risk is, in part, mitigated by the syndicates maintaining financial assets denominated in US dollars against its major exposures in that currency.

The table below provides details of syndicate assets and liabilities by currency:

2016	GBP £ converted	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
Total assets	23,469,735	85,273,825	7,151,531	3,251,197	2,739,715	121,886,003
Total liabilities	(26,426,468)	(76,928,106)	(7,116,847)	(2,797,844)	1,149,516	(112,119,749)
Surplus/(deficiency) of assets	(2,956,733)	8,345,719	34,684	453,353	3,889,231	9,766,254

4. Risk management (continued)

Syndicate risks (continued)

iv. *Currency risk (continued)*

2015	GBP £ converted	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
Total assets	19,886,586	74,037,366	6,598,679	1,979,253	26,678,574	129,180,458
Total liabilities	(28,375,315)	(58,315,958)	(5,279,186)	(1,657,632)	(22,148,668)	(115,776,759)
Surplus/(deficiency) of assets	(8,488,729)	15,721,408	1,319,493	321,621	4,529,906	13,403,699

The impact of a 5% change in exchange rates between GBP and other currencies would be £636,149 on shareholders' funds (2015: £1,094,621).

Company risks

i. Investment, Credit and Liquidity risks

The significant risks faced by the Company are with regard to the investment of the available funds within its own custody. The elements of these risks are investment risk, credit risk, interest rate risk and currency risk. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the Company to meet the claim. In order to minimise investment, credit and liquidity risk the Company's funds are invested in readily realisable short term deposits. The Company does not use derivative instruments to manage risk and, as such, no hedge accounting is applied.

ii. Currency risks

The syndicates can distribute their results in Pound Sterling, US dollars or a combination of the two. The Company is exposed to movements in the US dollar between the Balance Sheet date and the distribution of the underwriting profits and losses, which is usually in the May following the closure of a year of account.

In addition, the Company is also subject to currency fluctuations in respect of any financial investments and Funds at Lloyd's shown in the Corporate column of the Balance Sheet and as set out in Notes 13 and 14 respectively.

iii. Regulatory risks

The Company is subject to continuing approval by Lloyd's to be a member of a Lloyd's syndicate. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's. The capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. A variety of factors are taken into account by Lloyd's in setting these requirements including market conditions and syndicate performance and although the process is intended to be fair and reasonable, the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the Company is able to support.

iv. Operational risks

As there are relatively few transactions actually undertaken by the Company there are only limited systems and operational requirements of the Company and therefore operational risks are not considered to be significant. Close involvement of all Directors in the Company's key decision making and the fact that the majority of the Company's operations are conducted by syndicates, provides control over any remaining operational risks.

5. Class of business

2016	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Net operating expenses £	Reinsurance balance £	Total £
Direct insurance						
Accident and health	398,523	415,499	(127,596)	(75,735)	(13,653)	198,515
Motor – third party liability	450,419	570,364	(295,145)	(59,013)	(22,337)	193,869
Motor – other classes	1,221,772	1,224,758	(841,325)	(130,563)	9,411	262,281
Marine, aviation and transport	1,864,119	2,038,520	(1,448,007)	(210,302)	25,902	406,113
Fire and other damage to property	21,302,185	20,867,136	(5,979,859)	(1,862,792)	(7,312,584)	5,711,901
Third party liability	2,642,365	2,918,221	(1,751,097)	(327,880)	(43,198)	796,046
Credit and suretyship	49,202	57,979	(74,767)	(4,081)	26,673	5,804
Legal expenses	3,221	3,018	(1,168)	(406)	(18)	1,426
Assistance	-	-	-	-	-	-
Miscellaneous	-	-	(136,110)	5,119	(39,406)	(170,397)
Total direct	27,931,806	28,095,495	(10,655,074)	(2,665,653)	(7,369,210)	7,405,558
Reinsurance inwards	24,898,220	25,231,687	(17,410,944)	(1,556,729)	(13,189,550)	(6,925,536)
Total	52,830,026	53,327,182	(28,066,018)	(4,222,382)	(20,558,760)	480,022

2015	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Net operating expenses £	Reinsurance balance £	Total £
Direct insurance						
Accident and health	436,314	563,810	(441,739)	(100,502)	(16,844)	4,725
Motor – third party liability	679,572	807,749	(653,263)	(87,325)	127,414	194,575
Motor – other classes	1,247,266	1,030,975	(297,059)	(146,147)	(133,881)	453,888
Marine, aviation and transport	2,122,117	3,140,152	(509,672)	(320,323)	(802,285)	1,507,872
Fire and other damage to property	18,248,082	18,810,460	(3,087,855)	(2,074,086)	(5,314,971)	8,333,548
Third party liability	2,920,060	3,781,466	(1,815,464)	(473,947)	(354,077)	1,137,978
Credit and suretyship	64,246	518,378	(635,701)	(19,422)	360,330	223,585
Legal expenses	1,813	1,033	(703)	(139)	(49)	142
Assistance	-	-	-	-	-	-
Miscellaneous	-	-	(50,568)	(406)	(95,214)	(146,188)
Total direct	25,719,470	28,654,023	(7,492,024)	(3,222,297)	(6,229,577)	11,710,125
Reinsurance inwards	22,674,515	22,279,398	(13,954,145)	(1,506,147)	(17,099,681)	(10,280,575)
Total	48,393,985	50,933,421	(21,446,169)	(4,728,444)	(23,329,258)	1,429,550

6. Geographical analysis

	2016 £	2015 £
Direct gross premium written in:		
United Kingdom	27,931,806	25,719,470
Other EU Member States	-	-
Rest of the World	-	-
	27,931,806	25,719,470

7. Technical provisions

Movement in claims outstanding	Gross	Reinsurance	2016 Net	Gross	Reinsurance	2015 Net
	£	£	£	£	£	£
At 1 January	82,115,997	26,765,457	55,350,540	100,704,118	29,720,811	70,983,307
Movement of reserves	6,061,175	5,415,442	645,733	(6,984,683)	(6,954,760)	(29,923)
Other movements	(12,218,372)	(9,427,647)	(2,790,725)	(11,603,438)	3,999,406	(15,602,844)
At 31 December	75,958,800	22,753,252	53,205,548	82,115,997	26,765,457	55,350,540

Movement in unearned premiums	Gross	Reinsurance	2016 Net	Gross	Reinsurance	2015 Net
	£	£	£	£	£	£
At 1 January	24,171,089	5,232,939	18,938,150	26,490,675	4,876,101	21,614,574
Movement of reserves	(497,156)	(232,543)	(264,613)	(2,539,436)	(1,624,323)	(915,113)
Other movements	3,004,948	1,055,092	1,949,856	219,850	1,981,161	(1,761,311)
At 31 December	26,678,881	6,055,488	20,623,393	24,171,089	5,232,939	18,938,150

Movement in deferred acquisition costs	2016 Net	2015 Net
	£	£
At 1 January	4,933,988	5,634,161
Movement in deferred acquisition costs	(3,542)	(274,887)
Other movements	548,690	(425,286)
At 31 December	5,479,136	4,933,988

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

7. Technical provisions (continued)

Assumptions, changes in assumptions and sensitivity

As described in Note 4 the majority of the risks to the Company's future cash flows arise from its participation in the results of Lloyd's syndicates and are mostly managed by the managing agents of the syndicates. The Company's role in managing these risks, in conjunction with the Company's members' agent, is limited to a selection of syndicate participations and monitoring the performance of the syndicates and their managing agents.

The amounts carried by the Company arising from insurance contracts are calculated by the managing agents of the syndicates and derived from accounting information provided by the managing agents and reported upon by the syndicate auditors.

The key assumptions underlying the amounts carried by the Company arising from insurance contracts are:

- the net premiums written calculated by the managing agent are an accurate assessment of the premiums payable as a result of the risks contractually committed to up to the Balance Sheet date;
- the net unearned premiums calculated by the managing agent are an accurate assessment of the net premiums written that reflect the exposure to risks arising after the Balance Sheet date, including appropriate allowance for anticipated losses in excess of the unearned premium;
- the claims reserves calculated by the managing agents are an accurate assessment of the ultimate liabilities in respect of claims relating to events up to the Balance Sheet date;
- the potential ultimate result of run-off year results has been accurately estimated by the managing agents; and
- the values of investments and other assets and liabilities are correctly stated at their realisable values at the Balance Sheet date.

There have been no changes to these assumptions in 2016.

The amounts carried by the Company arising from insurance contracts are sensitive to various factors as follows:

- a 5% increase/decrease in net earned premium (with all other underwriting elements assumed to change pro-rata with premium) will increase/decrease the Company's pre-tax profit/loss by £549,350 (2015: £560,104);
- a 5% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the Company's pre-tax profit/loss by £3,797,940 (2015: £4,105,800);
- a 5% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Company's pre-tax profit/loss by £2,660,277 (2015: £2,767,527).

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

The historical gross and net claims development is as follows:

Claims development - Gross

Underwriting pure year	After 12 months £	After 24 months £	After 36 months £	Profit/(loss) on RITC received £
2012	10,512,284	17,825,140	18,502,087	1,144,536
2013	8,611,875	15,669,789	15,785,105	644,255
2014	64,938,598	81,371,491	84,644,797	-
2015	12,832,872	24,652,900		
2016	15,746,282	-		

Claims development - Net

Underwriting pure year	After 12 months £	After 24 months £	After 36 months £	Profit/(loss) on RITC received £
2012	9,138,392	15,809,368	16,534,761	1,112,860
2013	7,353,474	14,017,267	14,473,829	160,629
2014	49,740,052	61,470,090	61,181,686	-
2015	9,843,820	19,378,875		
2016	11,357,798	-		

8. Net operating expenses

	2016	2015
	£	£
Acquisition costs	3,351,033	3,195,883
Change in deferred acquisition costs	3,542	274,887
Administrative expenses	867,807	1,267,461
Loss/(profit) on exchange	-	(9,787)
	4,222,382	4,728,444

9. Investment return

	2016	2015
	£	£
Investment income	187,013	296,279
Dividend income	7,405	71,117
Interest on cash at bank	52,828	25,812
Other interest and similar income	31,428	14,554
Realised gains on investments	1,402,729	1,650,864
Investment income	1,681,403	2,058,626
Investment management expenses	(22,946)	(22,843)
Realised losses on investments	(1,415,924)	(1,732,045)
Investment expenses and charges	(1,438,870)	(1,754,888)
Unrealised gains and losses, net	35,375	(119,924)
Total investment return	277,908	183,814

Analysed as follows:

	Investments at fair value through profit or loss	Investments available for sale	2016 Total	Investments at fair value through profit or loss	Investments available for sale	2015 Total
	£	£	£	£	£	£
Realised gains and losses	(13,195)	-	(13,195)	(81,181)	-	(81,181)
Unrealised gains and losses	35,375	-	35,375	(119,924)	-	(119,924)
Other relevant income	(888)	-	(888)	(5,029)	-	(5,029)
	21,292	-	21,292	(206,134)	-	(206,134)
Interest and similar income, net of expenses			256,616			389,948
Total investment return			277,908			183,814

10. Profit/(loss) before taxation

	2016	2015
	£	£
This is stated after charging:		
Key management personnel remuneration	-	-
Auditor remuneration	10,500	74
Amortisation of syndicate capacity	14,110	14,110
Interest on bank loan and overdrafts	-	-
Interest on other loans	-	-

The Company has no employees

11. Taxation

	2016	2015
	£	£
Analysis of charge in year		
Current tax:		
UK corporation tax on profit/(loss) of the year	-	-
Adjustment in respect of previous years	18	7,841
Foreign tax	18,476	712,990
Total current tax	18,494	720,831
Deferred tax:		
Origination and reversal of timing differences	(268,079)	(743,922)
Change in tax rate	-	(53,263)
Total deferred tax	(268,079)	(797,185)
Tax on profit/(loss)	(249,585)	(76,354)

Factors affecting tax charge for year

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%). The differences are explained below:

	2016	2015
Profit/(loss) before tax	805,214	1,474,264
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	161,043	298,538
Effects of:		
Adjustment in respect of previous years	18	7,841
Double tax relief	(151,802)	(1,049,143)
Income not taxable	-	-
Permanent differences	(160,181)	4,146
Foreign tax	18,476	712,990
Rate change and other adjustments	(117,139)	(50,726)
Tax on charge/(credit) for the year	(249,585)	(76,354)

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

12. Intangible assets

Purchased syndicate capacity	**2016** £	**2015** £
Cost		
At 1 January	70,550	70,550
Additions	547,573	-
Disposals	-	-
At 31 December	618,123	70,550
Amortisation		
At 1 January	14,110	-
Provided during the year	14,110	14,110
Disposals	-	-
At 31 December	28,220	14,110
Net book value		
At 31 December 2016 / 2015	589,903	56,440
At 31 December 2015 / 2014	56,440	70,550

13. Financial investments

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

The Company categorises its fair value measurement using the following three fair value hierarchy levels based on the reliability of inputs used in determining fair values as follows:

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

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

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset.

Financial investments Syndicate	**Financial investments held at fair value through profit or loss**				**Held at amortised**	
	Level 1	**Level 2**	**Level 3**	**Total**	**cost**	**Total**
2016	£	£	£	£	£	£
Shares and other variable yield securities and units in unit trusts	2,672,539	6,431,387	-	9,103,926	-	9,103,926
Debt securities and other fixed income securities	15,102,650	6,702,658	-	21,805,308	-	21,805,308
Participation in investment pools	1,182,058	602,994	-	1,785,052	-	1,785,052
Loans and deposits with credit institutions	62	-	-	62	-	62
Derivatives	328	-	-	328	-	328
Other investments	-	-	-	-	-	-
Financial assets classified as held for sale	-	-	-	-	-	-
Fair value	18,957,637	13,737,039	-	32,694,676	-	32,694,676
						Total £
Cost				32,469,484	-	32,469,484

13. Financial investments (continued)

Financial investments Syndicate	Financial investments held at fair value through profit or loss				Held at amortised	
	Level 1	Level 2	Level 3	Total	cost	Total
2015	£	£	£	£	£	£
Shares and other variable yield securities and units in unit trusts	3,368,814	3,751,872	1,755,886	8,876,572	-	8,876,572
Debt securities and other fixed income securities	25,482,348	9,587,687	366,243	35,436,278	-	35,436,278
Participation in investment pools	157,796	646,338	-	804,134	-	804,134
Loans and deposits with credit institutions	1,047,643	401,556	920	1,450,119	-	1,450,119
Derivatives	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
Financial assets classified as held for sale	-	-	-	-	-	-
Fair value	30,056,601	14,387,453	2,123,049	46,567,103	-	46,567,103
						Total
						£
Cost				43,437,283	-	43,437,283

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

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

Included within the Corporate figures above are financial investments denominated in non-Sterling currency. The impact of a 5% change in exchange rates between GBP and other currencies would be £nil on shareholders' funds (2015: £nil).

14. Other debtors

	2016 Syndicate participation £	2016 Corporate £	2016 Total £	2015 Syndicate participation £	2015 Corporate £	2015 Total £
Amounts due from group undertakings	-	-	-	-	-	-
Proprietors' loan accounts	-	-	-	-	-	-
Funds at Lloyd's	-	4,654,427	4,654,427	-	4,264,087	4,264,087
Deferred tax asset (Note 17)	-	-	-	-	-	-
Other	1,122,049	-	1,122,049	1,292,512	1	1,292,513
	1,122,049	4,654,427	5,776,476	1,292,512	4,264,088	5,556,600

Funds at Lloyd's ("FAL") represents assets deposited with the Corporation of Lloyd's (Lloyd's) to support the Company's underwriting activities as described in the Accounting Policies. The Company retains the rights to the economic benefit of these assets. The Company has entered into a Lloyd's Deposit Trust Deed which gives Lloyd's the right to apply these monies in settlement of any claims arising from the participation on the syndicates. These monies can only be released from the provision of this Deed with Lloyd's express permission, and only in circumstances where the amounts are either replaced by an equivalent asset, or after the expiration of the Company's liabilities in respect of its underwriting.

Where FAL is comprised of financial investments, to meet Lloyd's requirements these investments will usually be the equivalent of Level 1 as defined in Note 13. FAL are held mainly either in Sterling or US dollar denominations and therefore are potentially exposed to the currency risk of fluctuation between the Sterling and US dollar exchange rate. The maximum exposure to a 5% movement in the Sterling and USD exchange rate will be £232,721 (2015: £213,204).

15. Share capital

Allotted, called-up and fully paid	2016 Issued	2016 Value £	2015 Issued	2015 Value £
Ordinary £1 shares	100	100	100	100

16. Profit and loss account

	2016 Syndicate participation £	2016 Corporate £	2016 Total £	2015 Syndicate participation £	2015 Corporate £	2015 Total £
Retained profit/(loss) brought forward	13,403,699	(8,465,160)	4,938,539	18,381,364	(15,064,973)	3,316,391
Reallocate distribution	(6,576,796)	6,576,796	-	(11,929,860)	11,929,860	-
Profit/(loss) and other comprehensive income for the financial year	2,939,351	(1,550,655)	1,388,696	6,952,195	(5,330,047)	1,622,148
Equity dividends	-	-	-	-	-	-
Retained profit/(loss) carried forward	9,766,254	(3,439,019)	6,327,235	13,403,699	(8,465,160)	4,938,539

16. Profit and loss account (continued)

The result for each underwriting year of account is generated over a three year period. These Financial Statements, which cover the period from 1 January 2016 to 31 December 2016, show movements in the first twelve months of the 2016 year of account, the second twelve months of the 2015 year of account and the final twelve months of the 2014 year of account.

Future cash flows will arise when profits/(losses) are distributed/(collected) by Lloyd's after each year of account has closed. Subject to certain conditions, Lloyd's can allow the partial early release of some profits or in the event of an expect loss require advance funding prior to the year of account closing.

The cumulative profit and loss account on all open underwriting years of account is shown in the Balance Sheet under 'Syndicate participation' as detailed in the table below:.

	2016	2015
Underwriting year of account (cumulative):	£	£
2013 after 36 months	-	6,624,217
2014 after 36 months / 24 months	7,014,732	5,265,151
2015 after 24 months / 12 months	3,669,234	1,514,331
2016 after 12 months	(917,712)	-
	9,766,254	13,403,699

17. Deferred taxation assets/(liabilities)

	2016	2015
	£	£
Opening balance	(284,858)	(1,065,264)
Profit and loss account (charge)/credit	268,079	797,185
Other comprehensive income (charge)/credit	16,779	(16,779)
Closing balance	-	(284,858)

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

18. Other creditors including taxation and social security

			2016			2015
	Syndicate participation	Corporate	Total	Syndicate participation	Corporate	Total
	£	£	£	£	£	£
Corporation tax	-	-	-	-	-	-
Proprietors' loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	3,569,296	-	3,569,296	5,598,548	-	5,598,548
Amount due to group undertakings	-	4,678,829	4,678,829	-	4,518,966	4,518,966
	3,569,296	4,678,829	8,248,125	5,598,548	4,518,966	10,117,514

19. Financial liabilities

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

The Company categorises its fair value measurement using the following three fair value hierarchy levels based on the reliability of inputs used in determining fair values as follows:

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

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

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the liability.

Financial liabilities Syndicate	**Financial liabilities held at fair value through profit or loss**				**Held at amortised**	
	Level 1	**Level 2**	**Level 3**	**Total**	**cost**	**Total**
2016	**£**	**£**	**£**	**£**	**£**	**£**
Borrowings	-	-	-	-	-	-
Derivative liabilities	22	37,096	-	37,118	-	37,118
Financial liabilities classified as held for sale	-	-	-	-	-	-
Fair value	22	37,096	-	37,118	-	37,118

Financial liabilities Syndicate	**Financial liabilities held at fair value through profit or loss**				**Held at amortised**	
	Level 1	**Level 2**	**Level 3**	**Total**	**cost**	**Total**
2015	**£**	**£**	**£**	**£**	**£**	**£**
Borrowings	-	-	-	-	-	-
Derivative liabilities	14,491	-	25,987	40,478	-	40,478
Financial liabilities classified as held for sale	-	-	-	-	-	-
Fair value	14,491	-	25,987	40,478	-	40,478

All other financial liabilities of the syndicate participation, including creditors arising out of direct insurance operations, creditors arising out of reinsurance operations and other creditors, are measured at amortised cost.

Financial liabilities - Corporate

All corporate financial liabilities are measured at amortised cost.

20. Dividends

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

21. Related party transactions

The Company has entered into a quota share reinsurance contract with Labuan Reinsurance (L) Limited, the Company's ultimate controller. Under the terms of this contract the Company cedes 70% of it underwriting result for each year of account. Labuan Reinsurance (L) Limited provides capital to support letters of credit used by the Company as Funds at Lloyd's.

22. Ultimate controlling party

The Company is controlled by Labuan Reinsurance (L) Limited, a company incorporated in Malaysia, which holds 100% of the issued share capital.

23. Syndicate participation

The principal syndicates or members' agent pooling arrangements ("MAPA") in which the Company participates as an underwriting member are as follows:

Syndicate or MAPA number	Managing agent	2017 Allocated capacity £	2016 Allocated capacity £	2015 Allocated capacity £	2014 Allocated capacity £
510	Tokio Marine Kiln Syndicates Limited	523,318	333,120	333,120	-
609	Atrium Underwriters Limited	500,000	-	-	-
1200	Argo Managing Agency Limited	10,000,000	-	-	-
2007	Novae Syndicates Limited	-	-	-	3,737,500
2010	Cathedral Underwriting Limited	499,995	-	-	-
2014	Pembroke Managing Agency Limited	2,000,000	-	-	-
4242	Asta Managing Agency Limited	14,590,000	13,860,500	13,131,996	11,672,885
4444	Canopius Managing Agents Limited	14,625,000	11,100,000	11,100,000	17,500,000
6111	Catlin Underwriting Agencies Limited	-	3,049,845	3,049,845	3,000,000
6113	Barbican Managing Agency Limited	-	-	-	2,000,000
6118	Barbican Managing Agency Limited	12,393,968	14,850,000	13,695,000	12,500,000
6123	Asta Managing Agency Limited	3,000,000	3,000,000	1,600,000	-