

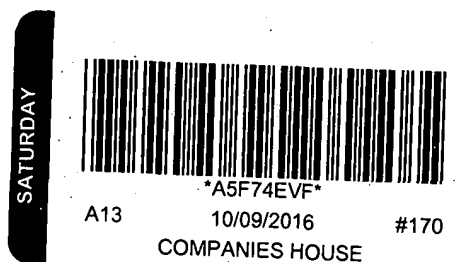
Registered Number (England and Wales): OC321718

PEN HILL LLP

MEMBERS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

www.humph.co.uk



PEN HILL LLP

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PEN HILL LLP

PARTNERSHIP INFORMATION

Designated Members

Fidentia Trustees Ltd
Fidentia Nominees Ltd

ADDRESSES

Registered office

3 Castlegate
Grantham
Lincolnshire
NG31 6SF

Member's agent

Alpha Insurance Analysts Limited
107 Fenchurch Street
London
EC3M 5JF

Auditors

Humphrey & Co
7 - 9 The Avenue
Eastbourne
East Sussex
BN21 3YA

Administrators

Fidentia Services LLP
3 Castlegate
Grantham, Lincolnshire
NG31 6SF

PEN HILL LLP

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The members present their strategic report for the year ended 31 December 2015.

Review of business

The principal activity of the LLP in the year under review was that of a Limited Liability Underwriting member of Lloyd's.

The result for the year is in respect of the 2015 annual accounting year, which consists of movements in the 2013, 2014 and 2015 years of account as well as any 2012 and prior run-off years. Gross premiums written increased from £9,349,265 to £9,608,722 compared to the previous year and the overall balance in the technical account decreased from £1,093,010 to £974,031 as a result of the level of claims experienced.

The LLP has continued to underwrite on the 2016 underwriting account where the market conditions are considered favourable for a profitable outcome subject to the level of claims experienced.

The key business risks and uncertainties affecting the LLP are considered to relate to insurance risk, investment and currency risk and regulatory risk.

Results for the year and allocation to members

The financial statements incorporate the annual accounting results of the syndicates on which the LLP participates for the 2015 year of account. The 2015 year of account will normally close at 31 December 2017.

The result for the year is shown in the profit and loss account.

Future developments

The LLP continues to write insurance business in the Lloyd's insurance market as a limited liability underwriting member of Lloyd's.

Financial risk management objectives and policies

The LLP is principally exposed to financial risk through its participation on Lloyd's Syndicates. It has delegated sole management and control of its underwriting through each Syndicate to the Managing Agent of that Syndicate and it looks to the Managing Agent to implement appropriate policies, procedures and internal controls to manage each Syndicates' exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The LLP 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 LLP. Hedge accounting is not used by the LLP.

Key performance indicators

The members monitor the performance of the LLP by reference to the following key performance indicators:

	2015	2014
Capacity	£ 11,303,014	£ 11,878,322
Gross premium written as a % of capacity	85.01%	78.71%
Combined ratio	88.72%	88.12%

The combined ratio is the ratio of net claims incurred, commissions and expenses to net premiums earned.

Approved by the Members on 26th August 2016 and signed on its behalf by:



M J Argyle for and on behalf of Fidentia Trustees Limited
Designated Member

PEN HILL LLP

MEMBERS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The members have pleasure in presenting their report together with the financial statements for the year ended 31 December 2015.

Designated members

The Designated Members during the year under review were:

Fidentia Trustees Ltd

Fidentia Nominees Ltd

Members' interests

The profit / loss of the LLP for the financial year is allocated to each member in accordance with their respective profit / loss shares for the relevant year(s) of account.

Any amounts contributed by the members to the LLP will be repaid by the LLP on departure of a member from the LLP. These amounts are shown as liabilities on the balance sheet.

Members can only withdraw profits to the extent that the LLP retains sufficient working capital to finance its ongoing operation.

Statement of members' responsibilities

The members are responsible for preparing the financial statements in accordance with applicable law and regulations.

Legislation applicable to Limited Liability Partnerships requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that year.

In preparing those financial statements, the members are required to :

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the LLP will continue in business.

The members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the Companies Act 2006 as modified by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

The members are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

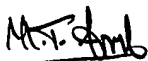
Auditors

The auditors, Humphrey & Co, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

Statement of disclosure to auditors

So far as the members are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the LLP's auditors are unaware, and each member has taken all the steps that he ought to have taken as a member in order to make himself aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

Approved by the Members on 26th August 2016 and signed on its behalf by:



M J Argyle for and on behalf of Fidentia Trustees Limited
Designated Member

PEN HILL LLP

INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

We have audited the financial statements of Pen Hill LLP for the year ended 31 December 2015 on pages 5 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the LLP's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by the LLP's (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the members and auditors

As explained more fully in the Members' Report set out on page 3, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 December 2015 and of its profit 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for 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 members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Andrew Robinson (Senior Statutory Auditor)
for and on behalf of Humphrey & Co
Chartered Accountants
Statutory Auditor

Humphrey & Co
7 - 9 The Avenue
Eastbourne
East Sussex
BN21 3YA

Date: 30 August

2016

PEN HILL LLP

INCOME STATEMENT - TECHNICAL ACCOUNT (GENERAL BUSINESS) FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £	as restated 2014 £
Gross premiums written	5	9,608,722	9,349,265
Outward reinsurance premiums		(1,683,406)	(1,633,099)
Net premiums written		7,925,316	7,716,166
Change in the provision for unearned premiums			
Gross provision		(126,804)	26,194
Reinsurers' share		(3,431)	(37,122)
Net change in the provision for unearned premiums		(130,235)	(10,928)
Earned premiums net of reinsurance		7,795,081	7,705,238
Allocated investment income	8	110,281	197,179
Claims paid			
Gross amount		(4,506,634)	(4,772,838)
Reinsurers' share		914,998	1,009,626
Net claims paid		(3,591,636)	(3,763,212)
Change in provision for claims			
Gross amount		181,393	423,597
Reinsurers' share		(253,021)	(312,795)
Net change in provision for claims		(71,628)	110,802
Claims incurred net of reinsurance		(3,663,264)	(3,652,410)
Net operating expenses	9	(3,252,624)	(3,137,595)
Investment expenses and charges		(15,443)	(19,402)
Balance on technical account for general business		974,031	1,093,010

PEN HILL LLP

INCOME STATEMENT - NON TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £	as restated 2014 £
Balance on the general business technical account		974,031	1,093,010
Investment income	8	247	427
Other income	10	514,675	-
Other charges		(65,059)	(65,559)
Profit/(loss) for the financial year before members' remuneration and profit shares	11	1,423,894	1,027,878
Members' remuneration charged as an expense		(1,423,894)	(1,027,878)
Profit/(loss) for the financial year available for distribution among Members		-	-
STATEMENT OF COMPREHENSIVE INCOME			
Profit/(loss) for the financial year available for distribution among Members		-	-
Other comprehensive income		-	-
Total comprehensive income for the financial year available for discretionary division among Members		-	-

All amounts above relate to continuing operations.

PEN HILL LLP

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

Registered Number (England and Wales): OC321718

				as restated	
ASSETS	Note	Syndicate Participation £	Partnership £	2015 Total £	2014 Total £
Intangible assets					
Syndicate participation rights	12	-	142,029	142,029	207,395
Investments					
Financial investments	13	11,294,284	-	11,294,284	11,814,938
Deposits with ceding undertakings		3,444	-	3,444	4,584
Total investments		11,297,728	-	11,297,728	11,819,522
Reinsurers' share of technical provisions					
Provision for unearned premiums	7	567,464	-	567,464	431,919
Claims outstanding	7	1,566,057	-	1,566,057	1,790,822
Other technical provisions		1,254,557	-	1,254,557	1,378,108
Total reinsurers' share of technical provisions		3,388,078	-	3,388,078	3,600,849
Debtors					
Arising out of direct insurance operations	14				
Policyholders		144	-	144	6,351
Intermediaries		2,422,058	-	2,422,058	2,301,509
Arising out of reinsurance operations	14	305,787	-	305,787	184,775
Other debtors	15	2,409,042	-	2,409,042	2,153,755
Total debtors		5,137,031	-	5,137,031	4,646,390
Other assets					
Cash at bank and in hand	16	1,459,155	3	1,459,158	1,510,362
Other		1,441	-	1,441	-
Total other assets		1,460,596	3	1,460,599	1,510,362
Prepayments and accrued income					
Accrued interest		10,085	-	10,085	12,657
Deferred acquisition costs	7	1,130,457	-	1,130,457	1,079,803
Other prepayments and accrued income		55,054	-	55,054	68,848
Total prepayments and accrued income		1,195,596	-	1,195,596	1,161,308
Total assets		22,479,029	142,032	22,621,061	22,945,826

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PEN HILL LLP

STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2015

Registered Number (England and Wales): OC321718

				2015	as restated
	Note	Syndicate Participation £	Partnership £	Total £	2014 Total £
LIABILITIES AND MEMBERS' INTERESTS					
Members' interests due within one year					
Members' capital classified as a liability		1,342,247	(32,600)	1,309,647	1,531,212
Technical provisions					
Provision for unearned premiums	7	4,440,227	-	4,440,227	4,236,009
Claims outstanding - gross amount	7	13,961,909	-	13,961,909	14,445,454
Total technical provisions		18,402,136	-	18,402,136	18,681,463
Provisions for other risks and charges		-	-	-	-
Deposits received from reinsurers		2,401	-	2,401	3,501
Creditors					
Arising out of direct insurance operations		467,498	-	467,498	416,176
Arising out of reinsurance operations		1,028,842	-	1,028,842	1,120,840
Amounts due to credit institutions		29,352	-	29,352	23,413
Other creditors	17	1,032,728	174,632	1,207,360	976,979
Total creditors		2,558,420	174,632	2,733,052	2,537,408
Accruals and deferred income					
Other accruals and deferred income		173,825	-	173,825	192,242
Total liabilities		22,479,029	142,032	22,621,061	22,945,826
TOTAL MEMBERS' INTERESTS					
Loans and other debts due to members		1,342,247	(32,600)	1,309,647	1,531,212
Loans and other debts due from members		-	-	-	-
Total members' interests		1,342,247	(32,600)	1,309,647	1,531,212

Approved by the Members on 26th August 2016 and signed on its behalf by:



M J Argyle for and on behalf of Fidentia Trustees Limited
 Designated Member

PEN HILL LLP

STATEMENT OF CHANGES IN MEMBERS' INTERESTS FOR THE YEAR ENDED 31 DECEMBER 2015

	Syndicate	Partnership Members' Capital Classified as a Liability		2015 Total	as restated 2014 Total
	Members' Capital Classified as a Liability £	Syndicate Capacity £	Other Profits £	£	£
Members' interests brought forward	1,446,727	207,395	(122,910)	1,531,212	1,207,987
Amounts introduced / (withdrawn) by Members	-	-	(1,645,459)	(1,645,459)	(704,653)
Members' remuneration charged as an expense for the year	974,031	(65,366)	515,229	1,423,894	1,027,878
Reallocation	(1,078,511)	-	1,078,511	-	-
Repayment of debt (including Members' capital classified as a liability)	-	-	-	-	-
Other movements	-	-	-	-	-
Members' interests at 31 December	1,342,247	142,029	(174,629)	1,309,647	1,531,212

TOTAL MEMBERS' INTERESTS

Loans and other debts due to members	1,309,647	1,531,212
Loans and other debts due from members	-	-
Total members' interests	<u>1,309,647</u>	<u>1,531,212</u>

PEN HILL LLP

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £	as restated 2014 £
Net cash inflow from operating activities	19	1,113,408	853,696
Interest received		247	427
Interest paid		-	-
Dividends received		-	-
Net cash inflow from operating activities		1,113,655	854,123
Cash inflow(outflow) from investing activities			
Purchase of syndicate participation rights		-	(161,340)
Proceeds from sale of syndicate participation rights		531,805	11,870
Purchase of investments		-	-
Proceeds from sale of investments		-	-
Net cash inflow(outflow) from investing activities		531,805	(149,470)
Transactions with Members and former Members			
(Payments to)/contributions by Members		(1,645,459)	(704,653)
Post retirement payments to former Members		-	-
Net cash inflow/(outflow) from Members		(1,645,459)	(704,653)
Increase in cash		1	-
Net funds at 1 January		2	2
Increase in cash in the year		1	-
Net funds at 31 December		3	2

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

PEN HILL LLP

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2015

1 General Information

The partnership is a limited liability partnership that was incorporated in England and whose registered office is 3 Castlegate, Grantham, Lincolnshire, NG31 6SF. The partnership participates in insurance business as an underwriting member of various syndicates at Lloyd's.

2 Accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts", the Companies Act 2006 and Regulation 6 of Schedule 3 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, relating to insurance. The financial statements have also been prepared in accordance with the Statement of Recommended Practice on Accounting by Limited Liability Partnerships dated 15 July 2014.

The members do not consider the partnership to be a financial institution under FRS 102.

2.2 Transition to FRS 102 and FRS 103

The financial statements for the year ended 31 December 2015 are the first financial statements that comply with FRS 102 and FRS 103. The date of transition is 1 January 2014 and the comparative figures have been restated accordingly. The transition has resulted in a small number of changes in accounting policies to those used previously. The nature of these changes and their impact on the opening Statement of Financial Position and Income Statement are explained below and in the notes.

2.3 Basis of accounting

The financial statements are prepared under the historical cost basis of accounting modified to include the revaluation of certain financial instruments held at fair value, through the Income Statement.

The technical account has been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums net of re-insurance. Amounts reported in the technical account relate to movements in the period in respect of all relevant years of account of the Syndicates on which the LLP participates.

Accounting information in respect of the Syndicate participations has been provided by the Syndicate managing agents through an information exchange facility operated by Lloyd's and has been reported on by the Syndicate auditors.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents and are shown separately on the Statement of Financial Position as "Syndicate Assets" and "Syndicate Liabilities". The assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

In continuing to apply the going concern basis to this LLP's financial statements the following factors have been taken into account: the likely timing of any underwriting and non-underwriting cash flows, any Funds at Lloyd's supporting the LLP's underwriting and not reflected in the LLP's Statement of Financial Position and the continued support of the members including the potential deferral of balances due to them.

General business

i Premiums

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

PEN HILL LLP

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2015

ii Unearned premiums

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

iii Deferred acquisition costs

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

iv Reinsurance premiums

Reinsurance premium costs are allocated by the Managing Agent of each Syndicate to reflect the protection arranged in respect of the business written and earned.

v Claims incurred and reinsurers' share

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

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

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

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

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

PEN HILL LLP

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2015

v Claims incurred and reinsurers' share (continued)

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

vi Unexpired risks provisions

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

vii Closed years of account

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

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

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

viii Run-off years of account

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

ix Net Operating Expenses (including Acquisition Costs)

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

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

PEN HILL LLP

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2015

x Basis of currency translation

Syndicates maintain separate funds in Sterling, United States and Canadian dollars, and may also do so in certain other currencies.

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

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

Any non-monetary items are translated into the functional currency using the rate of exchange prevailing at the time of the transaction. FRS 103 states that insurance assets and liabilities (unearned premiums and deferred acquisition costs), that were previously considered non-monetary items, are now required to be treated as monetary items. This is a change in accounting policy from 1 January 2014. These assets and liabilities have now been translated at period end to the functional currency at the closing rate.

Differences arising on translation of foreign currency amounts in syndicates are included in the non-technical account.

xi Debtors/creditors arising from insurance/reinsurance operations

The amounts shown in the Statement of Financial Position include the totals of all the syndicates outstanding debit and credit transactions. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

xii Distribution of profits and collection of losses

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

xiii Investments

Investments are stated at current value, including accrued interest at the financial reporting date.

xiv Financial assets and financial liabilities

The syndicates investments comprise of debt and equity investments, derivatives, cash and cash equivalents and loans and receivables.

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

Recognition

Financial assets and liabilities are recognised when the syndicate becomes party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the syndicate after deducting all of its liabilities.

PEN HILL LLP

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2015

xiv Financial assets and financial liabilities (continued)

Initial measurement

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

Subsequent measurement

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

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

Other debt instruments are measured at fair value through the income statement.

Derecognition of financial assets and liabilities

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

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

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse in time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the syndicates estimate the fair value by using a valuation technique.

Impairment of financial instruments measured at amortised cost or cost

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

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

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

PEN HILL LLP

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2015

xv Investment Return

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

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

Members' Interests

Loans and other debts due to Members rank *pari passu* with other unsecured creditors on the winding up of a partnership. There is no protection offered to unsecured creditors which is legally enforceable.

Members' Remuneration

Under the LLP agreement, the net profit of the LLP for the financial year is allocated to each member in accordance with their respective profit shares for the relevant year(s) of account.

Under the LLP agreement, net profits/losses are automatically divided between Members and accordingly Members' Remuneration is shown in the income statement. Any unpaid Members' Remuneration at the year end is shown as a liability in the Statement of Financial Position.

Intangible assets

Costs incurred by the Company in the Corporation of Lloyd's auctions in order to acquire rights to participate on Syndicates' underwriting years are included within intangible assets and amortised over a 5 year period beginning with the respective year of Syndicate participation. The intangible assets are reviewed for impairment where there are indicators for impairment and any impairment is charged to the income statement for the period.

Taxation

Income tax payable on the Partnership's profits is solely the personal liability of the Members and consequently is not dealt with in these Financial Statements.

Statement of Cash Flows

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

2.4 Reinsurance at corporate level

Where considered applicable by the members, the LLP may purchase additional reinsurance to that purchased through the syndicates. Any such reinsurance premiums and related reinsurance recoveries are treated in the same manner as described for syndicates in Note 2.3 (iv) and (v).

PEN HILL LLP

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2015

3 Key accounting judgements and estimation uncertainties

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

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

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

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

i Purchased syndicate capacity

Estimating value in use:

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

Determining the useful life of purchased syndicate capacity:

The assessed useful life of syndicate capacity is 5 years. This is on the basis that this is the life over which the original value of the capacity is used up.

ii Assessing indicators of impairment

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

iii Recoverability of debtors

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

PEN HILL LLP

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2015

4 Risk management

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

Risk background

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

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

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

The Members do not consider the LLP to be a financial institution under FRS 102, on the basis that the LLP itself does not undertake the business of effecting or carrying out insurance contracts. Therefore there is no requirement to discuss financial risks arising from syndicate investment activities. The analysis below provides details of the financial risks the LLP is exposed to from syndicate insurance activities as required by FRS 103.

Syndicate risks

i Liquidity risk

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

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

PEN HILL LLP

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2015

Syndicate risks (continued)

ii Credit risk

Credit ratings to syndicate assets emerging directly from insurance activities, excluding cash at bank and financial investments, which are neither past due nor impaired are as follows:

2015	AAA	AA	A	BBB or lower	Not rated	Total
	£	£	£	£	£	£
Deposits with ceding undertakings	-	-	-	-	3,444	3,444
Reinsurers share of claims	85,437	711,375	1,871,325	21,788	130,689	2,820,614
Reinsurance debtors	12,428	20,755	614,542	2,893	1,956	652,574
Insurance debtors	-	-	-	-	2,783,038	2,783,038
	97,865	732,130	2,485,867	24,681	2,919,127	6,259,670

2014	AAA	AA	A	BBB or lower	Not rated	Total
	£	£	£	£	£	£
Deposits with ceding undertakings	-	-	4,403	-	181	4,584
Reinsurers share of claims	129,609	683,563	2,110,262	22,425	223,071	3,168,930
Reinsurance debtors	14,567	28,123	482,034	2,164	3,211	530,099
Insurance debtors	-	-	-	-	2,705,424	2,705,424
	144,176	711,686	2,596,699	24,589	2,931,887	6,409,037

Syndicate assets emerging directly from insurance activities, excluding cash at bank and financial investments, past their due date or impaired are as follows:

2015	Less than 3 months	Between 3 and 6 months	Between 6 months and 1 year	Greater than 1 year	Impaired	Total past due or impaired
	£	£	£	£	£	£
Deposits with ceding undertakings	-	-	-	-	-	-
Reinsurers share of claims	-	-	-	-	(4,700)	(4,700)
Reinsurance debtors	209,161	10,001	6,822	3,511	377	229,872
Insurance debtors	72,973	33,500	33,820	62,905	(2,934)	200,264
	282,134	43,501	40,642	66,416	(7,257)	425,436

2014	Less than 3 months	Between 3 and 6 months	Between 6 months and 1 year	Greater than 1 year	Impaired	Total past due or impaired
	£	£	£	£	£	£
Deposits with ceding undertakings	-	-	-	-	-	-
Reinsurers share of claims	-	-	-	-	(4,174)	(4,174)
Reinsurance debtors	68,681	6,461	7,354	8,762	815	92,073
Insurance debtors	76,950	37,686	43,613	16,244	(4,491)	170,002
	145,631	44,147	50,967	25,006	(7,850)	257,901

iii Interest rate and equity price risk

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

PEN HILL LLP

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2015

Syndicate risks (continued)

iv Currency risk

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

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

2015	GBP £	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
Total assets	6,662,235	11,978,007	1,341,399	1,560,203	937,185	22,479,029
Total liabilities	(7,650,008)	(10,384,515)	(1,302,804)	(971,600)	(827,855)	(21,136,782)
Surplus/(deficiency) of assets	(987,773)	1,593,492	38,595	588,603	109,330	1,342,247

2014	GBP	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
Total assets	6,829,955	11,729,126	1,524,432	1,709,930	944,986	22,738,429
Total liabilities	(7,784,110)	(10,223,427)	(1,366,099)	(1,059,043)	(859,023)	(21,291,702)
Surplus/(deficiency) of assets	(954,155)	1,505,699	158,333	650,887	85,963	1,446,727

Partnership risks

i Investment, credit, liquidity and currency risks

The significant risks faced by the LLP are with regard to the investment of the available funds within its own custody. The elements of these risks are investment risk, credit risk, liquidity risk, currency risk and interest rate risk. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the LLP to meet the claim. In order to minimise investment, credit and liquidity risk the LLP's funds are invested in readily realisable short term deposits. The syndicates can distribute their results in Pound Sterling, US Dollars or a combination of the two. The LLP is exposed to movements in the US Dollar between the Statement of Financial Position date and the distribution of the underwriting profits and losses, which is usually in the May following the closure of the year of account. The LLP does not use derivative instruments to manage risk and, as such, no hedge accounting is applied.

ii Regulatory risks

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

iii Operational risks

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

PEN HILL LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

5 Class of business	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Operating expenses £	Reinsurance balance £
2015					
Direct					
Accident and health	512,710	506,894	(256,353)	(224,917)	(23,346)
Motor - third party liability	59,547	47,117	(31,655)	(16,311)	6,102
Motor - other classes	905,089	859,699	(603,362)	(255,472)	(15,250)
Marine, aviation and transport	1,068,650	1,128,493	(371,704)	(439,517)	(130,555)
Fire and other damage to property	2,416,881	2,391,148	(929,702)	(835,333)	(390,394)
Third party liability	2,402,176	2,316,022	(1,467,899)	(856,015)	9,015
Credit and suretyship	181,035	180,910	(90,713)	(45,522)	(24,901)
Other	309,457	316,035	(199,138)	(123,947)	(10,482)
Total direct	7,855,545	7,746,318	(3,950,526)	(2,797,034)	(579,811)
Reinsurance business					
Reinsurance balance	1,753,177	1,735,600	(374,715)	(455,590)	(445,049)
Total	9,608,722	9,481,918	(4,325,241)	(3,252,624)	(1,024,860)
2014					
Direct					
Accident and health	500,038	526,970	(233,826)	(227,813)	(27,779)
Motor - third party liability	36,120	39,203	(20,946)	(13,776)	(2,294)
Motor - other classes	849,213	839,586	(591,512)	(293,308)	13,873
Marine, aviation and transport	1,173,852	1,195,965	(556,040)	(401,012)	(71,205)
Fire and other damage to property	2,296,859	2,230,483	(828,726)	(751,484)	(362,052)
Third party liability	2,214,268	2,172,955	(1,269,375)	(782,873)	(82,508)
Credit and suretyship	181,484	178,083	(135,367)	(41,040)	(3,949)
Other	317,712	319,412	(161,990)	(127,217)	(14,957)
Total direct	7,569,546	7,502,657	(3,797,782)	(2,638,523)	(550,871)
Reinsurance business					
Reinsurance balance	1,779,719	1,872,802	(551,459)	(499,072)	(422,519)
Total	9,349,265	9,375,459	(4,349,241)	(3,137,595)	(973,390)

Any open year loss provisions, stop loss premiums and stop loss recoveries have been allocated across the classes of business by reference to the gross premiums written.

PEN HILL LLP

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

		as restated
6 Geographical analysis	2015	2014
	£	£
Direct gross premiums written in:		
United Kingdom	7,324,229	6,694,640
Other EU member states	76,038	18,320
The rest of the world	455,278	856,586
Total	7,855,545	7,569,546

7 Technical provisions

Movement in claims outstanding

	2015			2014		
	Gross £	Reinsurance £	Net £	Gross £	Reinsurance £	Net £
At 1 January	(14,445,454)	1,790,822	(12,654,632)	(17,106,426)	2,331,757	(14,774,669)
Movement in technical account	181,393	(253,021)	(71,628)	423,597	(312,795)	110,802
Other movements	302,152	28,256	330,408	2,237,375	(228,140)	2,009,235
At 31 December	(13,961,909)	1,566,057	(12,395,852)	(14,445,454)	1,790,822	(12,654,632)

Movement in unearned premiums

	2015			2014		
	Gross £	Reinsurance £	Net £	Gross £	Reinsurance £	Net £
At 1 January	(4,236,009)	431,919	(3,804,090)	(4,184,691)	585,528	(3,599,163)
Movement in technical account	(126,804)	(3,431)	(130,235)	26,194	(37,122)	(10,928)
Other movements	(77,414)	138,976	61,562	(77,512)	(116,487)	(193,999)
At 31 December	(4,440,227)	567,464	(3,872,763)	(4,236,009)	431,919	(3,804,090)

Movement in deferred acquisition costs

	2015 Net £	2014 Net £
At 1 January	1,079,803	1,036,392
Movement in deferred acquisition costs	69,682	39,509
Other movements	(19,028)	3,902
At 31 December	1,130,457	1,079,803

Included within other movements are foreign exchange movements in restating the opening balances and the effect of prior years' technical provisions being reinsured to close, to the extent where the LLP's syndicate participation portfolio has changed between years of account.

PEN HILL LLP

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

7 Technical provisions (continued)

Assumptions, changes in assumptions and sensitivity

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

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

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

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

There have been no changes to these assumptions in 2015.

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

- i A 5% increase/decrease in net earned premium (with claims incurred assumed to change pro-rata with premium) will increase/decrease the Company's pre-tax profit/loss by £206,591 (2014: £202,641).
- ii A 5% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the Company's pre-tax profit/loss by £698,095 (2014: £722,273).
- iii A 5% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Company's pre-tax profit/loss by £619,793 (2014: £632,732).

Claims development - Gross	At the end of underwriting year	After 12 months	After 24 months	After 36 months	Profit/loss on RITC received
Underwriting pure year	£	£	£	£	£
2015	2,494,889	-	-	-	-
2014	2,752,302	5,020,678	-	-	-
2013	2,710,013	4,986,205	5,108,072	-	-
2012	3,452,270	5,437,583	5,377,613	5,234,802	-
2011	3,525,239	5,917,814	5,914,736	11,837,731	-

PEN HILL LLP

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

7 Technical provisions (continued)					
Claims development - Net	At the end of	After 12	After 24	After 36	Profit/loss on
Underwriting pure year	underwriting	months	months	months	RITC received
	year				
	£	£	£	£	£
2015	2,190,739	-	-	-	-
2014	2,303,594	4,393,750	-	-	-
2013	2,308,553	4,355,307	4,358,911	-	-
2012	2,797,248	4,527,451	4,523,335	4,358,745	-
2011	2,914,127	4,996,237	4,975,339	9,609,440	-

8 Investment return

The following return on investments relate to investments held at fair value.

	2015	as restated
	£	2014
		£
Investment income	116,471	179,226
Realised (loss)/gain on investments	(6,190)	17,953
Allocated investment income - technical account	110,281	197,179
Income from other investments (including interest receivable)	247	427
Realised gain from other investments	-	-
Unrealised gain from other investments	-	-
Investment income - non-technical account	247	427
Investment expenses and charges - technical account	(15,443)	(19,402)
Total investment return	95,085	178,204

9 Net operating expenses	2015	as restated
	£	2014
		£
Acquisition costs	2,329,870	2,240,988
Administrative expenses	948,924	995,228
Profit on exchange	(26,170)	(98,621)
Total	3,252,624	3,137,595

10 Other income	2015	as restated
	£	2014
		£
Profit on sale of syndicate participation rights	514,675	-
Other	-	-
Total	514,675	-

PEN HILL LLP

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

		as restated	
11	Profit/(loss) for the financial year before members' remuneration and profit shares	2015 £	2014 £
	This is stated after charging:		
	Auditor's remuneration - audit	445	445
	Auditor's remuneration - other	-	-
	Members' remuneration	-	-
	Employer's National Insurance contributions	-	-
	Employer's pension contributions	-	-
	Wages and salaries	-	-
	Amortisation of syndicate capacity	48,236	19,394
	Impairment of syndicate capacity	-	-

The partnership has no employees.

The average number of members during the period was 3 (2014: 3).

Profit (including remuneration) attributable to the member with the largest entitlement to profit was £1,423,894 (2014: £1,027,878).

12 Intangible assets	Syndicate Participation Rights £
Cost	
At 1 January 2015	1,507,442
Additions	-
Disposals	(130,428)
At 31 December 2015	1,377,014
Amortisation	
At 1 January 2015	1,300,047
Charge for the year	48,236
Impairment losses	-
Disposals	(113,298)
At 31 December 2015	1,234,985
Net book value	
At 31 December 2015	142,029
At 31 December 2014	207,395

PEN HILL LLP

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

13 Investments: Financial investments				Syndicate	Corporate	2015
		£		£	£	Total
<i>At market value</i>						£
Shares and other variable yield securities	- level 1	79,623				
	- level 2	943,365				
	- level 3	198,297		1,221,285	-	1,221,285
Debt securities and other fixed income securities	- level 1	2,704,716				
	- level 2	4,661,971				
	- level 3	2,464,434		9,831,121	-	9,831,121
Participation in investment pools	- level 1	24,527				
	- level 2	26,544				
	- level 3	85,125		136,196	-	136,196
Loans guaranteed by mortgage	- level 1	955				
	- level 2	163				
	- level 3	147		1,265	-	1,265
Other	- level 1	74,687				
	- level 2	12,699				
	- level 3	17,031		104,417	-	104,417
Total				11,294,284	-	11,294,284

None of the above investments are valued at amortised cost.

				Syndicate	Corporate	as restated
		£		£	£	2014
<i>At market value</i>						Total
Shares and other variable yield securities	- level 1	100,168				
	- level 2	754,046				
	- level 3	232,446		1,086,660	-	1,086,660
Debt securities and other fixed income securities	- level 1	2,488,603				
	- level 2	4,850,314				
	- level 3	3,002,265		10,341,182	-	10,341,182
Participation in investment pools	- level 1	46,582				
	- level 2	33,434				
	- level 3	110,678		190,694	-	190,694
Loans guaranteed by mortgage	- level 1	19,627				
	- level 2	4,535				
	- level 3	3,421		27,583	-	27,583
Other	- level 1	120,682				
	- level 2	27,708				
	- level 3	20,429		168,819	-	168,819
Total				11,814,938	-	11,814,938

The corporate investments held include £Nil (2014: £Nil) at market value in respect of Lloyd's deposits that are held in accordance with the constraints detailed in note 22.

PEN HILL LLP

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

13 Investments: Financial investments (continued)

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

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

Level 2: prices based on recent transactions in identical assets

Level 3: prices determined using a valuation technique

None of the above investments are valued at amortised cost.

			2015	as restated 2014
	Syndicate	Partnership	Total	Total
	£	£	£	£
<i>At cost</i>				
Shares and other variable yield securities	1,191,254	-	1,191,254	1,059,359
Debt securities and other fixed income securities	9,907,727	-	9,907,727	10,315,586
Participation in investment pools	114,529	-	114,529	162,617
Loans guaranteed by mortgage	1,285	-	1,285	27,488
Other loans	-	-	-	80,040
Deposits with credit institutions	15,984	-	15,984	27,182
Other	82,485	-	82,485	46,760
Total	11,313,264	-	11,313,264	11,719,032

14 Debtors arising out of direct insurance and reinsurance operations			2015	as restated 2014
	Syndicate	Partnership	Total	Total
	£	£	£	£
The following amounts are due after one year:				
Direct insurance operations	27,126	-	27,126	9,593
Reinsurance operations	4,267	-	4,267	5,519
Total	31,393	-	31,393	15,112

15 Other debtors			2015	as restated 2014
	Syndicate	Partnership	Total	Total
	£	£	£	£
Deferred tax	-	-	-	-
Other	2,409,042	-	2,409,042	2,153,755
Total	2,409,042	-	2,409,042	2,153,755

Partnership other debtors includes £Nil (2014: £Nil) due to the LLP from the members.

16 Cash at bank			2015	as restated 2014
	Syndicate	Partnership	Total	Total
	£	£	£	£
Lloyd's deposit	529,488	-	529,488	533,496
Cash at bank and in hand	929,667	3	929,670	976,866
Total	1,459,155	3	1,459,158	1,510,362

Any Lloyd's deposit is held in accordance with the constraints detailed in note 22.

PEN HILL LLP

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

17 Other creditors	Syndicate	Partnership	2015	as restated 2014
	£	£	£	£
Other creditors	1,032,728	174,632	1,207,360	976,979
Social security costs	-	-	-	-
Members' capital account	-	-	-	-
	1,032,728	174,632	1,207,360	976,979

18 Financial liabilities

	2015	as restated 2014
	£	£
All financial liabilities are measured at amortised cost except for:		
Amounts due to credit institutions	29,352	23,413

This liability has been disclosed at fair value using a valuation technique.

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

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

Level 2: prices based on recent transactions in identical liabilities

Level 3: prices determined using a valuation technique

19 Reconciliation of profit before tax, finance costs and finance income to net cash inflow from operating activities

	2015	as restated 2014
	£	£
Profit before tax, finance costs and finance income	1,423,647	1,027,451
Prior year result distributable in year	1,078,511	884,307
(Profit)/Loss on sale of syndicate participation rights	(514,675)	10,003
Decrease in creditors	(922,311)	(1,087,459)
Decrease in debtors	-	-
Amortisation and impairment of syndicate participation rights	48,236	19,394
Net cash inflow from operating activities	1,113,408	853,696

Note that the current year technical profit of £974,031, which has not been distributed in the year, is included within the decrease in creditors line above.

PEN HILL LLP

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

20 Related party transactions

There have been no related party transactions in the year other than making available assets to support the LLP's Lloyd's underwriting as detailed in Note 22 below.

21 Ultimate controlling party

The ultimate controlling party is Mr R F M Adair.

22 Funds at Lloyd's

Cash balances of £Nil detailed in note 16 and investments of £Nil detailed in note 13 are held within the LLP's Lloyd's deposit.

The Lloyd's deposit represents funds deposited with the Corporation of Lloyd's (Lloyd's) to support the LLP's underwriting activities as described in the accounting policies. The LLP has entered into a legal agreement with Lloyd's which gives the Corporation the right to apply these funds in settlement of any claims arising from the LLP's participation on Lloyd's Syndicates. These funds can only be released from the provision of this deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset or after the expiration of the LLP's liabilities in respect of its underwriting.

In addition to these amounts, the members of the LLP have also made available to Lloyd's assets amounting to approximately £4,981,103 (2014: £7,465,182) which are also used by the LLP to support its Lloyd's underwriting. These assets have not been recognised in the financial statements as they are held in the individual members name.

PEN HILL LLP

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

23 Transition to FRS 102 and FRS 103

This is the first year that the LLP and syndicates on which the LLP participates have presented their results under FRS 102 and FRS 103. The previous financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 and FRS 103 was 1 January 2014. As a consequence, the LLP and the respective syndicates were required to amend their accounting policies to ensure compliance with FRS 102 and FRS 103.

The following changes to accounting policies for some syndicates has resulted in restatement to previously reported amounts in respect to foreign exchange particularly in relation to:

- i Where a syndicate has changed their functional currency from Pounds Sterling; and
- ii Where a syndicate may have not previously treated deferred acquisition costs and unearned premium reserves as monetary items.

In accordance with FRS 102, the applicable comparative figures in the primary statements and notes have been restated to reflect uniform application of the new policy outlined above.

The financial effect of restating the prior year amounts for the changes in accounting policy is as follows:

Reconciliation of profit/(loss) for the financial year	Restated 2014 £
Profit/(loss) for the financial year 2014 as previously reported	1,093,500
Effect of change in foreign exchange accounting policy	(65,622)
Restated profit/(loss) for the financial year 2014	<u>1,027,878</u>

Reconciliation of members' funds	Restated 2014 £
Closing members' funds as previously reported at 31 December 2014	1,596,834
Effect of change in foreign exchange accounting policy	(65,622)
Restated closing members' funds at 31 December 2014	<u>1,531,212</u>