Argenta

ARGENTA UNDERWRITING NO. 10 LIMITED

FINANCIAL STATEMENTS

31 December 2018

Company registration no. 7792027

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Strategic Report
For the year ended 31 December 2018

The directors present their Strategic Report for Argenta Underwriting No. 10 Limited ("the Company") for the year ended 31 December 2018.

The financial reporting framework that has been applied is United Kingdom Generally Accepted Accounting Practice ("UK GAAP") including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") and Financial Reporting Standard 103 'Insurance Contracts' ("FRS 103").

Principal activity and review of the business

The Company's primary purpose was to carry on the business of underwriting as a corporate member at Lloyd's.

The Company has participated on the 2013 to 2018 years of account. All of the Company's underwriting capacity for these years was dedicated to Syndicate 2121 ("the Syndicate").

Underwriting Capacity	2018	2017	2016	2015
	£	£	£	£
Syndicate 2121	19,266,667	17,000,000	15,257,487	14,078,127

Financial performance during the year

The results of the Company for the year are shown on page 7. The loss on ordinary activities after taxation for the year amounted to £8,529 (2017: loss of £8,263).

Principal risks and uncertainties

The Company is principally exposed to financial risk through its participation on the Syndicate. It delegated sole management and control of its underwriting through the Syndicate to the managing agent of the Syndicate and it looks to the managing agent to implement appropriate policies, procedures and internal controls to manage the Syndicate's exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The Company is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the Company. Further information in respect of this is disclosed in note 20 of the financial statements.

Hedge accounting is not used by the Company.

Future developments

The Company continues to participate on Syndicate 2121 for the 2019 year of account with an underwriting capacity of £19.3 million.

BY ORDER OF THE BOARD

Mr A J Annandale
Director

20 September 2019

Directors' Report
For the year ended 31 December 2018

The directors submit their report and audited financial statements of the Company for the year ended 31 December 2018. The Company's registration number is 7792027.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources due to the support of its parent, Argenta Holdings Limited ("AHL"), to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Board of directors

Except where noted, the directors of the Company stated below have held office from 1 January 2018 to the date of this report:

Mr G K Allen	(Appointed 10 April 2019)
Mr A J Annandale	
Mr J A Mackay	(Resigned 29 March 2019)

Company Secretary

Argenta Secretariat Limited

Dividends

The directors do not propose a dividend (2017: £Nil).

Directors' interests

No directors had any interest in contracts or arrangements with the Company during the year.

There are no existing or proposed service agreements between the Company and any directors.

Directors' and officers' insurance

The Company had directors' and officers' insurance in place during the year.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK GAAP, including FRS 102 and FRS 103. 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 auditor

Under the Companies Act 2006, we can confirm that:

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

Auditor

Ernst & Young LLP has signified its willingness to continue in office as the independent auditor to the Company and it is proposed that the appointment remains in force.

BY ORDER OF THE BOARD

Mr A J Annandale
Director

20 September 2019

Independent Auditor's Report to the member of Argenta Underwriting No. 10 Limited

We have audited the financial statements of Argenta Underwriting No. 10 Limited for the year ended 31 December 2018, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and FRS 103 "Insurance Contracts".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's member, 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 member those matters we are required to state to it 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Michael Purrington (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 26 SEPTEMBER 2019

Argenta Underwriting No. 10 Limited

Statement of Comprehensive Income
For the year ended 31 December 2018

Continuing operations:	Notes	2018 £	2017 £
TECHNICAL ACCOUNT – GENERAL BUSINESS			
Earned premiums, net of reinsurance			
Gross premiums written	5	22,568,940	19,705,995
Outward reinsurance premiums		(6,432,008)	(4,193,375)
Net premiums written		16,136,932	15,512,620
Change in provision for unearned premiums			
Gross amount		(2,068,894)	(1,857,654)
Reinsurers' share		1,415,286	294,684
		(653,608)	(1,562,970)
Earned premiums net of reinsurance		15,483,324	13,949,650
Allocated investment return transferred from the non-technical account		155,104	177,708
Total technical income		15,638,428	14,127,358
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(9,740,361)	(7,797,425)
Reinsurers' share		1,926,569	697,719
Net claims paid		(7,813,792)	(7,099,706)
Change in the provision for claims:			
Gross amount		(3,702,623)	(4,649,304)
Reinsurers' share		486,332	4,659,902
Changes in the net provision for claims:		(3,216,291)	10,598
Net claims incurred		(11,030,083)	(7,089,108)
Net operating expenses	6	(6,633,898)	(6,215,111)
Amount receivable/(payable) under participation deeds		2,241,341	(714,815)
Balance on the technical account for general business		215,788	108,324

Statement of Comprehensive Income (continued)
For the year ended 31 December 2018

Continuing operations:	Notes	2018 £	2017 £
NON-TECHNICAL ACCOUNT			
Balance on the general business technical account		215,788	108,324
Investment income	7	160,811	143,027
Net unrealised gains on investments	7	4,116	41,181
Investment expenses and charges	7	(9,820)	(5,056)
Allocated investment return transferred to the general business technical account		(155,104)	(177,708)
Other charges		(215,813)	(109,167)
(Loss)/profit on ordinary activities before tax	8	(22)	601
Tax charge on result on ordinary activities	10	(8,507)	(8,864)
Loss for the year attributable to the owner of the Company		(8,529)	(8,263)

There was no other comprehensive income attributable to the Company during the year.

The notes on pages 11 to 40 form an integral part of these financial statements.

Argenta Underwriting No. 10 Limited

Statement of Financial Position
As at 31 December 2018

ASSETS	Notes	2018 Syndicate £	2018 Non-syndicate £	2018 Total £	2017 Syndicate £	2017 Non-syndicate £	2017 Total £
Investments							
Financial investments	12	12,852,028	-	12,852,028	12,522,488	-	12,522,488
Deposits with ceding undertakings		1,261	-	1,261	1,090	-	1,090
		12,853,289	-	12,853,289	12,523,578	-	12,523,578
Reinsurers' share of technical provisions							
Provision for unearned premiums	17	2,737,294	-	2,737,294	1,209,824	-	1,209,824
Claims outstanding	18	8,394,038	-	8,394,038	7,561,931	-	7,561,931
		11,131,332	-	11,131,332	8,771,755	-	8,771,755
Debtors due within one year							
Debtors arising out of direct insurance operations		5,548,899	-	5,548,899	4,564,636	-	4,564,636
Debtors arising out of reinsurance operations		2,640,232	-	2,640,232	1,771,401	-	1,771,401
Other debtors	13	2,734,443	618,991	3,353,434	2,446,084	194,487	2,640,571
		10,923,574	618,991	11,542,565	8,782,121	194,487	8,976,608
Debtors due after one year							
Other debtors	13	3,954	-	3,954	112,448	-	112,448
Other assets							
Cash at bank and in hand		1,177,698	632	1,178,330	776,105	28,602	804,707
Other	14	1,386,432	-	1,386,432	942,954	-	942,954
		2,564,130	632	2,564,762	1,719,059	28,602	1,747,661
Prepayments and accrued income							
Accrued interest		14,566	-	14,566	7,034	-	7,034
Deferred acquisition costs	15	3,032,653	-	3,032,653	2,734,850	-	2,734,850
Other prepayments and accrued income		73,630	-	73,630	72,595	-	72,595
		3,120,849	-	3,120,849	2,814,479	-	2,814,479
TOTAL ASSETS		40,597,128	619,623	41,216,751	34,723,440	223,089	34,946,529

Statement of Financial Position (continued)
As at 31 December 2018

		2018			2017		
LIABILITIES	Notes	Syndicate £	Non-syndicate £	Total £	Syndicate £	Non-syndicate £	Total £
Capital and reserves							
Called up share capital	16	-	100	100	-	100	100
Profit and loss account		96,333	(142,466)	(46,133)	91,263	(128,867)	(37,604)
Equity shareholder's funds		96,333	(142,366)	(46,033)	91,263	(128,767)	(37,504)
Technical provisions							
Provision for unearned premiums	17	12,272,896	-	12,272,896	9,699,976	-	9,699,976
Claims outstanding	18	23,337,660	-	23,337,660	18,849,365	-	18,849,365
		35,610,556	-	35,610,556	28,549,341	-	28,549,341
Creditors due within one year							
Creditors arising out of direct insurance operations		714,867	-	714,867	678,562	-	678,562
Creditors arising out of reinsurance operations		2,865,249	-	2,865,249	2,308,239	-	2,308,239
Other creditors including taxation and social security	19	-	458,622	458,622	2,857,181	118,173	2,975,354
		3,580,116	458,622	4,038,738	5,843,982	118,173	5,962,155
Creditors due after one year							
Creditors arising out of direct insurance operations	19	157	-	157	984	-	984
Creditors arising out of reinsurance operations	19	1,141,088	-	1,141,088	592	-	592
Other creditors including taxation and social security	19	-	-	-	60,799	-	60,799
		1,141,245	-	1,141,245	62,375	-	62,375
Provision for liabilities	11	-	45,746	45,746	-	37,239	37,239
Accruals and deferred income		168,878	257,621	426,499	176,479	196,444	372,923
TOTAL LIABILITIES		40,597,128	619,623	41,216,751	34,723,440	223,089	34,946,529

The financial statements on pages 6 to 40 were approved and authorised for issue by the Board of Directors on 20 September 2019 and signed on its behalf by:

Mr G K Allen
Director

The notes on pages 11 to 40 form an integral part of these financial statements.

Statement of Changes in Equity
For the year ended 31 December 2018

	Called up share capital £	Profit and loss account £	Total £
At 1 January 2017	100	(29,341)	(29,241)
Loss and total comprehensive income for the year	-	(8,263)	(8,263)
At 31 December 2017	100	(37,604)	(37,504)
Loss and total comprehensive income for the year	-	(8,529)	(8,529)
At 31 December 2018	100	(46,133)	(46,033)

Reserves

Profit and loss account
The profit and loss account reserve represents the cumulative profits and losses of the Company.

The notes on pages 11 to 40 form an integral part of these financial statements.

1. General information

Argenta Underwriting No. 10 Limited is a limited company incorporated in the United Kingdom and registered in England and Wales. The address of its registered office and principal place of business is 5th Floor, 70 Gracechurch Street, London, EC3V 0XL. The principal activity of the Company is that of being a Lloyd's corporate member participating solely on Syndicate 2121 ("the Syndicate") in the current and prior years.

All of the Company's underwriting capacity is dedicated to the Syndicate.

The majority of the financial information in respect of the Company's participation on the Syndicate has been provided by way of the Lloyd's Schedule 3 facility. However, where information was not available, the Syndicate report and annual accounts has been used as the source of data.

These financial statements have been prepared in sterling as this is the Company's functional and presentational currency, being the currency of the primary economic environment in which the Company operates.

2. Basis of preparation and statement of compliance

These financial statements have been prepared in compliance with FRS 102, FRS 103 and applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. These financial statements have been prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including the notification of and no objection to, the use of exemptions by the Company's member. In preparing the financial statements, the Company has taken advantage of the following exemptions:

- from disclosing key management personnel compensation, as required by paragraph 7 of Section 33: Related Party Disclosures;
- from presenting a reconciliation of the number of shares outstanding at the beginning and end of the year, as required by paragraph 12 of Section 4: Statement of Financial Position; and
- from presenting a statement of cash flows, as required by Section 7: Statement of Cash Flows.

Recognition of insurance transactions

The Company is required to recognise its proportion of all the transactions undertaken by any Lloyd's syndicates in which it participates.

For each such syndicate, the Company's proportion of the underwriting transactions, investment return and operating expenses, will be reflected within the Company's statement of comprehensive income. Similarly, its proportion of the syndicate's assets and liabilities will be reflected in its statement of financial position (under the "syndicate" column). The syndicate assets are held subject to trust deeds for the benefit of the syndicate's insurance creditors. The proportion referred to above is calculated by reference to the Company's share of the syndicate's total capacity.

The Company has delegated sole management and control of its underwriting through each syndicate to the managing agent of each syndicate ("the managing agent") and it has further undertaken not to interfere with the exercise of such management and control. The managing agent of the syndicate is therefore responsible for determining the insurance transactions that are recognised by the Company.

Sources of data

The information used to compile the technical account and the syndicate statement of financial position is based on returns to Lloyd's and the annual report to the syndicate members, both of which are prepared by the managing agent of the syndicate and subject to audit by the syndicate auditor. The format of the returns is established by Lloyd's and Lloyd's is also responsible for collating the data at a syndicate level and analysing it into corporate member level results.

3. Accounting policies

Gross premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Additional or return premiums are treated as a remeasurement of the initial premium. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

Written premiums include an estimate for pipeline premiums (i.e. premiums written but not reported to the Syndicate by the reporting date) relating only to those underlying contracts of insurance where the period of cover has commenced prior to the reporting date. The most significant assumption in this estimate is that current experience will be consistent with prior year experience.

Under some policies, written premiums are adjusted retrospectively in the light of claims experience or where the risk covered cannot be assessed accurately at the commencement of cover. Where written premiums are subject to an increase retrospectively, recognition of any potential increase is deferred until the additional amount can be ascertained with reasonable certainty. Where written premiums are subject to a reduction, a remeasurement taking account of such a reduction is made as soon as there is an obligation to the policyholder.

Premiums written by a syndicate may also include the reinsurance of other insurance carriers on which the Company participates. Gross premiums written may include an amount in respect of a "reinsurance to close" receivable.

Reinsurance premiums

Reinsurance written premiums comprise the total premiums payable for all of the cover provided by contracts entered into in the period, including portfolio premiums payable, and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Under some policies, reinsurance premiums payable are adjusted retrospectively in the light of claims experience or where the risk covered cannot be assessed accurately at the commencement of cover. Where written premiums are subject to an increase retrospectively, recognition of any potential increase is recognised as soon as there is an obligation to the reinsurer.

Outwards reinsurance premiums are accounted for and earned in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Claims

Claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the reporting date but not reported until after the year end. Claims outstanding are reduced by anticipated salvage and other recoveries.

Technical provisions

Technical provisions comprise claims outstanding, provisions for unearned premiums and provisions for unexpired risks.

Claims outstanding

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money.

3. Accounting policies (continued)

Provisions for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. In respect of general insurance business, written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard, where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

Unexpired risks

A liability adequacy provision (the unexpired risks provision) is made where the cost of claims and expenses arising after the end of the financial year from contracts concluded before that date, is expected to exceed the provision for unearned premiums, net of deferred acquisition costs.

The assessment of whether a provision is necessary is made by considering separately each category of business on the basis of information available at the reporting date, after offsetting surpluses and deficits arising on products which are managed together. Investment income is taken into account in calculating the provision.

At 31 December 2018 and 31 December 2017 the Syndicate did not have an unexpired risks provision.

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance and reinsurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as the advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies.

Deferred acquisition costs are costs arising from the conclusion of insurance and reinsurance contracts that are incurred during the reporting period but which relate to a subsequent reporting period and which are carried forward to subsequent reporting periods.

Deferred acquisition costs are amortised over the period in which the related premiums are earned.

The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the income statement.

Commissions receivable on outwards reinsurance contracts are deferred and amortised over the same period in which the related gross premiums are earned.

Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's syndicates.. Under it, underwriting members (the reinsured members) who are members of a syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that syndicate and allocated to the closed year for consideration of:

a) a premium; and
b) either
   i) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business); or
   ii) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharge of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account of the same syndicate, the managing agent has a duty to ensure both sets of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either set of members.

3. Accounting policies (continued)

Reinsurance to close (continued)

To the extent that the Company participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the Company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the Company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the Company has assumed a greater proportion of the business of the syndicate. If the Company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid.

This reflects the reduction in the Company's exposure to risks previously written by the syndicate.

The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims.

However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a syndicate year of account and it is treated for accounts purposes as settling all the Company's outstanding gross liabilities in respect of the business so reinsured.

Financial investments

As permitted by FRS 102, the Company has elected to apply the recognition and measurement provisions of sections 11 and 12 in full to account for all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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 financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

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

Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less, net of outstanding bank overdrafts.

3. Accounting policies (continued)

Fair value of financial assets

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

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

See note 12 for details of financial instruments classified by fair value hierarchy.

Impairment of financial assets

For financial assets not held at fair value through profit or loss, the Company assesses at each reporting date whether the financial asset or group of financial assets is impaired. The Company first assesses whether objective evidence of impairment exists for financial assets. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

Derecognition of financial assets

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- The rights to the cash flows from the asset have expired; or
- The Company retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. In that case, the Company also recognises an associated liability.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognised amounts; and
- there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Intangible assets

Intangible assets with finite lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated impairment losses and less any accumulated amortisation. Intangible assets are tested for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets are being amortised over their estimated useful lives.

Annual amortisation rates are as follows:

Purchased capacity	10%

3. Accounting policies (continued)

Financial liabilities

The Company's financial liabilities include trade and other payables, borrowings, insurance payables and derivative financial instruments, where applicable. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. Trade and other payables and loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in investment return in the profit or loss.

Derivative financial liabilities are subsequently measured at fair value through profit or loss. A financial liability is derecognised when the obligation under the liability is discharged or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective amounts is recognised in profit or loss.

Investment return

Dividends are recognised when the investments to which they relate are declared 'ex-dividend'. Interest income is recognised on a time proportionate basis taking into account effective interest yield.

Unrealised and realised gains and losses on financial investments are recognised based on the appropriate classification of financial investments and are covered in detail under the accounting policy for financial investments.

An allocation of actual investment return on investments supporting the general insurance technical provisions and associated member's balance is made from the non-technical account to the technical account. Investment return related to non-insurance business and member's balance is attributed to the non-technical account. Syndicate investment return has been allocated to the technical account. Non-syndicate investment return is attributable to the non-technical account.

Insurance contracts – product classification

Insurance contracts are those contracts when the Company (the insurer/reinsurer) has accepted significant insurance risk from another party (the policyholder/reinsured) by agreeing to compensate the policyholder if a specified uncertain future event (the re/insured event) adversely affects the policyholder. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with sections 11 and 12 of FRS 102 unless the embedded derivative is itself an insurance contract (i.e. the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

Reinsurance assets

The Company cedes insurance risk in the normal course of business for all of its areas of operation. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2018 or 2017.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

3. Accounting policies (continued)

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the EIR method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the EIR method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Foreign currencies

The Company's functional and presentational currency is sterling. Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions or at an approximate average rate.

Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items denominated in a foreign currency, measured at fair value, are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined.

Exchange differences are recorded in the non-technical account.

Taxation

The tax expense for the year comprises current and deferred tax. Tax currently payable, relating to UK corporation tax, is calculated on the basis of the tax rates and laws that have been enacted or substantively enacted as at the reporting date.

The Company is taxed on its share of the underwriting results declared by syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. HM Revenue and Customs determines the taxable results of syndicates on the basis of computations submitted by the managing agent. Any adjustments that may be necessary to the tax provisions established by the Company as a result of HM Revenue and Customs' agreement of individual syndicate taxable results will be reflected in the financial statements of subsequent years. Other profits are assessable to corporation tax in the same year as they are recognised for accounting purposes, after adjustment in accordance with tax legislation.

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date, that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Deferred income tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. Accounting policies (continued)

Participation deeds

In accordance with Lloyd's requirements the Company is required to deposit funds, known as Funds at Lloyd's ("FAL"), with the Corporation of Lloyd's to support its underwriting activities. The amount of FAL required is determined by Lloyd's through the Economic Capital Assessment ("ECA") based on the perceived level of risk the Company underwrites through its syndicate participations.

The Company entered into arrangements with third party capital providers to provide some or all of the required FAL on a year of account specific basis – these arrangements are referred to as "participation deeds". Where a fee is payable by the Company for the depositing of FAL by external parties this is recorded through "other charges" in the non-technical account in year one.

In the event that the Company makes a loss through its syndicate participations on any particular year of account, the FAL provider may be required to meet its share of the loss in line with terms of the participation deed. In the event that the Company makes a profit through its syndicate participations on any particular year of account, the FAL provider may be entitled to receive a share of the profit in line with the terms of the participation deed.

At the end of each calendar year an assessment is made of any amounts payable to or receivable from the FAL providers based on the performance of the Company's syndicate participations and the terms of the participation deed. Movements in these balances are recorded through the technical account as "amounts receivable/payable under participation deeds".

Amounts receivable or payable in relation to the current year result are recorded in the "syndicate" column of the statement of financial position whilst amounts receivable or payable in relation to previous years are recorded in the "non-syndicate" column of the statement of financial position. These balances are recorded as "amounts due under participation deeds" within "other debtors" or "amounts payable under participation deeds" under "other creditors" as appropriate.

4. Critical accounting judgements and key sources of estimation uncertainty

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

The critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are discussed below.

In assessing whether there have been any indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some types of policies, claims IBNR form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornhuetter-Ferguson methods.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. The provision for claims outstanding is based on the estimated ultimate cost of all claims notified but not settled by the reporting date assessed on an individual case basis, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims IBNR at the reporting date based on statistical methods.

These methods 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. 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 amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premiums. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premiums on a basis other than time apportionment.

These judgements will have a consequential impact on the estimate of the reinsurers' share of technical provisions.

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgmental and could result in misstatements of revenue recorded in the financial statements.

The main assumption underlying these estimates is that past premium development can be used to project future premium development.

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk and model inputs such as estimated future cash flows based on management's best estimates and discount rates.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

A provision for debtors is established where it is estimated that the debtors are not considered to be fully recoverable. When assessing recoverability, the directors have considered factors such as the ageing of the receivables, past experience of recoverability, and the credit profile of individual or groups of debtors.

5. Particulars of business written

2018	Gross premiums written £	Gross premiums earned £	Gross claims incurred £	Gross operating expenses £	Re-insurance balance £	Total £
Direct business:						
Accident and health	485,947	462,727	(187,653)	(203,141)	(37,500)	34,433
Motor – third party liability	37,692	39,331	(15,779)	(12,466)	(1,960)	9,126
Motor – other classes	275,322	386,268	(255,832)	(167,583)	(7,764)	(44,911)
Marine, aviation and transport	2,995,879	2,713,882	(2,471,121)	(943,016)	11,106	(689,149)
Fire and other damage to property	8,074,652	7,701,716	(5,277,761)	(2,569,757)	(1,445,704)	(1,591,506)
Third party liability	5,417,476	4,025,246	(2,470,191)	(1,503,104)	34,595	86,546
Credit and suretyship	1,303,801	1,087,820	(492,278)	(302,129)	(239,093)	54,320
Total direct	18,590,769	16,416,990	(11,170,615)	(5,701,196)	(1,686,320)	(2,141,141)
Reinsurance acceptances:	3,978,171	4,083,056	(2,272,369)	(1,284,412)	(565,791)	(39,516)
Total	22,568,940	20,500,046	(13,442,984)	(6,985,608)	(2,252,111)	(2,180,657)

2017	Gross premiums written £	Gross premiums earned £	Gross claims incurred £	Gross operating expenses £	Re-insurance balance £	Total £
Direct insurance:						
Accident and health	372,450	330,699	(172,308)	(157,995)	92,537	92,933
Motor – third party liability	10,617	7,233	(6,630)	(2,528)	(417)	(2,342)
Motor – other classes	862,821	464,311	(276,121)	(186,423)	(10,307)	(8,540)
Marine, aviation and transport	2,430,839	2,267,189	(1,129,704)	(914,028)	(274,552)	(51,095)
Fire and other damage to property	7,705,058	7,412,960	(6,215,512)	(2,541,396)	1,544,274	200,326
Third party liability	3,036,869	2,829,512	(1,526,404)	(976,263)	(62,092)	264,753
Credit and suretyship	1,294,547	678,235	(389,423)	(199,045)	(44,062)	45,705
Total direct	15,713,201	13,990,139	(9,716,102)	(4,977,678)	1,245,381	541,740
Reinsurance acceptances:	3,992,794	3,858,202	(2,730,627)	(1,237,433)	213,549	103,691
Total	19,705,995	17,848,341	(12,446,729)	(6,215,111)	1,458,930	645,431

All premiums were concluded in the United Kingdom.

Net operating expenses shown in the income statement include an amount of £0.4 million (2017: £nil) in respect of commissions on outward reinsurance that have been set off from the gross operating expenses but are included in the reinsurance balance above.

A geographical analysis of gross written premiums by destination is as follows:

	2018 £	2017 £
United Kingdom	8,649,826	6,036,008
Other EU member states	1,384,079	1,396,995
Rest of the world	12,535,035	12,272,992
	22,568,940	19,705,995

6. Net operating expenses

	2018 £	2017 £
Administrative expenses - personal expenses	248,987	447,559
Acquisition costs	6,828,054	5,640,552
Change in deferred acquisition costs	(672,069)	(465,122)
Administrative expenses – other	580,636	592,122
Gross operating expenses	6,985,608	6,215,111
Reinsurance commissions	(834,285)	-
Change in reinsurance commissions	482,575	-
	6,633,898	6,215,111

Included within acquisition costs are commissions on direct business of £4,043,107 (2017: £4,056,807).

7. Investment return

	2018 £	2017 £
Syndicate:		
Income from other financial investments	226,696	163,136
Net losses on realisation of investments		
- designated at fair value through profit or loss	(65,888)	(21,553)
Total investment income	160,808	141,583
Net unrealised gains on investments		
- designated at fair value through profit or loss	4,116	41,181
Investment expenses and charges	(9,820)	(5,056)
	155,104	177,708
Non-syndicate:		
Deposit interest	3	1,443
Total investment return	155,107	179,151

8. (Loss)/profit on ordinary activities before tax

Fees paid to the Company's auditor, Ernst & Young LLP, for statutory audit services and non-audit services are not charged to the Company and are paid by the Company's parent company. These fees are disclosed in the parent company's accounts. For 2018 the audit fee was £4,051 (2017: £3,859).

9. Director's remuneration

Messrs Annandale and Mackay did not receive any remuneration for their services to the Company in 2018 (2017: £Nil). The Company had no employees during 2018 (2017: Nil).

10. Tax charge on (loss)/profit on ordinary activities

a) Analysis of profit or loss credit in the year

	2018 £	2017 £
Current tax:		
United Kingdom corporation tax	-	-
Total current tax charge	-	-
Deferred tax:		
Origination and reversal of timing differences	10,434	10,368
Effect of decreased tax rate on opening liability	(1,927)	(1,504)
Total deferred tax charge (note 11)	8,507	8,864
Total tax charge	8,507	8,864

b) Factors affecting the tax credit for the year

Tax on (loss)/profit on ordinary activities for the year is higher/lower than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are reconciled below:

	2018 £	2017 £
(Loss)/profit on ordinary activities before tax	(22)	601
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(4)	116
Effects of:		
Expenses not deductible for tax	2,810	1,165
Group relief surrendered for nil payment	7,628	9,087
Effect of decreased tax rate on opening liability/other differences	(1,927)	(1,504)
Total tax	8,507	8,864

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% was substantively enacted in October 2015 and took effect from 1 April 2017. A further reduction in the UK corporation tax rate from 19% to 17% was substantively enacted in September 2016 and will take effect from 1 April 2020. Deferred tax balances at the reporting date are measured at these reduced rates (2017: 20%, 19% effective 1 April 2017 and 17% effective 1 April 2020).

11. Provision for liabilities - deferred taxation

	2018 £	2017 £
At 1 January	37,239	28,375
Movement during the year	8,507	8,864
At 31 December	45,746	37,239

The deferred tax balance is composed of:	2018 £	2017 £
Timing differences on underwriting results	45,746	37,239
Closing liability	45,746	37,239

The company has a deferred tax liability of £45,746 (2017: £37,239) in respect of underwriting profits on years not yet brought into tax.

12. Financial investments

	Cost 2018 £	Fair value 2018 £	Listed 2018 £
Syndicate:			
Shares and other variable yield securities and units in unit trusts	1,013,891	1,013,890	564,104
Debt securities and other fixed income securities	10,674,497	10,679,433	-
Participation in investment pools	770,439	783,225	-
Loans and deposits with credit institutions	376,287	375,480	-
	12,835,114	12,852,028	564,104

	Cost 2017 £	Fair value 2017 £	Listed 2017 £
Syndicate:			
Shares and other variable yield securities and units in unit trusts	3,819,770	3,863,975	2,189,653
Debt securities and other fixed income securities	7,690,900	7,695,676	-
Participation in investment pools	584,043	587,801	-
Loans and deposits with credit institutions	375,131	374,817	-
Other investments	219	219	-
	12,470,063	12,522,488	2,189,653

The shares and other variable yield securities and units in unit trusts relate to holdings in highly diversified collective investment schemes, which in 2017 included an element of low volatility absolute return funds managed in accordance with the UCITS regulations.

There was no material change in fair value for financial instruments held at fair value attributable to own credit risk in the current or comparative period.

There have been no day one profits recognised in respect of financial instruments designated at fair value through profit or loss.

The Syndicate's investment managers are permitted to directly purchase derivative financial instruments (interest rate futures) to hedge its interest rate risks. These derivatives are classified as trading instruments.

12. Financial investments (continued)

The following table shows financial investments including overseas deposits (note 14) received at fair value analysed between levels in the fair value hierarchy.

2018	Level 1 £	Level 2 £	Level 3 £	Total £
Syndicate:				
Shares and other variable yield securities and units in unit trusts	1,013,890	-	-	1,013,890
Debt securities and other fixed income securities	-	10,679,433	-	10,679,433
Participation in investment pools	4,938	778,287	-	783,225
Derivative financial instruments	-	-	-	-
Loans and deposits with credit institutions	189,782	185,698	-	375,480
Overseas deposits	439,934	946,498	-	1,386,432
	1,648,544	12,589,916	-	14,238,460

2017	Level 1 £	Level 2 £	Level 3 £	Total £
Syndicate:				
Shares and other variable yield securities and units in unit trusts	1,818,899	2,045,076	-	3,863,975
Debt securities and other fixed income securities	-	7,695,676	-	7,695,676
Participation in investment pools	322	587,479	-	587,801
Derivative financial instruments	219	-	-	219
Loans and deposits with credit institutions	174,025	200,792	-	374,817
Overseas deposits	234,296	708,658	-	942,954
	2,227,761	11,237,681	-	13,465,442

Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry syndicate, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's and Company's own models whereby the significant inputs into the assumptions are market observable.

Included in the level 3 category are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, unobservable inputs reflect the Syndicate's and Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's and Company's own data.

13. Other debtors

	2018 £	2017 £
Amounts falling due within one year:		
Syndicate debtors	493,103	1,903,425
Amounts due under participation deeds	2,573,255	542,659
Called/uncalled underwriting profits	286,963	194,487
Other	113	-
	3,353,434	2,640,571
Amounts falling due after one year:		
Syndicate debtors	3,954	112,448

14. Other assets

	2018 £	2017 £
Syndicate:		
Overseas deposits	1,386,432	942,954

Overseas deposits are required as a condition of carrying on business in various jurisdictions.

15. Deferred acquisition costs

	2018 £	2017 £
Syndicate:		
At 1 January	2,734,850	2,421,440
Change in deferred acquisition costs	672,069	465,122
Foreign exchange	(374,266)	(151,712)
At 31 December	3,032,653	2,734,850

16. Share capital

	2018		2017	
	Number	£	Number	£
Authorised, issued and fully paid ordinary shares of £1 each	100	100	100	100

17. Provision for unearned premiums

2018	Gross £	Reinsurers' share £	Net £
Syndicate:			
At 1 January	9,699,976	(1,209,824)	8,490,152
Premiums written in the year	22,568,940	(6,432,008)	16,136,932
Premiums earned in the year	(20,500,046)	5,016,722	(15,483,324)
Foreign exchange	504,026	(112,184)	391,842
At 31 December	12,272,896	(2,737,294)	9,535,602

2017	Gross £	Reinsurers' share £	Net £
Syndicate:			
At 1 January	8,437,928	(995,985)	7,441,943
Premiums written in the year	19,705,995	(4,193,375)	15,512,620
Premiums earned in the year	(17,848,341)	3,898,691	(13,949,650)
Foreign exchange	(595,606)	80,845	(514,761)
At 31 December	9,699,976	(1,209,824)	8,490,152

18. Claims outstanding

2018	Gross £	Reinsurers' share £	Net £
Syndicate:			
At 1 January	18,849,365	(7,561,931)	11,287,434
Change in share of capacity	(286,265)	87,734	(198,531)
Claims incurred in current underwriting year	6,940,030	(2,316,432)	4,623,598
Claims incurred in prior underwriting years	6,502,954	(96,469)	6,406,485
Claims paid during the year	(9,740,361)	1,926,569	(7,813,792)
Foreign exchange	1,071,937	(433,509)	638,428
At 31 December	23,337,660	(8,394,038)	14,943,622

2017	Gross £	Reinsurers' share £	Net £
Syndicate:			
At 1 January	15,370,917	(3,342,594)	12,028,323
Change in share of capacity	8,345	(2,163)	6,182
Claims incurred in current underwriting year	6,853,844	(3,106,417)	3,747,427
Claims incurred in prior underwriting years	5,592,885	(2,251,204)	3,341,681
Claims paid during the year	(7,797,425)	697,719	(7,099,706)
Foreign exchange	(1,179,201)	442,728	(736,473)
At 31 December	18,849,365	(7,561,931)	11,287,434

19. Other creditors including taxation and social security

	2018	2017
	£	£
Amounts falling due within one year:		
Amounts payable to parent undertaking	964	28,912
Amounts payable under participation deeds	-	910,656
Called/uncalled underwriting losses	457,658	429,931
Syndicate creditors	-	1,599,708
Other creditors	-	6,147
	458,622	2,975,354
Amounts falling due after one year:		
Syndicate creditors	1,141,245	62,375

Amounts owed to the parent undertaking are unsecured, interest free and are repayable on demand.

20. Insurance risk and financial risk management

The Company is principally exposed to insurance risk and financial risk through its participation on the Syndicate. The Company has delegated sole management and control of its underwriting to the managing agent of the Syndicate and the policies, procedures and internal controls of the managing agent are used to manage the Syndicate's exposures to insurance risk, credit risk, market risk and liquidity risk. The Company is also directly exposed to credit risk, market risk and liquidity risk.

Information relating to the Syndicate's risk environment has been obtained from the Syndicate report and accounts which represents 100% of the Syndicate of which the Company had a 5.67% participation for the most recent year of account (2017: 5.70%).

Insurance risk – Syndicate

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities. References to insurance business should, as appropriate, be understood to include the equivalent reinsurance business underwritten by the Syndicate.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Syndicate purchases reinsurance as part of its risk mitigation programme. Reinsurance ceded is placed on both a proportional and non–proportional basis. The majority of proportional reinsurance is quota share reinsurance which is taken out to reduce the overall exposure to certain classes of business. Non–proportional reinsurance is primarily excess of loss reinsurance designed to mitigate the Syndicate's net exposure to catastrophe losses and large individual risk losses. Retention limits for the excess of loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Syndicate has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists in respect of ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

The Syndicate principally issues the following types of general insurance contracts: fire and other damage to property; marine, aviation and transport; energy; and third party liability. Risks usually cover twelve months duration.

The most significant risks arise from natural disasters, terrorist activities, cyber attacks, large risk losses and adverse attritional claims experience. For longer tail claims that take some years to settle, there is also inflation risk.

20. Insurance risk and financial risk management (continued)

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Syndicate. The Syndicate further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account where appropriate when estimating insurance contract liabilities.

The Syndicate has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g. hurricanes, earthquakes and flood damage).

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Syndicate's risk appetite as agreed by the ASML board. The overall aim is currently to restrict the impact of a single Realistic Disaster Scenario (RDS) on a gross of reinsurance basis to less than 80% of the sum of the ECA and business plan profit, and less than 30% on a net of reinsurance basis. The reinsurance counterparty exposure is managed such that the exposure to, for instance, a single 'A' rated reinsurer is estimated not to exceed 10% of the total recoverable amount for the programme. The board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

The Syndicate uses both its own and commercially available proprietary risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows hypothetical claims arising for various RDS events based on the Syndicate's expected risk exposures estimated for the 2018 Syndicate Business Forecast.

RDS event	Industry loss £m	Estimated gross loss £m	Estimated final net loss £m
Political risks – China scenario	N/A	104	39
Gulf of Mexico windstorm	89,470	140	40
Los Angeles earthquake	59,091	99	33
Florida windstorm (Pinellas)	101,515	129	35
San Francisco earthquake	60,606	98	33

The analysis presented represents 100% of the Syndicate of which the Company has a 5.67% participation in 2019.

20. Insurance risk and financial risk management (continued)

The table below sets out the concentration of the Syndicate's outstanding claim liabilities and unearned premiums by type of contract:

	2018		2017	
	Gross liabilities £'000	Net liabilities £'000	Gross liabilities £'000	Net liabilities £'000
Direct insurance:				
Accident and health	7,133	6,449	5,890	4,135
Motor (other classes)	8,938	8,890	10,028	10,023
Marine, aviation and transport	79,030	65,577	52,628	47,908
Energy	55,562	39,130	40,277	32,640
Fire and other damage to property	164,137	111,886	162,266	95,600
Third party liability	146,935	89,452	80,967	56,448
Pecuniary loss	30,582	13,642	21,677	12,709
	492,317	335,026	373,733	259,463
Reinsurance acceptances:				
Fire and other damage to property	65,303	37,166	58,588	34,122
Marine, aviation and transport	50,369	41,040	47,420	34,967
Energy	13,795	12,722	13,818	12,374
Casualty	6,088	5,612	4,249	3,882
	135,555	96,540	124,075	85,345
	627,872	431,566	497,808	344,808

The geographical concentration of the outstanding claim liabilities and unearned premiums is noted below. The disclosure is based on the domicile of counterparties. The analysis is not expected to be materially different if based on the countries in which the risks are situated.

	2018		2017	
	Gross liabilities £'000	Net liabilities £'000	Gross liabilities £'000	Net liabilities £'000
United Kingdom	239,531	154,412	153,680	110,391
Other EU member states	24,722	19,576	20,541	16,253
USA	172,749	123,201	139,362	94,314
Canada	15,877	11,899	12,139	7,997
Other	174,993	122,478	172,086	115,853
	627,872	431,566	497,808	344,808

20. Insurance risk and financial risk management (continued)

Key assumptions

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of claim indemnity costs, claim handling costs and claims inflation for each underwriting year. For more recent years of account, "a priori" loss ratio selections are also key assumptions in determining the reserves, which are themselves based on historical experience as well as judgements to reflect current underwriting conditions.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one–off occurrence; changes in market factors; economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include the occurrence of large losses, delays in settlement and changes in foreign currency rates.

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on the Syndicate's gross and net liabilities, profit and members' balances. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non–linear.

31 December 2018	Change in assumptions	Impact on gross liabilities £'000	Impact on net liabilities £'000	Impact on result £'000	Impact on equity £'000
"A priori" loss ratios	+5%	10,476	7,927	(8,470)	(8,470)
Incurred claims development patterns	Recede development by 1 month	13,248	10,974	(11,361)	(11,361)

31 December 2017	Change in assumptions	Impact on gross liabilities £'000	Impact on net liabilities £'000	Impact on result £'000	Impact on equity £'000
"A priori" loss ratios	+5%	7,482	5,778	(5,207)	(5,207)
Incurred claims development patterns	Recede development by 1 month	11,681	10,021	(9,291)	(9,291)

The methods used for deriving sensitivity information and the significant assumptions are the same for both periods.

20. Insurance risk and financial risk management (continued)

Claims development table

The following tables show the estimates of the Syndicate's cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to sterling at the rate of exchange that applied at 31 December 2018.

The Syndicate has taken advantage of the transitional rules of FRS 103 that permit only five years of information to be disclosed upon adoption. The claims development information disclosed is being increased from five years to ten years over the period 2016 to 2020.

In setting claims provisions the Syndicate gives consideration to the probability and magnitude of future adverse experience. Due to the uncertainty inherent in the estimation process, the actual overall claim provision may not always be in surplus.

Gross insurance contract outstanding claims provision as at 31 December 2018:

Underwriting year	Before 2011 £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	Total £'000
Syndicate: Estimate of cumulative claims incurred:										
At end of underwriting year		64,084	97,908	60,799	48,288	64,844	69,697	121,848	127,549	
12 months later		183,251	157,519	119,783	107,761	139,632	171,268	220,838		
24 months later		193,494	159,380	121,972	107,886	151,398	194,769			
36 months later		204,683	157,263	118,201	102,188	156,725				
48 months later		206,605	153,181	117,547	107,910					
60 months later		205,312	148,679	114,153						
72 months later		203,252	147,073							
84 months later		201,291								
Current estimate of cumulative claims incurred		201,291	147,073	114,153	107,910	156,725	194,769	220,838	127,549	
Cumulative payments to date		194,155	142,010	101,529	90,094	121,152	119,833	92,642	18,492	
Gross outstanding claims provision at 31 December 2018 per the statement of financial position	21,062	7,136	5,063	12,624	17,816	35,573	74,936	128,196	109,057	411,463

20. Insurance risk and financial risk management (continued)

Net insurance contract outstanding claims provision as at 31 December 2018:

Underwriting year	Before 2011 £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	Total £'000
Syndicate: Estimate of cumulative claims incurred:										
At end of underwriting year		57,580	61,721	56,016	44,739	49,283	57,427	66,478	84,828	
12 months later		135,226	121,571	112,235	99,564	116,731	125,035	169,437		
24 months later		138,354	121,904	113,694	100,461	122,474	141,600			
36 months later		140,152	119,896	110,168	95,102	123,714				
48 months later		141,694	116,896	107,399	97,488					
60 months later		139,501	113,908	107,226						
72 months later		137,617	112,486							
84 months later		137,366								
Current estimate of cumulative claims incurred		137,366	112,486	107,226	97,488	123,714	141,600	169,437	84,828	
Cumulative payments to date		134,854	108,573	96,150	84,956	101,424	99,071	82,920	15,768	
Net outstanding claims provision at 31 December 2018 per the statement of financial position	13,002	2,512	3,913	11,076	12,532	22,290	42,529	86,517	69,060	263,431

The estimate of cumulative claims incurred on an underwriting year will increase whilst premium continues to be earned. This will naturally give rise to an increase in incurred claims in the period up to 24 months beyond the underwriting year.

Financial risk – credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Syndicate

The following policies and procedures are in place to mitigate the exposure to credit risk:

- A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Syndicate. Compliance with the policy is monitored and exposures and breaches are reported to the risk framework and compliance committee of the managing agency. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each investment counterparty or syndicate of counterparties, with minimum credit quality requirements at a portfolio level.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set by the finance and investment committee of the managing agency and are subject to regular reviews. At each reporting date management performs an assessment of creditworthiness of reinsurers, ascertaining a suitable allowance for impairment.
- Guidelines determine when to obtain collateral and guarantees.
- The credit risk in respect of customer balances, incurred on non-payment of premiums or contributions, will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

20. Insurance risk and financial risk management (continued)

Non-syndicate

The Company manages credit risk by ensuring that cash and cash equivalent deposits are placed only with highly rated credit institutions. The Company is not exposed to material credit risk in respect of its debtor balances. The Company did not hold any collateral as security against its debtors, or have any other credit enhancements at the reporting dates.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements and the use of credit derivatives. The Syndicate amounts relate to the whole Syndicate.

31 December 2018	Neither past due nor impaired £'000	Past due £'000	Impaired £'000	Total £'000
Syndicate:				
Financial investments:				
- Debt securities and other fixed income securities	188,450	-	-	188,450
- Shares and other variable yield securities and units in unit trusts	17,892	-	-	17,892
- Participation in investment pools	13,809	-	-	13,809
- Loans secured by mortgages	3,276	-	-	3,276
- Derivative assets	-	-	-	-
- Deposits with credit institutions	3,351	-	-	3,351
Deposits with ceding undertakings	22	-	-	22
Reinsurers' share of claims outstanding	148,032	-	-	148,032
Debtors arising out of insurance operations	69,605	74,764	-	144,369
Other debtors	2,267	-	-	2,267
Cash at bank and in hand	20,768	-	-	20,768
Overseas deposits	24,453	-	-	24,453
	491,925	74,764	-	566,689
Non-syndicate:				
Cash at bank and in hand	1	-	-	1

31 December 2017	Neither past due nor impaired £'000	Past due £'000	Impaired £'000	Total £'000
Syndicate:				
Financial investments:				
- Debt securities and other fixed income securities	133,513	-	-	133,513
- Shares and other variable yield securities and units in unit trusts	66,995	-	-	66,995
- Participation in investment pools	10,269	-	-	10,269
- Loans secured by mortgages	3,482	-	-	3,482
- Derivative assets	4	-	-	4
- Deposits with credit institutions	3,032	-	-	3,032
Deposits with ceding undertakings	19	-	-	19
Reinsurers' share of claims outstanding	131,771	-	-	131,771
Debtors arising out of insurance operations	54,037	58,979	-	113,016
Other debtors	642	-	-	642
Cash at bank and in hand	13,481	-	-	13,481
Overseas deposits	16,365	-	-	16,365
	433,610	58,979	-	492,589
Non-syndicate:				
Cash at bank and in hand	29	-	-	29

Assets which are past due but not impaired include amounts relating to binding authority business as at 31 December 2018. The past due amounts have principally been in arrears for less than 3 months from the reporting date.

20. Insurance risk and financial risk management (continued)

The table below provides information regarding the credit risk exposure of the whole Syndicate at 31 December 2017 by classifying assets according to Standard & Poor's credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. Insurance and other debtors have been excluded from the table as these are generally not rated.

31 December 2018	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not rated £'000	Total £'000
Syndicate:							
- Shares and other variable yield securities and units in unit trusts	15,410	-	-	-	-	2,482	17,892
- Debt securities and other fixed income securities	18,667	110,451	46,376	12,956	-	-	188,450
- Participation in investment pools	9,484	1,595	1,675	968	-	87	13,809
- Loans secured by mortgages	3,276	-	-	-	-	-	3,276
- Deposits with credit institutions	-	-	3,351	-	-	-	3,351
- Overseas deposits	12,062	3,217	1,726	1,203	241	6,004	24,453
- Deposits with ceding undertakings	-	-	-	-	-	22	22
- Reinsurers' share of claims outstanding	398	10,895	131,865	-	-	4,874	148,032
- Cash at bank and in hand	-	-	20,768	-	-	-	20,768
Total credit risk	59,297	126,518	205,761	15,127	241	13,469	420,053
Non-syndicate:							
- Cash at bank and in hand	-	-	-	1	-	-	1

31 December 2017	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not rated £'000	Total £'000
Syndicate:							
- Shares and other variable yield securities and units in unit trusts	28,871	-	-	-	-	38,124	66,995
- Debt securities and other fixed income securities	17,168	83,481	28,308	4,556	-	-	133,513
- Participation in investment pools	6,544	756	2,010	954	-	5	10,269
- Loans secured by mortgages	3,482	-	-	-	-	-	3,482
- Deposits with credit institutions	-	-	3,032	-	-	-	3,032
- Overseas deposits	8,646	2,062	1,759	953	733	2,212	16,365
- Derivative assets	4	-	-	-	-	-	4
- Deposits with ceding undertakings	-	-	-	-	-	19	19
- Reinsurers' share of claims outstanding	-	24,442	106,066	-	-	1,263	131,771
- Cash at bank and in hand	-	-	13,481	-	-	-	13,481
Total credit risk	64,715	110,741	154,656	6,463	733	41,623	378,931
Non-syndicate:							
- Cash at bank and in hand	-	-	-	1	-	28	29

20. Insurance risk and financial risk management (continued)

Maximum credit exposure

It is the Syndicate's policy to maintain accurate credit ratings across its portfolio of investments and reinsurance counterparties.

Credit ratings are provided regularly by the Syndicate's investment managers and are subject to regular review to ensure any counterparty risk is in line with the Syndicate's risk appetite and complies with the specified investment guidelines. The management of the Syndicate's investments is largely outsourced to professional investment managers who are given clearly defined credit, concentration and asset parameters within which they can operate. Specific provisions are included within the investment guidelines around notification of any credit breaches which would result in action being taken to rectify the position, subject to materiality.

Financial risk – liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out flows and expected reinsurance recoveries.

Syndicate

The following policies and procedures are in place to mitigate the Syndicate's exposure to liquidity risk:

- A liquidity risk policy exists that sets out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is monitored and exposures and breaches are reported to the risk framework and compliance committee of the managing agency. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines on asset allocation, portfolio limit structures and maturity profiles of assets are set, in order to ensure that sufficient funding is available to meet insurance and investment contracts obligations.

Non-syndicate

The Company manages liquidity by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of assets and liabilities.

Maturity profiles

The table below summarises the maturity profile of the whole Syndicate's and Company's financial liabilities based on remaining undiscounted contractual obligations, including interest payable, and outstanding claim liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

31 December 2018	Up to a year £'000	1–3 years £'000	3–5 years £'000	Over 5 years £'000	Total £'000
Syndicate:					
Outstanding claim liabilities	174,782	146,832	50,340	39,509	411,463
Other	63,739	20,141	-	-	83,880
Non-syndicate:					
Other	459	-	-	-	459

31 December 2017	Up to a year £'000	1–3 years £'000	3–5 years £'000	Over 5 years £'000	Total £'000
Syndicate:					
Outstanding claim liabilities	152,783	116,472	35,320	23,003	327,578
Other	55,275	1,103	-	-	56,378
Non-syndicate:					
Other	118	-	-	-	118

20. Insurance risk and financial risk management (continued)

Financial risk – financial market risk

Financial market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial market risk comprises three types of risk:

a) Currency risk;
b) Interest rate risk; and
c) Equity price risk.

The following policies and procedures are in place to mitigate the Syndicate's exposure to financial market risk:

- A financial market risk policy exists that sets out the assessment and determination of what constitutes financial market risk for the Syndicate. Compliance with the policy is monitored and exposures and breaches are reported to the managing agent's risk framework and compliance committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

- Strict control over derivative instruments (e.g. equity derivatives are only permitted to be held to facilitate portfolio management or to reduce investment risk).

- For assets backing outstanding claims provisions, financial market risk is managed by ensuring the duration and profile of assets are aligned to the technical provisions they are backing. This helps manage financial market risk to the extent that changes in the values of assets are matched by a corresponding movement in the values of the technical provisions.

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Syndicate

The Syndicate's functional currency is sterling and its exposure to foreign exchange risk arises primarily with respect to transactions in euros, Australian dollars, US dollars and Canadian dollars. The Syndicate seeks to mitigate the risk by regularly seeking to match the estimated foreign currency denominated liabilities with assets denominated in the same currency.

Non-syndicate

The Company's functional currency is sterling. The Company manages currency risk by ensuring that exchange rate exposures are managed within approved policy parameters. The Company does not use derivative financial instruments to manage exposure to currency risk. The Company is not exposed to material currency risk in respect of its non-syndicate business.

20. Insurance risk and financial risk management (continued)

The table below summarises the exposure of the financial assets and liabilities to foreign currency exchange risk at the reporting date for the whole Syndicate, as follows:

2018	UK £ £000	US $ £000	CAD $ £000	AUS $ £000	EUR € £000	Other £000	Total £000
Syndicate:							
Total assets	66,318	504,676	24,174	41,387	30,024	12,206	678,785
Total liabilities	(89,490)	(532,290)	(16,106)	(38,527)	(34,675)	(12,434)	(723,522)
Net assets	(23,172)	(27,614)	8,068	2,860	(4,651)	(228)	(44,737)

2017	UK £ £000	US $ £000	CAD $ £000	AUS$ £000	EUR € £000	Other £000	Total £000
Syndicate:							
Total assets	57,298	427,759	21,606	32,370	21,848	2,335	563,216
Total liabilities	(62,944)	(429,444)	(14,667)	(26,891)	(20,738)	(2,576)	(557,260)
Net assets	(5,646)	(1,685)	6,939	5,479	1,110	(241)	5,956

The non-sterling denominated net assets of the Syndicate may lead to a reported loss (depending on the mix relative to the liabilities), should sterling strengthen against these currencies. Conversely, reported gains may arise should sterling weaken.

In part, foreign currency forward contracts may be used for the Syndicate to achieve the desired exposure to each currency. From time to time the Syndicate may also choose to utilise options on foreign currency derivatives to mitigate the risk of reported losses due to changes in foreign exchange rates. The degree to which options are used is dependent on the prevailing cost versus the perceived benefit to members' value from reducing the chance of a reported loss due to changes in foreign currency exchange rates. The details of all foreign currency derivatives contracts entered into are given in note 12.

The table below gives an indication of the impact on the Syndicate's result of a percentage change in the relative strength of sterling against the value of the main settlement currencies simultaneously. The analysis is based on the information as at 31 December 2018 .

	2018 £'000	2017 £'000
Syndicate:		
Sterling weakens		
10% against other currencies	(2,301)	1,396
20% against other currencies	(5,177)	3,141
Sterling strengthens		
10% against other currencies	1,882	(1,142)
20% against other currencies	3,451	(2,094)

20. Insurance risk and financial risk management (continued)

b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments create exposure to cash flow interest risk, whereas fixed rate instruments have exposure to fair value interest risk.

The Syndicate has no significant concentration of interest rate risk.

Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on the Syndicate's result of the effects of changes in interest rates on financial assets and liabilities for items recorded at fair value through profit and loss.

The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, the variables were altered on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on profit or loss and equity	
	2018	2017
Changes in variables	£'000	£'000
Syndicate:		
+50 basis points	(986)	(618)
-50 basis points	917	630

The methods used for deriving sensitivity information and the significant variables are the same for both periods.

Non-syndicate:

The Company is not exposed to material interest rate risk in respect of its non-syndicate business.

c) Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Syndicate

The Syndicate's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities.

The financial market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector and market, and careful and planned use of derivative financial instruments.

There is no significant concentration of equity price risk.

20. Insurance risk and financial risk management (continued)

Non-syndicate

The Company does not hold equity investments and as such is not exposed to equity price risk.

The analysis below is performed for reasonably possible movements in market indices on financial instruments, with all other variables held constant, showing the impact on the result of the Syndicate due to changes in fair value of financial assets and liabilities whose fair values are recorded in the statement of comprehensive income. The correlation of variables will have a significant effect in determining the ultimate impact on equity price risk, but to demonstrate the impact due to changes in variables, the variables were altered on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on profit	
	2018	2017
Changes in variables - market indices	£'000	£'000
Syndicate:		
S&P 500/FTSE 100 +5%	-	38
S&P 500/FTSE 100 -5%	-	(36)

The methods used for deriving sensitivity information and the significant variables are the same for both periods.

21. Capital management

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement ("SCR") for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR "to ultimate"). The Syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

Each syndicate member is liable for its own share of underwriting liabilities on the syndicate on which it participates but not other members' shares.

Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR "to ultimate".

Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, the ECA. The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2017 was 35% of the member's SCR "to ultimate".

With effect from 1 January 2016, Lloyd's became subject to the Solvency II capital regime and the Solvency I figures were no longer applicable from that date. Although the capital regime changed, this did not significantly impact the SCR of the Syndicate, since this had been previously calculated using Solvency II principles.

22. Funds at Lloyd's

The Company's underwriting is, in part, supported by assets made available to it by third party capital providers. The current Funds at Lloyd's consist of a letter of credit of £10,115,001 (2017: £12,545,816) provided by third parties. The Company's Fund's at Lloyd's is held as cash totalling £2,786,019 (2017: £629) including amounts provided by third parties which are not included within the statement of financial position of the Company.

23. Related party disclosure

The Company has taken advantage of the exemption conferred by Section 33: Related Party Disclosures not to disclose transactions entered into between two or more wholly owned members of the Group.

24. Parent undertaking

The Company's immediate parent company is Argenta Holdings Limited, a company registered in England and Wales. The results of the Company are consolidated in the financial statements of Argenta Holdings Limited, which can be obtained from 5th Floor, 70 Gracechurch Street, London, EC3V 0XL.

The Company's ultimate controlling party is Haftpflichtverband der Deutschen Industrie V.a.G., a company registered in Germany.