

Registered Number: 07066562

R&Q Capital No. 7 Limited

Annual Report and Financial Statements for the
year ended 31 December 2021



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R&Q Capital No. 7 Limited

Directors

J B King
G D Jarvis

Company Secretary

R&Q Central Services Limited

Registered Office

71 Fenchurch Street
London
EC3M 4BS

Auditors

PKF Littlejohn LLP
Statutory Auditor
15 Westferry Circus
Canary Wharf
London E14 4HD

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 December 2021.

Results

The results for the year are set out on pages 11 and 12 of the Financial Statements.

Directors and Secretary

The current Directors of the Company and the Company Secretary are shown on page 2.

2021 underwriting developments

No adverse developments occurred in 2021 as Syndicate 1110 continues with an orderly run-off. The 70% quota share reinsurance treaty in place with R&Q Re (Bermuda) Limited, was cancelled with effect of 30 September 2021. As a result of the cancellation of the reinsurance contract, the Company's 2021 results improved by £0.4m.

Previous key developments

In June 2017 Lloyd's Syndicate 1110 was placed into run-off. The Company's sole underwriting activity is with Syndicate 1110 and subsequently the Company is operating in a run-off capacity as a Lloyd's Corporate Member. In 2017 significant changes in the reinsurance arrangements placed by the underwriting members of Syndicate 1110 resulted in a 100% Quota Share Treaty with New York Marine and General Insurance Company ("NYMG") for US business. Syndicate 1110 underwriting members also have the benefit of an Aggregate Stop Loss reinsurance on the non-US business also placed with NYMG. These reinsurance arrangements cover the 2017 and prior years of account. These reinsurance contracts prevent any adverse net claims development from occurring in the syndicate.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

Disclosure of Information to the Auditors

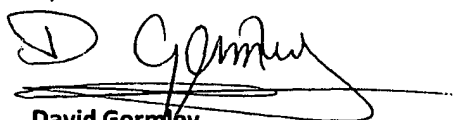
In the case of each of the persons who are Directors at the time this report is approved, the following applies:

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

Auditors

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

By Order of the Board



David Gormley
For and on behalf of R&Q Central Services Limited
Company Secretary

13th May 2022

STRATEGIC REPORT

Introduction

The Company acts as a corporate underwriting member at Lloyd's. During the year, the Company participated on one syndicate, Syndicate 1110, which was managed by Capita Managing Agency Limited. The novation of management of Syndicate 1110 from Capita to Vibe Syndicate Management Limited was effective April 2022.

The Company's participations by year of account are as follows

		Year of account			
		2017	2016	2015	2014
Syndicate 1110	Capacity provided	£25.4m	£19.1m	£19.1m	£16.3m
Syndicate 1110	% of Syndicate capacity	9.08%	9.08%	9.08%	9.08%

Business Review

Results

The Financial Statements incorporate the annual accounting result of the syndicate on which the Company participates for the 2017 year of account.

Following Syndicate 1110 being placed into run-off, the Company does not have a 2018 year of account and has been in run-off since 9 June 2017. In 2021 the run-off has progressed in an orderly manner and is anticipated to do so going forward. A 70% quota share reinsurance treaty put into place with R&Q Re (Bermuda) Limited, has been cancelled with effect 30th September 2021.

Key Performance Indicators

Following the decision to place Syndicate 1110 into run-off, the Directors consider the key performance indicators are those relevant to the support orderly and efficient run-off of the insurance liabilities.

The Directors consider the following to be the key performance indicators of the Company:

	2021 £m	2020 £m	% Change in the year
Shareholders' funds/(deficit).	£0.7m	£0.6m	+17%
Gross insurance technical reserves.	£4.7m	£5.4m	-13%
Monetary assets to cover liabilities. *	£9.2m	£9.3m	-1%
The Company's FAL.	£2.8m	£2.8m	0%

* Monetary assets are defined as total assets less prepayments and accrued income.

STRATEGIC REPORT (CONTINUED)

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 Syndicate in which it participates. The Company is not involved directly in the management of the Syndicate's activities, including employment of Syndicate staff, as these are the responsibility of the Managing Agent, Capita Managing Agency Limited. The Managing Agent also has responsibility for the environmental activities of each Syndicate, although by their nature insurers do not produce significant environmental emissions. The novation of management of Syndicate 1110 from Capita to Vibe Syndicate Management Limited was effective April 2022. 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.

Risk Management

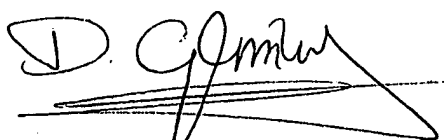
As a corporate member of Lloyd's, many risks to this Company's future cash flows arise from its participation in the results of Lloyd's syndicate. As detailed in Note 3 to the Financial Statements, these risks are mostly managed by the Managing Agent of the syndicate. This Company's role in managing this risk is limited to selection of syndicate participations and monitoring performance of the syndicate.

Responsibilities

The Board, having considered section 172(1) Companies Act 2006, noted that the Company being a corporate member, majority of the activities are carried out by the syndicates in which it participates. Hence it has no employees, has one parent member and does not manage the business by reference to any environmental performance indicators, as they considered that a Lloyd's corporate member does not have a large adverse impact upon the environment. The Board has established a business ethos in which best practice was the required standard for all operations, both in the commercial interests of the business and to ensure regulatory compliance.

The Board are satisfied that any decisions taken are adequately challenged at the regular Board Meetings and throughout 2022 the Board will continue to review and challenge how they can foster business relationships with suppliers, customers and stakeholders.

This report was approved by the board and signed on its behalf by



David Gornley
For and on behalf of R&Q Central Services Limited
Company Secretary

13th May 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R&Q CAPITAL NO. 7 LIMITED

Opinion

We have audited the financial statements of R&Q Capital No. 7 Limited (the 'company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R&Q CAPITAL NO. 7 LIMITED (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 our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In 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 the report of the Directors.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R&Q CAPITAL NO. 7 LIMITED (continued)

Responsibilities of directors

As explained more fully in the statement of Directors' responsibilities, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussion with the directors and the application of our knowledge and experience of the sector in which the company operates in. We determined the principal laws and regulations relevant to the company in this regard to be those arising from the Companies Act 2006, Lloyd's of London byelaws as they relate to limited liability vehicles, UK GAAP and UK taxation regulations.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to:
 - Discussion with management of any known, or suspected instances, of non-compliance by the company with those laws and regulations;
 - Discussion with management of any, or suspected, incidence of fraud;
 - A review of the minutes of the board meetings and other correspondence as we deemed appropriate; and
 - A review and testing of the system of controls established by management to ensure the accuracy of the Financial Statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R&Q CAPITAL NO. 7 LIMITED (continued)

- We identified the risks of material misstatement of the financial statements due to fraud as being those arising from management override of controls. We have address this risk by performing audit procedures which included, but were not limited to, the testing of journals, reviewing material accounting estimates for evidence of bias and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business that came to our attention.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

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.

TCE Seaman

Thomas Seaman (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

Date: 25 August 2022

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2021
TECHNICAL ACCOUNT

	Note	2021 £000	2020 £000
Gross premiums written	4	326	50
Outwards reinsurance premiums		177	(35)
Net premiums written		<u>503</u>	<u>15</u>
Change in the Provision for unearned premiums			
Gross provision		-	-
Reinsurers' share		-	-
Earned premiums, net of reinsurance		503	15
Allocated investment return transferred from the Non-technical Account		(4)	62
Total Technical Income		<u>499</u>	<u>77</u>
Expenses			
Gross claims paid		(2,325)	(2,479)
Reinsurers' share of gross claims paid		2,206	2,174
Claims paid, net of reinsurance		<u>(119)</u>	<u>(305)</u>
Movement in gross technical provisions	5	688	1,395
Movement in reinsurers' share of technical provisions	5	(761)	(1,107)
Net change in provisions for claims		<u>(73)</u>	<u>288</u>
Claims Incurred, net of reinsurance		(191)	(17)
Operating expenses	6	(87)	(65)
Total Technical Charges		<u>(278)</u>	<u>(82)</u>
Balance on Technical Account		<u>221</u>	<u>(5)</u>

The Notes on pages 16 to 36 form part of these Financial Statements

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2021
NON-TECHNICAL ACCOUNT

	Note	2021 £000	2020 £000
Balance on the Technical Account		221	(5)
Investment income	7	14	43
Gains on the realisation of investments	7	6	22
Unrealised gains on investments	7	24	22
Investment expenses and charges		(26)	(21)
Allocated investment return transferred to technical account		4	(62)
Other charges		(124)	(104)
Exchange gain/(loss)		23	(22)
Profit/(Loss) on Ordinary Activities before Taxation		142	(137)
Taxation	9	-	-
Profit/(Loss) on Ordinary Activities after Taxation		142	(137)

The Notes on pages 16 to 36 form part of these Financial Statements

STATEMENT OF FINANCIAL POSITION**As at 31 December 2021****Registered Number 07066562**

		2021			2020		
	Note	Syndicate Participation £000	Corporate £000	Total £000	Syndicate Participation £000	Corporate £000	Total £000
Assets							
Investments							
Financial Investments	10	766	1,070	1,836	653	-	653
Deposits with ceding undertakings		15	-	15	653	-	653
Reinsurers' share of technical provisions							
Claims outstanding	5	4,468	-	4,468	5,149	-	5,149
Debtors							
Arising out of direct insurance							
Operations	11	911	-	911	307	-	307
Arising out of reinsurance							
Operations	11	85	-	85	-	-	-
Other debtors	12	9	1,346	1,355	238	1,977	2,215
		1,005	1,346	2,351	545	1,977	2,522
Other Assets							
Cash at bank and in hand	13	-	31	31	-	480	480
Other		467	-	467	485	-	485
		467	31	498	485	480	965
Prepayments and Accrued income							
Other prepayments and accrued income		19	3	22	16	-	16
Total Assets							
		6,740	2,450	9,190	6,848	2,457	9,305

The Notes on pages 16 to 36 form part of these Financial Statements

STATEMENT OF FINANCIAL POSITION**As at 31 December 2021****Registered Number 07066562**

		2021			2020		
	Note	Syndicate Participation £000	Corporate £000	Total £000	Syndicate Participation £000	Corporate £000	Total £000
Liabilities and Shareholders' Funds							
Capital and Reserves							
Called up share capital	14	-	-	-	-	-	-
Capital contribution	14	-	7,142	7,142	-	7,142	7,142
Profit and Loss Account	15	(1,407)	(4,996)	(6,403)	(1,628)	(4,917)	(6,545)
Total Shareholders' Funds	16	(1,407)	2,146	739	(1,628)	2,225	597
Technical provisions							
Claims outstanding	5	4,677	-	4,677	5,387	-	5,387
Provisions for Other Risks							
Deferred taxation	17	-	-	-	-	-	-
Creditors							
Arising out of direct insurance operations	18	-	-	-	-	-	-
Arising out of reinsurance operations	18	349	-	349	563	-	563
Other creditors including taxation and social security	19	3,103	297	3,400	2,393	225	2,618
		3,452	297	3,749	2,956	225	3,181
Accruals and Deferred income	18	7	25	133	7	140	
Total Liabilities		6,740	2,450	9,190	6,848	2,457	9,305

Approved by the Board on 13th May 2022

Gregg Jarvis
Director

The Notes on pages 16 to 36 form part of these Financial Statements

STATEMENT OF CHANGES IN EQUITY
As at 31 December 2021

	Share capital £000	Profit and loss account £000	Capital contribution £000	Total £000
At 1 January 2021	-	(6,545)	7,142	597
Profit for the financial year	-	142	-	142
At 31 December 2021	-	(6,403)	7,142	739
	Share capital £000	Profit and loss account £000	Capital contribution £000	Total £000
At 1 January 2020	-	(6,408)	7,142	734
Profit for the financial year	-	(137)	-	(137)
				-
At 31 December 2020	-	(6,545)	7,142	597

The Notes on pages 16 to 36 form part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

General information

The Company is a private company limited by shares that is incorporated in England and whose registered office is 71 Fenchurch Street, London, EC3M 4BS. The Company participates in insurance business as an underwriting member of Syndicate 1110 at Lloyd's. Syndicate 1110 was put into run-off in June 2017.

1. Accounting Policies

1.1 Basis of Preparation

The Financial Statements are prepared under the historical cost basis of accounting modified by the recognition of certain financial assets and liabilities measured at fair value.

The 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", 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. In accordance with FRS 103, the Company has applied existing accounting policies for insurance contracts.

No cash flow statement is presented since FRS 102 exempts the Company from the requirement to do so as the consolidated Financial Statements of Randall & Quilter Investment Holdings Ltd, the ultimate parent Company, include a cash flow statement.

Accounting information in respect of the Syndicate participation has been provided by the Syndicate's managing agent and has been reported upon by the Syndicate's auditors.

1.2 Going Concern

The Company participates as an underwriting member at Lloyd's on the open 2017 year of account with Syndicate 1110, which was put into run-off in June 2017. The Company has net assets of £0.7m (2020: £0.6m) and is supported by Funds at Lloyd's totalling £2.8m (2020: £2.8m). Syndicate 1110 has in place a 100% Quota Share Treaty with a ProSight Group subsidiary, New York Marine and General Insurance Company ("NYMG") which is A- rated by AM Best. Syndicate 1110 also has the benefit of an Aggregate Stop Loss reinsurance on the non-US business by NYMG. These reinsurance contracts prevent any adverse net claims development from occurring in the syndicate. The Directors are in discussions with Lloyd's with respect to the close of 2017 year of account for Syndicate 1110, with a view of the Company not to continue to participate in the Lloyd's market once the year has been closed.

The Directors have a reasonable expectation that the Company has adequate resources to meet its underwriting and other operational obligations for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1.3 Basis of Accounting

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 Syndicate on which the Company participates.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicate's managing agent. 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 Syndicate insurance creditors.

1.4 General Business

The information included in these Financial Statements in respect of the Syndicate has been supplied by the Managing Agent based upon the various accounting policies they have adopted. The following describes the policies they have generally adopted.

a) 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 received or notified to the syndicate 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.

b) 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 managing agent.

c) Deferred Acquisition Costs

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

d) Reinsurance Premiums

Outwards reinsurance premiums consist of the Company's share of the Syndicate's reinsurance premiums on the outwards contracts bound during the year, and (b) the Company's reinsurance premiums on Corporate Member level reinsurance contracts. The reinsurer's share of the technical components within the underwriting result is reflected in the Technical Account on a line by basis. The resulting reinsurance balance is represented as a single balance in the Statement Of Financial Position under Creditors arising out of reinsurance operations.

e) 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

NOTES TO THE FINANCIAL STATEMENTS

e) **Claims Incurred and Reinsurers' Share (continued)**

estimation applied by the syndicate's in-house reserving team and reviewed by external consulting actuaries. These techniques generally involve projecting from 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 the 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 since the underlying contracts were exposed to new risks. 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.

f) **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 considering any relevant investment return. The provision is made on a syndicate by syndicate basis by the relevant managing agent.

g) **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

NOTES TO THE FINANCIAL STATEMENTS

g) Closed Years of Account (continued)

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 any 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.

h) 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.

i) Net Operating Expenses (including Acquisition Costs)

Net operating expenses include acquisition costs, profit and loss on exchange and other amounts incurred by the syndicate 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.

j) 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. A 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.

k) Financial Instruments

The syndicate's investments comprise debt and equity-based investments, cash and cash equivalents and loans and receivables. The debt and equity-based investments of the syndicate participation are measured at fair value through profit or loss.

Debtors/creditors arising from insurance/reinsurance operations shown in the Balance Sheet include the totals of all the syndicate's outstanding debit and credit transactions as processed by the syndicate or

NOTES TO THE FINANCIAL STATEMENTS

k) Financial Instruments (continued)

through 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 syndicate and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

Recognition

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

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 financing transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate of 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.

Derecognition 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 syndicate transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the syndicate, 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 in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value if there has not been a significant change in economic circumstances or a significant lapse in time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the syndicate estimates the fair value by using a valuation technique. 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.

NOTES TO THE FINANCIAL STATEMENTS

k) Financial Instruments (continued)

Impairment of financial instruments measured at amortised cost or cost

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.

l) Investment Return

Investment return comprises all investment income, realised investment gains and losses and 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 current 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.

m) 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.

Income and expenditure in US dollars, Euros, Canadian dollars and Australian dollars 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 are translated into Pound Sterling at the rates of exchange at the financial reporting date.

1.5 Taxation

The Company is taxed on its results including its share of underwriting results declared by the syndicate and 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.

The taxable results of the syndicate at a syndicate level are calculated by the managing agent and computations submitted to HM Revenue & Customs (HMRC). Any adjustments that may be necessary to the tax provisions established by the Company, as a result of any HMRC enquiry into these computations, will be reflected in the financial statements of subsequent periods.

1.6 Deferred Tax

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. Deferred tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

NOTES TO THE FINANCIAL STATEMENTS

1.6 Deferred Tax (continued)

Deferred tax assets are recognised to the extent that it is regarded as probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.7 Cash and Cash Equivalents

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.

1.8 Share Capital

Ordinary share capital is classified as equity.

1.9 Distributions

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.

2. 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 syndicate and this is disclosed further in Note 3.

The management and control of the 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 the Syndicate.

3. Risk management

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

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

NOTES TO THE FINANCIAL STATEMENTS

Risk background (continued)

to risks of investment, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks including their 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 syndicate on which it participates by monitoring the performance of the syndicate it supports. This commences in advance of committing to support the syndicate for the following year, with a review of the business plan prepared for the 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 Syndicate 1110 has in place a 100% Quota Share Treaty reinsurance back to a ProSight Group subsidiary, New York Marine and General Insurance Company ("NYMG") which is A- rated by AM Best. Syndicate 1110 also has the benefit of an Aggregate Stop Loss reinsurance on the non-US business by NYMG. These reinsurance contracts prevent any adverse net claims development from occurring in the syndicate. The Directors believe that the risk of failure of these reinsurance arrangements is low. A further 70% quota share treaty reinsurance treaty was put in place in 2019 and 2020 with R&Q RE (Bermuda) Ltd, a fellow Group subsidiary. This Reinsurance contract was cancelled effective 30th Sept 2021. The reinsurance cover protects the Company against any deterioration in the Syndicate result including adverse movements in premiums, commissions, expenses and exchange losses which fall outside the scope of the reinsurance arrangements.

The analysis below provides details of the financial risks the Company is exposed to from syndicate insurance activities as required by FRS 103 and provides further analysis of sensitivities to reserving and underwriting risks.

Syndicate risks

i. Liquidity risk

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

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

ii. 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. The Company and the syndicate seek to minimise their exposure to these risks by maintaining an appropriate mix between equity and debt financial instruments, by investing in both fixed and floating rate investments, and by investing in a large portfolio of high-quality equity investments across of range of unrelated sectors.

iii. Currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

3. Risk management (continued)

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

	GBP £'000	USD £'000	EUR £'000	CAD £'000	Other £'000	Total £'000
2021						
Net assets and (liabilities)	(1,152)	(7)	(128)	187	(307)	(1,407)
2020						
Net assets and (liabilities)	(2,594)	198	24	382	362	(1,628)

The impact of a 5% change in exchange rates between GBP and other currencies would be an increase or decrease of £13k on the result for the year (2020: £0.05m).

iv. Credit risk

Credit ratings of syndicate assets relating directly to reinsurance are as follows:

	AAA £'000	AA £'000	A £'000	BBB or lower £'000	Not rated £'000	Total £'000
2021						
Reinsurers share of claims outstanding	-	18	4,450	-	-	4,468
Reinsurer debtors	-	-	322	-	-	322
Total	-	18	4,772	-	-	4,790
2020						
Reinsurers share of claims outstanding	5,149	-	-	-	-	5,149
Total	5,149	-	-	-	-	5,149

Syndicate assets relating to insurance activities, excluding cash and financial investments, past their due date or impaired are as follows:

	Neither due nor impaired £'000	Past Due £'000	Financial assets that have been impaired £'000	Total £'000
2021				
Reinsurers share of claims outstanding	4,468	-	-	4,468
Reinsurer debtors	322	-	-	322
Total	4,790	-	-	4,790

NOTES TO THE FINANCIAL STATEMENTS**iv. Credit risk (continued)****2020**Reinsurers share of claims
outstanding

5,149

-

-

5,149

Total

5,149

-

-

5,149

Company risks**i. Investment, credit, liquidity and currency risks**

The other 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, liquidity risk, currency risk and interest rate 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. Funds at Lloyd's have been deposited by third parties on behalf of the Company, see note 21.

ii. Regulatory risks

The Company is subject to continuing approval by Lloyd's to be a member of Lloyd's and of Lloyd's syndicates. The risk of this approval being removed is mitigated by monitoring and 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.

iii. Operational risks

As there are relatively few transactions 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 most of the Company's operations are conducted by the syndicate, provides control over any remaining operational risks.

NOTES TO THE FINANCIAL STATEMENTS

4. Class of Business

The following tables reflects the Company's Syndicate participation, split by class of business and excludes Corporate Member level expenses and commutation of the QST with R&Q RE (Bermuda) Ltd for 2021 financial year.

2021	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Fire and other damage to property	67	67	(762)	(38)	653	(80)
Marine and aviation	11	11	(179)	(7)	156	(19)
Third-party liability	68	68	(478)	(39)	400	(49)
Pecuniary Loss	11	11	(109)	(7)	93	(12)
Other	8	8	(77)	(5)	66	(8)
Total Direct	165	165	(1,605)	(96)	1,368	(168)
Reinsurance Balance	162	162	(32)	(103)	52	79
Total	327	327	(1,637)	(199)	1,420	(89)

2020	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Marine and aviation	10	10	(254)	(39)	201	(82)
Fire and other damage to property	2	2	(70)	(9)	111	34
Third-party liability	10	10	(143)	(41)	274	100
Pecuniary Loss	-	-	-	-	-	-
Other	2	2	(48)	(10)	40	(16)
Total Direct	24	24	(515)	(99)	626	36
Reinsurance	26	26	(569)	(115)	555	(103)
Total	50	50	(1,084)	(214)	1,181	(67)

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

NOTES TO THE FINANCIAL STATEMENTS

5. Technical provisions

	Gross £000	Reinsurance £000	2021 Net £000	Gross £000	Reinsurance £000	2020 Net £000
Movement in claims outstanding						
At 1 January	5,387	(5,149)	238	6,808	(5,650)	1,158
Movement in technical account	(688)	761	73	(1,395)	1,107	(288)
QST reserve movement						
taken to reinsurance creditors	-	(100)	(100)	-	(670)	(670)
Other movements	(22)	20	(2)	(26)	64	38
At 31 December	4,677	(4,468)	209	5,387	(5,149)	238

Included within other movements are foreign exchange movements in restating the opening balances.

Assumptions, changes in assumptions and sensitivity

As described in Note 3, most risks to the Company's future cash flows arise from its participation in the results of a Lloyd's syndicate and are mostly managed by the managing agent of the syndicate. The Company's role in managing these risks is limited to a selection of syndicate participations and monitoring the performance of the syndicate and the managing agent.

The amounts carried by the Company arising from insurance contracts are calculated by the managing agent of the syndicate and derived from accounting information provided by the managing agent 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 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 agent are an accurate assessment of the ultimate liabilities in respect of claims relating to events up to the Balance Sheet date.

There have been no changes to these assumptions in 2021.

NOTES TO THE FINANCIAL STATEMENTS

5. Technical provisions (continued)

The amounts carried by the Company arising from insurance contracts are sensitive to various factors. The nature of the reinsurance arrangements in place mean that a 5% increase/decrease in net earned premium or a 5% increase/decrease in the managing agent's calculation of net claims reserves will have little effect on the Company's profit or loss, with exception of exchange where reinsurance contracts are calculated on a fixed currency rate basis.

The historical gross and net claims development is as follows:

Underwriting Year	Gross basis – in £'000										Cumulative payments	Total reserves
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years	After 6 years	After 7 years	After 8 years	After 9 years	After 10 years		
2012 & prior	2,318	5,053	4,658	4,480	5,238	5,227	5,184	5,265	5,320	5,424	(5,269)	155
2013	2,859	6,655	7,308	7,503	7,377	7,604	7,750	8,148	8,337		(7,900)	437
2014	3,360	10,533	11,975	11,492	11,358	12,087	11,780	11,740			(11,270)	470
2015	4,285	12,361	13,746	13,668	13,608	13,739	14,130				(13,050)	1,080
2016	4,840	10,771	11,391	11,495	11,772	12,239					(10,505)	1,734
2017	1,489	1,901	2,287	2,055	2,275						(1,474)	801
												<u>4,677</u>

Underwriting Year	Net basis – in £'000										Cumulative payments	Total reserves
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years	After 6 years	After 7 years	After 8 years	After 9 years	After 10 years		
2012 & prior	1,989	3,912	3,663	3,571	3,948	3,968	3,970	3,951	3,835	3,781	(3,788)	(7)
2013	2,473	6,142	6,396	6,207	6,169	6,152	6,113	6,176	6,120		(6,135)	(15)
2014	3,095	9,869	10,829	10,48	10,419	10,314	9,978	9,932			(9,949)	(17)
2015	3,899	11,319	11,460	11,545	11,217	10,610	10,545				(10,591)	(46)
2016	4,352	6,780	6,939	6,815	7,463	7,541					(7,564)	(23)
2017	607	759	1,119	839	896						(579)	317
												<u>209</u>

6. Net Operating Expenses

	2021 £000	2020 £000
Acquisition costs	(42)	(46)
Administrative and Personal expenses	(44)	(19)
	<u>(87)</u>	<u>(65)</u>

NOTES TO THE FINANCIAL STATEMENTS

7. Investment Income	2021 £000	2020 £000
Income from investments	14	40
Realised gains on investments	6	22
Interest received from Group companies	-	-
Investment income	20	62
Investment management expenses	(1)	(2)
Losses on the realisation of investments	(13)	(7)
Investment expenses and charges	(14)	(9)
Unrealised gains and losses - net	13	10
Total investment return	19	63

Analysed as follows:

	2021			2020		
	Investments at fair value through profit or loss £000	Investments available for sale £000	Total £000	Investments at fair value through profit or loss £000	Investments available for sale £000	Total £000
Realised gains	6	-	6	22	-	22
Realised losses	(13)	-	(13)	(7)	-	(7)
Unrealised gains	24	-	24	22	-	22
Unrealised losses	(11)	-	(11)	(12)	-	(12)
	6	-	6	25	-	25
Interest and similar income, net of expenses			14			38
Total investment return						
			20			63

NOTES TO THE FINANCIAL STATEMENTS

8. Profit/(Loss) on Ordinary Activities before Taxation	2021	2020
	£000	£000
This is stated after charging:		
Directors' remuneration	-	-
Auditors' remuneration - audit of the Financial Statements	7	7
Exchange (gain) or loss – Syndicate participation	5	22
Exchange (gain) or loss – Corporate member level	(28)	10

The Company has no employees. Director's costs and other expenses were borne by a fellow group undertaking.

9. Taxation	2021	2020
	£000	£000
Analysis of (credit)/charge in the year		
Current tax:		
Foreign tax	(209)	-
Total current tax	(209)	-
Deferred tax:		
Foreign tax	209	-
Total deferred tax	209	-
Tax (credit)/charge for the year	-	-

Factors affecting tax charge for the year	2021	2020
	£000	£000
The tax assessed for the year is different to the standard rate of corporation tax in the UK. The differences are explained below:		
Loss on ordinary activities before tax	142	(137)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	27	(26)
Effects of:		
Foreign tax.	-	-
Utilisation of tax losses	(27)	-
Deferred tax not recognised	-	26
Current tax (credit)/charge for the year	-	-

NOTES TO THE FINANCIAL STATEMENTS**9. Taxation (continued)****Factors that may affect future tax charges**

The Company has trading losses of £6,150,448 (2020: £6,300,552) available for carry forward against future profits, which if utilised, should reduce tax payments in subsequent years. No deferred tax asset has been provided for these losses due to uncertainty regarding its recoverability.

In the Finance Bill 2021, it was announced that the main rate of corporation tax would increase to 25% from April 2023.

The Company's 2021 results are taxed at 19%.

10. Investments**Other Financial Investments – Syndicate**

	2021		2020	
	Market value £000	Cost £000	Market value £000	Cost £000
Shares and other variable yield securities and units in unit trusts	822	768	343	332
Debt securities and other fixed income securities	1,014	1,018	310	307
Participation in investment pools	-	-	-	-
	1,836	1,786	653	639

The Company uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets.

Level 2: prices based on recent transactions in identical assets.

Level 3: prices determined using a valuation technique.

	2021		2020	
	Level 1 £000	Level 2 £000	Level 1 £000	Level 2 £000
Shares and other variable yield securities and units in unit trusts	-	822	45	298
Debt securities and other fixed income securities	556	459	93	217
Participation in investment pools	-	-	-	-
	556	1,280	138	515

NOTES TO THE FINANCIAL STATEMENTS**11. Debtors arising out of Direct Insurance and Reinsurance Operations**

	2021			2020		
	Syndicate Participation £000	Corporate £000	Total £000	Syndicate Participation £000	Corporate £000	Total £000
Direct insurance operations:						
Intermediaries	911	-	911	307	-	307
Reinsurance operations	85	-	85	-	-	-
	<u>996</u>	<u>-</u>	<u>996</u>	<u>307</u>	<u>-</u>	<u>307</u>

12. Other Debtors

	2021			2020		
	Syndicate Participation £000	Corporate £000	Total £000	Syndicate Participation £000	Corporate £000	Total £000
Other	9	1,346	1,355	238	1,977	2,215
	<u>9</u>	<u>1,346</u>	<u>1,355</u>	<u>238</u>	<u>1,977</u>	<u>2,215</u>

Included in Other Debtors in the Corporate column is £1,136k (2020: £1,771k) which represents funds transferred to Syndicate 1110 in respect of cash calls made on the open year of account, and funds retained by the Syndicate on closed years of account. Also included in Other Debtors in the Corporate column is a £209k current tax asset balance (2020: deferred tax balance £205k). The current tax asset balance of £209k is expected to be received in the next year.

13. Cash at Bank and in Hand

	2021			2020		
	Syndicate Participation £000	Corporate £000	Total £000	Syndicate Participation £000	Corporate £000	Total £000
Cash at bank and in hand	467	31	498	485	480	965
	<u>467</u>	<u>31</u>	<u>498</u>	<u>485</u>	<u>480</u>	<u>965</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Called-up Share Capital

	2021 Allotted, called-up and fully paid £	2020 £
100 Ordinary shares of £1 each	100	100

There are no rights or restrictions regarding dividends and repayment of capital.

Capital contribution

During 2017 ProSight Specialty European Holdings Limited, the former immediate parent undertaking of the company, waived part of the intercompany loan to create a capital contribution of £7,142,000.

15. Profit and Loss Account

	2021			2020		
	Syndicate Participation £000	Corporate £000	Total £000	Syndicate Participation £000	Corporate £000	Total £000
Retained profit/(loss) brought forward	(1,628)	(4,917)	(6,545)	(1,574)	(4,834)	(6,408)
Reallocate distribution	-	-	-	-	-	-
Profit/(Loss) for the financial year	221	(79)	142	(54)	(83)	(137)
Retained profit/(loss) carried forward	(1,407)	(4,996)	(6,403)	(1,628)	(4,917)	(6,545)

16. Shareholders' Funds

	2021 £000	2020 £000
Opening Shareholders' funds	597	734
Capital contribution	-	-
Profit/(Loss) for the financial year	142	(137)
Closing Shareholders' funds	739	597

NOTES TO THE FINANCIAL STATEMENTS

17. Provision for Deferred Tax

The Company has an unrecognised deferred tax asset of £1,537,612 (2020: £1,197,105) in respect of unused Company tax losses carried forward of £6,150,448 (2020: £6,300,552).

In addition, there is an unrecognised deferred tax asset of £240,087 (2020: £240,087) in respect of double taxation relief available for offset against future UK tax payable.

These losses are available to the company and an unrecognised deferred tax asset in respect of these may be recognised in the future if it is more likely than not that the Company will generate sufficient taxable profits.

The Company is recognising a current tax asset £209,201 (2020: deferred tax asset £204,931) in respect of overseas tax recoverable.

18. Creditors arising out of Direct Insurance and Reinsurance Operations

	2021			2020		
	Syndicate Participation £'000	Corporate £'000	Total £'000	Syndicate Participation £'000	Corporate £'000	Total £'000
Direct insurance operations:						
Falling due within one year	-	-	-	-	-	-
Due after one year	-	-	-	-	-	-
	-	-	-	-	-	-
Reinsurance operations:						
Falling due within one Year	349	-	349	563	-	563
	-	-	-	-	-	-
Due after one year	-	-	-	-	-	-
	349	-	349	563	-	563

Within Syndicate reinsurance creditors is an amount of £319k for the 2020 year due to R&Q Re (Bermuda) Limited, in respect of a balance due under the quota share treaty reinsurance agreement. This reinsurance was cancelled effective 30th September 2021 and all balances due have been settled.

NOTES TO THE FINANCIAL STATEMENTS**19. Other Creditors**

	2021			2020		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Other creditors	3,103	-	3,103	2,393	-	2,393
Amount due to group Undertakings	-	297	297	-	225	225
	<u>3,103</u>	<u>297</u>	<u>3,400</u>	<u>2,393</u>	<u>225</u>	<u>2,618</u>

Included in Other Creditors in the Syndicate Participation column is £1,136k (2020: £1,771k) which represents funds transferred to Syndicate 1110 in respect of cash calls made on the open year of account and funds retained on closed years of accounts.

20. Related Party Transactions

The Company has taken advantage of the exemption conferred by paragraph 33.1A of FRS 102 and does not disclose details of transactions with other companies which are wholly owned by the group.

There are no other related party transactions to disclose.

21. Funds at Lloyd's

The Company's Lloyd's underwriting is supported by funds at Lloyd's of £2.8m (2020: £2.8m) This comprises £0.4m (2020: £0.5m) held in the Company's name, £0.4m (2020: £2.3m) which has been provided for and on behalf of ProSight Global Holdings Limited and its subsidiaries, and £1.4m (2020: Nil) provided by fellow Group company, Randall & Quilter Investment Holdings Ltd.

The Company has entered into a Lloyd's Deposit Trust Deed which gives the Corporation of Lloyd's the right to apply these monies in settlement of any claims arising from the participation on the syndicate. 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.

NOTES TO THE FINANCIAL STATEMENTS

22. Syndicate Participation

Syndicate No.	Managing Agent	Allocated capacity per underwriting year				
		2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
1110	Capita Managing Agency Ltd	-	24,424	19,068	19,068	16,344

The novation of management of Syndicate 1110 from Capita to Vibe Syndicate Management Limited was effective April 2022.

23. Ultimate Group Undertaking and Ultimate Controlling Party

The immediate parent undertaking is Randall & Quilter II Holdings Limited, a company registered in England and Wales.

Group financial statements are prepared by the ultimate parent undertaking, Randall & Quilter Investment Holdings Ltd, a company registered in Bermuda, and can be obtained from 71 Fenchurch Street, London, EC3M 4BS.

The Directors are of the opinion that there is no ultimate controlling party.