

**NEPHILA ADVISORS (UK) Limited**  
**Annual report and financial statements**

For the year ended 31 December 2020

Registered number: 08812429



**NEPHILA ADVISORS (UK) Limited**

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## **NEPHILA ADVISORS (UK) Limited**

### **Company Information**

#### **Directors**

S M Glassman  
L A K Taylor

#### **Registered Office**

Walsingham House 4<sup>th</sup> Floor  
35 Seething Lane  
London  
England  
EC3N 4AH

#### **Auditor**

Deloitte LLP  
Statutory Auditor  
London  
United Kingdom

## **NEPHILA ADVISORS (UK) Limited**

### **Directors' report**

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2020.

#### **Review of the business**

Nephila Advisors (UK) Limited (the "Company") was incorporated on 12 December 2013. The Company was formed to provide certain investor relations and business development services to Nephila Capital Limited ("NCL"), a Bermuda based investment manager. The Company and NCL are wholly owned subsidiaries of Nephila Holdings Ltd. (the "Parent"), a Bermuda based company. The Company currently employs nineteen individuals and aims to continue to increase depth and breadth for the Nephila group's investor relations, information technology, client services and risk sourcing in the UK and throughout Europe. The net asset value for the years ended 31 December 2020 and 2019 were \$3,734,083 and \$3,049,505 respectively.

The Company will continue to provide these services.

The Company had capitalized a total of \$2,000,561 self-generated intangible assets associated with four software development projects during the year (of which \$794,860 was transferred from 'software under development' to 'software in use'). A total of \$593,251 self-generated intangible assets associated with one software development projects was capitalized in FY 2019.

#### **Results and dividends**

The profit for the year ended 31 December 2020 was \$684,578 (2019: \$734,164). No dividends were paid or declared.

#### **Going concern**

On March 11, 2020 the coronavirus (COVID-19) outbreak was officially designated a pandemic by the World Health Organisation ("WHO"), having an impact on health and economies globally. Although the fast-moving global development of COVID-19 created challenges for businesses both operationally and economically, Nephila's business continuity and disaster recovery and succession plans meant the Company was well prepared to respond and adapt to ensure the operations continue to be managed effectively with minimal impact to customers and stakeholders. Since mid-March 2020, Nephila transitioned to a remote working environment for all staff enabling the company to function as usual with minimal disruption throughout this period.

Whilst this event is ongoing and uncertainty remains as to the final outcomes, we do not expect it to have an impact on the company's ability to continue as a going concern.

After consideration of these factors, the Directors have concluded that it is appropriate to adopt the going concern basis of accounting.

Further details regarding the adoption of the going concern basis can be found in Note 1.

#### **Directors**

The directors, who served throughout the year and up to the date of signing this report, were as follows:

S M Glassman  
L A K Taylor

## **NEPHILA ADVISORS (UK) Limited**

### **Directors' report (continued)**

#### **Directors and their interests**

The names of the persons who were Directors at any time during the year ended 31 December 2020 are set out on page 2 of the financial statements. Unless indicated the Directors served for the entire year. In accordance with the Articles of Association the existing Directors shall continue in office until resignation or removal.

#### **Directors Indemnity**

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

#### **Auditor**

Deloitte LLP were previously appointed and have expressed their willingness to continue in office as auditor and therefore in accordance with the Companies Act 2006, are deemed re-appointed.


#### **Information provided to the Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

DocuSigned by:  
  
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Laura Taylor  
Director  
7 May 2021

## **NEPHILA ADVISORS (UK) Limited**

### **Directors' responsibilities statement**

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information published by the Company. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **NEPHILA ADVISORS (UK) Limited**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEPHILA ADVISORS (UK) LIMITED**

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

##### **Opinion**

In our opinion the financial statements of Nephila Advisors (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Conclusions relating to going concern**

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

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

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

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.



In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and internal legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

#### **Report on other legal and regulatory requirements**

##### **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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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 any material misstatements in the directors' report.

##### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

##### **Use of our report**

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



Andrew Downes ACA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

7 May 2021

**NEPHILA ADVISORS (UK) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
For the year ended 31 December 2020

	Note	2020 \$	2019 \$
<b>TURNOVER</b>		10,220,116	10,445,422
<b>ADMINISTRATIVE EXPENSES</b>		<u>(9,337,328)</u>	<u>(9,528,130)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	882,788	917,292
Tax on profit on ordinary operations	7	<u>(198,210)</u>	<u>(183,128)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u><u>684,578</u></u>	<u><u>734,164</u></u>

All results are from continuing operations

There is no other comprehensive income other than the profit for the period. Accordingly, no statement of other comprehensive income is presented.

See accompanying notes to the financial statements.

**NEPHILA ADVISORS (UK) LIMITED**  
**BALANCE SHEET**  
As at 31 December 2020

	Note	2020	2019
		\$	\$
<b>NON CURRENT ASSETS</b>			
Intangible Assets	8	3,123,182	2,700,120
Tangible Assets	9	1,142,788	5,248
Debtors: amounts falling due after one year	10	0	0
		<u>4,265,970</u>	<u>2,705,368</u>
<b>CURRENT ASSETS</b>			
Cash		1,143,755	465,008
Debtors: amounts falling due within one year	10	838,809	2,624,585
		<u>1,982,564</u>	<u>3,089,593</u>
<b>TOTAL ASSETS</b>		<u><u>6,248,534</u></u>	<u><u>5,794,961</u></u>
<b>CURRENT LIABILITIES</b>			
Creditors: amounts falling due within one year	11	2,514,451	2,745,456
<b>NET ASSETS</b>		<u>3,734,083</u>	<u>3,049,505</u>
<b>SHAREHOLDER'S FUNDS</b>			
Called up share capital	12	3	3
Profit and loss account		3,734,080	3,049,502
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u><u>3,734,083</u></u>	<u><u>3,049,505</u></u>

The notes on pages 11 to 20 form an integral part of these financial statements.

The financial statements of Nephila Advisors (UK) Limited, company number 08812429 were approved by the board of directors and authorised for issue on 7 May 2021 They were signed on its behalf by:

DocuSigned by:  
  
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Director  
7 May 2021

**NEPHILA ADVISORS (UK) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
 As at 31 December 2020

	Called-up share capital	Profit and loss account	Total
	\$	\$	\$
<b>At 1 January 2019</b>	3	2,315,338	2,315,341
Profit for the financial year		734,164	734,164
<b>At 31 December 2019</b>	3	3,049,502	3,049,505
Profit for the financial year		684,578	684,578
<b>At 31 December 2020</b>	3	3,734,080	3,734,083

The notes on pages 11 to 20 form an integral part of these financial statements.

# **NEPHILA ADVISORS (UK) LIMITED** **NOTES TO THE FINANCIAL STATEMENTS**

## **1. STATEMENT OF ACCOUNTING POLICIES**

The principal accounting policies are summarized below. They have all been applied consistently throughout the year and the previous year.

### **General information and basis of accounting**

Nephila Advisors (UK) Limited is a company incorporated in the United Kingdom under the Companies Act.

The Company is a private Company limited by shares and is registered in England and Wales. The address of the registered office is given on page 1.

The average monthly number of employees (including executive directors) was 19 (2019: 17).

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, Markel Corporation, which may be obtained at 4521 Highwoods Parkway, Glen Allen, Virginia, U.S. 23060. Exemptions have been taken in these separate Company financial statements in relation to presentation of a cash flow statement and remuneration of key management personnel

Exemptions have been taken to prepare a strategic report in according with Company Act 2006 414B (b).

### **Going concern**

The global outbreak of COVID-19 resulted in wide-ranging operational changes and challenges for many businesses. Whilst this event is ongoing and uncertainty remains as to the final outcomes, we do not expect it to have an impact on the Company's ability to continue as a going concern.

After consideration of these factors, the directors have concluded that it is appropriate to adopt the going concern basis of accounting.

### **Tangible assets**

Tangible assets are stated at acquisition cost, net of accumulated depreciation. Cost includes major expenditures for improvements and replacements, which extend useful lives or increase capacity and interest costs associated with significant capital additions.

Depreciation are calculated using the straight-line method, based on the estimated useful lives of the related assets, as follows:

	Useful Life (Years)
Furniture, fixtures and fittings	5
Computer equipment	3
Leasehold Improvements	10

**NEPHILA ADVISORS (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

**Intangible Assets**

Internally generated software costs during development phase are capitalized as an intangible asset if the following can be demonstrated: a) the project is technically feasible; b) the project is intended to complete and has the ability to use; c) the asset is expected to generate future economic benefits; d) there is availability of adequate technical, financial and other resources to complete the development and to use the intangible asset. Once capitalized they will be amortized over their expected useful life in accordance with the Company's amortization policies. The capitalized costs included direct costs of materials and services including travel costs, software purchase fees, and payroll costs arising from the generation of intangible software.

Amortization are calculated using the straight-line method, based on the estimated useful lives of the related assets, as follows:

	Useful Life (Years)
Internally generated software	3 or 5

**Turnover**

Advisory fees are recognised as income on an accruals basis and in accordance with the Company's agreement with Nephila Capital Limited ("NCL") and Nephila Syndicate Management Limited ("NSML").

**Expenses**

All expenses including salaries and benefits, payroll taxes, professional fees, travel and entertainment and communications are recognised on an accrual basis.

**Foreign currency**

The functional and presentational currency is in US Dollars, which is in line with the ultimate parent's functional and presentational currency. Income and expenditure in other currencies is translated at the rate of exchange at the date of the transaction. The Company translates monetary assets and liabilities denominated in foreign currencies at the rate of exchange at the balance sheet date.

**Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized in respect of all timing differences that have originated but not reversed at the balance sheet date where 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 have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognized in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognized only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**NEPHILA ADVISORS (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. CRITICAL ACCOUNTING JUDGEMENTS**

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are 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.

Capitalisation of internal generated software- internal generated software costs during development phase are capitalized as an intangible asset if the following can be demonstrated: a) the project is technically feasible; b) the project is intended to complete and has the ability to use; b) the asset is expected to generate future economic benefits; c) there is availability of adequate technical, financial and other resources to complete the development and to use the intangible asset. Once capitalized they will be amortized over their expected useful life in accordance with the Company's amortization policies.

**3. AUDITOR'S REMUNERATION**

Fees payable to Deloitte LLP for the audit of the Company's financial statements the years ended 31 December 2020 and 2019 were \$30,890, and \$23,720 respectively. No other fees were paid to the auditor in respect of the Company.

**4. DIRECTORS' REMUNERATION**

The Directors are executives of the related group company, Nephila Capital Ltd., and are also directors of the Company. The Directors received no remuneration from Nephila Advisors (UK) Limited during the year (2019: Nil).

**NEPHILA ADVISORS (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. EMPLOYEES AND STAFF COSTS**

The average monthly number of employees was:	2020	2019
	Number	Number
IT/Technology	16	14
Underwriting	0	1
Admin	2	1
Legal	1	1
Total	<u>19</u>	<u>17</u>
Aggregate remuneration comprised:	2020	2019
	\$	\$
Wages and salaries	4,053,845	4,241,249
Social Security	643,666	550,295
Pension	169,884	152,549
Other Employee benefits	<u>69,988</u>	<u>162,153</u>
Total	<u>4,937,383</u>	<u>5,106,246</u>

**6. PROFIT BEFORE TAXATION**

Profit before taxation	2020	2019
	\$	\$
Advisory fee income	10,220,116	10,445,422
Staff costs	4,937,383	5,106,245
Professional fees	55,214	42,753
Foreign exchange (gain) or loss	(30,107)	186,270
Amortization	782,639	546,291
Depreciation	155,583	426,772
Other operating expenses	<u>3,436,616</u>	<u>3,219,799</u>
Profit before taxation	<u>882,788</u>	<u>917,292</u>



**NEPHILA ADVISORS (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7. TAXATION**

The tax charge comprises:

	2020 \$	2019 \$
Corporation tax	219,675	258,449
Deferred tax	(21,465)	(75,321)
<b>UK corporation tax</b>	<u>198,210</u>	<u>183,128</u>

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25% (the rate applicable to the company). As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. The overall effect of the change is deemed to be immaterial.

	2020 \$	2019 \$
Current tax on profit		
UK corporation tax	211,043	224,713
Double tax relief	<u>-</u>	<u>-</u>
Foreign tax	-	-
Adjustments in respect of prior years		
UK corporation tax at 19 per cent (PY:19 per cent)	8,632	(31,375)
Payment for group relief	-	65,111
Foreign tax	<u>-</u>	<u>-</u>
<b>Total current tax</b>	<u>219,675</u>	<u>258,449</u>
Deferred tax		
Origination and reversal of timing differences	(17,261)	(95,225)
Effect of increase in tax rate on opening liability	(-)	(-)
Effect of a change in the tax status of the entity or its shareholders	-	-
Decrease in estimate of recoverable deferred tax asset	-	-
Adjustments in respect of prior years	(4,204)	19,904
<b>Total deferred tax (credit)</b>	<u>(21,465)</u>	<u>(75,321)</u>
<b>Total tax on profit</b>	<u>198,210</u>	<u>183,128</u>

**NEPHILA ADVISORS (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7. TAXATION (CONTINUED)**

Nephila Syndicate Management Services, a wholly owned subsidiary of the Parent, will render \$1,109,985 of its net loss through group relief in 2020 which will be settled in 2021, to offset the Company's taxable profit.

**Tax on profit**

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

**Reconciliation of tax charge**

	2020	2019
	\$	\$
Profit before tax	<u>883,557</u>	<u>911,281</u>
Tax on profit at standard UK corporation tax rate of 19 per cent (2019: 19 per cent)	167,876	173,143
Effects of:		
- Expenses not deductible for tax purposes	22,122	10,253
- Income not taxable in determining taxable profit	-	-
Adjustments to tax charge in respect of previous periods	8,632	(28,126)
Adjustments to tax charge in respect of previous-deferred tax	(4,204)	19,904
Difference arising on the change in future tax rate	3,784	-
Current tax (prior period) exchange difference arising on movement between opening and closing spot rates	-	11,203
Current tax (current year) exchange difference arising on movement between opening and closing spot rates	-	(3,249)
<b>Total tax charge for period</b>	<u>198,210</u>	<u>183,128</u>

**NEPHILA ADVISORS (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7. TAXATION (CONTINUED)**

Deferred tax is provided as follows:	2020	2019
	\$	\$
<b>Company</b>		
Accelerated capital allowances	15,000	36,367
Deferred tax arising in relation to retirement benefit obligations	(98)	-
Tax losses available	-	-
Other timing differences	-	-
<b>Provision for deferred tax</b>	<u>14,902</u>	<u>36,367</u>

**8. INTANGIBLE ASSETS**

Intangible assets	Internally generated Software in use	Internally generated software-under development	Total
	\$0	\$0	\$0
<b>Cost</b>			
At 1 January 2020	2,831,269	794,860	3,626,129
Additions	1,205,701	-	1,205,701
Transfer internal generated software under development to in use	794,860	(794,860)	-
Disposals	-	-	-
At 31 December 2020	<u>4,831,830</u>	<u>0</u>	<u>4,831,830</u>
<b>Amortization</b>			
At 1 January 2020	926,009	-	926,009
Disposals	0	-	-
Charge for year	<u>782,639</u>	-	<u>782,639</u>
At 31 December 2020	<u>1,708,648</u>	-	<u>1,708,648</u>
<b>Net book value</b>			
31 December 2020	<u>3,123,182</u>	<u>0</u>	<u>3,123,182</u>
1 January 2020	<u>1,905,260</u>	<u>794,860</u>	<u>2,700,120</u>

**NEPHILA ADVISORS (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. INTANGIBLE ASSETS (CONTINUED)**

Development costs have been capitalised in accordance with the requirements of FRS 102 and are therefore not treated, for dividend purposes, as a realised loss.

The Company had capitalized a total of \$2,000,561 self-generated intangible assets associated with four software development projects during the year (of which \$794,860 was transferred from 'software under development' to 'software in use'). A total of \$593,251 self-generated intangible assets associated with one software development projects was capitalized in FY 2019. The four projects were completed and put into use before 31 December 2020. As of 31 December 2020, the Company recorded a total of \$1,708,648 of accumulated amortization related to these internally generated software projects on its statements of operations.

**9. TANGIBLE ASSETS**

<b>Tangible fixed assets</b>	<b>Leasehold improvement</b>	<b>Fixtures, fittings &amp; equipment</b>	<b>Computer equipment</b>	<b>Total</b>
	\$0	\$0	\$0	\$0
<b>Cost</b>				
At 1 January 2020	622,875	308	97,617	720,800
Additions	946,122	340,799	6,202	1,293,123
Disposals	(622,875)	0	0	(622,875)
At 31 December 2020	<u>946,122</u>	<u>341,107</u>	<u>103,819</u>	<u>1,391,048</u>
<b>Depreciation</b>				
At 1 January 2020	617,684	251	97,617	715,552
Disposals	(622,875)	0	0	(622,875)
Charge for year	<u>91,176</u>	<u>62,512</u>	<u>1,895</u>	<u>155,583</u>
At 31 December 2020	<u>85,985</u>	<u>62,763</u>	<u>99,512</u>	<u>248,260</u>
<b>Net book value</b>				
31 December 2020	<u>860,137</u>	<u>278,344</u>	<u>4,307</u>	<u>1,142,788</u>
1 January 2020	<u>5,191</u>	<u>57</u>	<u>0</u>	<u>5,248</u>

**NEPHILA ADVISORS (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10. DEBTOR: AMOUNT FALLING DUE WITHIN ONE YEAR**

	2020	2019
	\$	\$
Amounts owed by group undertakings	480,464	1,577,873
Prepayments and accrued income	164,060	1,048,647
Corporation Tax	118,244	-
Other debtors	76,038	(1,938)
	<u>838,806</u>	<u>2,624,582</u>

**11. CREDITORS**

	2020	2019
	\$	\$
Amounts Owed to group undertakings	337,319	-
Other creditors	409,454	738,189
Bonus accruals	1,641,848	1,632,134
Corporation tax payable	-	289,824
Deferred tax payable	14,902	36,367
Accruals	110,928	48,942
	<u>2,514,451</u>	<u>2,745,456</u>

**12. CALLED UP SHARE CAPITAL**

	2020	2019
	\$	\$
<b>Allotted, called up and not paid</b>		
Ordinary shares of £1 each	3	3

**NEPHILA ADVISORS (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13. SHAREHOLDER'S FUNDS**

	2020 \$	2019 \$
At January 1	3,049,505	2,315,341
Profit for the year	684,578	734,164
At 31 December	<u>3,734,083</u>	<u>3,049,505</u>

**14. LEASE COMMITMENT**

The Company entered into a lease for its corporate premises on 28 October 2015 for its London premises. This lease had an initial expiration date of 27 October 2025 and was terminated in October 2020. The Company entered into a new lease with a 10-year term at a new location in October 2019. The confirmed commencement date of the new lease is October 28, 2019. The future minimum lease payments under the lease agreements are in the amount of \$5,319,449:

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2020 \$	2019 \$
<b>Land and buildings</b>		
Expiring:		
Less than one year	602,202	309,789
Between two and five years	2,408,807	2,323,101
In excess of five years	<u>2,308,440</u>	<u>2,807,080</u>
	<u>5,319,449</u>	<u>5,439,969</u>

**15. POST BALANCE SHEET EVENTS**

There have been no material post balance sheet events.

**16. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the disclosure exemption available in FRS 102 Section 33. All related party transactions are with entities that are wholly owned by the ultimate parent.

**17. IMMEDIATE AND ULTIMATE PARENT COMPANY**

The Directors regard Markel Corporation, a company incorporated in 1930, as the ultimate parent company. The smallest and largest group into which the financial statements of Nephila Advisors (UK) Limited are consolidated into is Markel Corporation. Copies of the group financial statements may be obtained from Markel Corporation at 4521 Highwoods Parkway, Glen Allen, Virginia, U.S. 23060.