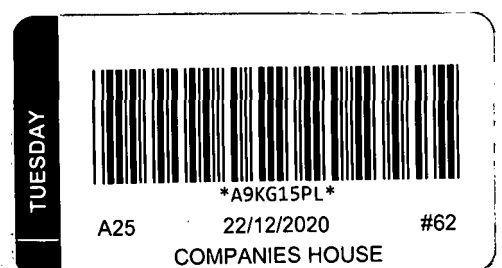

LIMITED LIABILITY PARTNERSHIP

Herbert-Ford LLP

Annual Report

◆ For the year ended 31 December 2019 ◆

Registered Number: OC378764



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Herbert-Ford LLP

General Information

DESIGNATED MEMBERS

Argenta Continuity Limited
Argenta LLP Services Limited

MEMBERS' AGENT

(Regulated by the Financial Conduct Authority)
Argenta Private Capital Limited

AUDITORS

Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

REGISTERED NUMBER

OC378764

REGISTERED OFFICE

5th Floor, 70 Gracechurch Street
London
EC3V 0XL

Herbert-Ford LLP

Strategic Report

For the year ended 31 December 2019

The Members present their Strategic Report for the year ended 31 December 2019.

Business Review

The Limited Liability Partnership ("the LLP") continues to write insurance business in the Lloyd's insurance market as a limited liability underwriting Member of Lloyd's.

The financial statements incorporate the annual accounting results of the Syndicates on which the Limited Liability Partnership participates for the 2017, 2018 and 2019 years of account, as well as any 2016 and prior run-off years.

Results

The result for the year is shown in the Statement of Comprehensive Income.

Financial Risk Management Objectives and Policies

The Limited Liability Partnership 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 agents to implement appropriate policies, procedures and internal controls to manage each Syndicate's exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The Limited Liability Partnership 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 Limited Liability Partnership.

Hedge accounting is not used by the Limited Liability Partnership.

Key Performance Indicators

	2019	2018
Capacity (youngest underwriting year)	£ 987,495	£ 1,024,637
Gross premium written as a % of capacity	117%	105%
Underwriting profit of latest closed year:		
as a % of capacity	-5%	5%
Run-off years of account movement	£	£
Combined ratio	96%	94%

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

Approved by the Members on 9 November 2020 and signed on their behalf by:



D C BOWLES
ARGENTA LLP SERVICES LIMITED
Designated Member

Herbert-Ford LLP

Members' Report

For the year ended 31 December 2019

The Members present their report together with the financial statements for the year ended 31 December 2019.

Statement of Members' Responsibilities

Legislation applicable to Limited Liability Partnerships requires the Members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure 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 Partnership will continue in business.

The Members are responsible for ensuring that proper and up to date books of account are maintained in accordance with generally accepted accounting principles, and disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Limited Liability Partnership Regulations. They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Activities

The principal activity of the Limited Liability Partnership in the year under review was that of a limited liability underwriting Member of Lloyd's.

Designated Members

The Designated Members during the period were as follows:

Argenta Continuity Limited
Argenta LLP Services Limited

Members' Interests

The net profit of the Limited Liability Partnership for the financial year is allocated to each Member in accordance with their respective profit shares for the relevant year(s) of account.

The net loss of the Limited Liability Partnership for the financial year is allocated to each Member in accordance with their respective yearly shares for the relevant year(s) of account.

Principal Risks and uncertainties

Brexit

The UK left the EU on 31 January 2020. There is still significant uncertainty whether a trade deal with the EU will be agreed and ratified by 31 December 2020. All legacy European Economic Area business will be moving to Lloyd's Brussels before the end of 2020 via a part VII transfer, providing certainty for the market and Lloyd's clients. The Members are monitoring the Lloyd's market preparations along with general market conditions to identify whether it is appropriate to make any changes to the current strategy of the Limited Liability Partnership.

Coronavirus

In March 2020, the World Health Organisation declared Coronavirus (Covid-19) to be a global pandemic. Consideration has been given to the potential risks and uncertainties which may occur, however it is too early to assess the full impact on market conditions. As the Partnership participates on multiple syndicates they are regarded as having mitigated the potential effect as far as possible due to underwriting diversified risks.

Herbert-Ford LLP
Members' Report (continued)
For the year ended 31 December 2019

Auditors

Mazars LLP have signified their willingness to act and continue to be appointed as the auditors to the Limited Liability Partnership.

In the case of each of the Members at the time this report is approved, the following applies:

- a) So far as the Members are aware, there is no relevant audit information of which the Limited Liability Partnership's auditors are unaware; and
- b) they have taken all the steps that they ought to have taken as Members in order to make themselves aware of any relevant audit information and to establish that the Limited Liability Partnership's auditors are aware of that information.

Approved by the Members on 9 November 2020 and signed on their behalf by:



D C BOWLES
ARGENTA LLP SERVICES LIMITED
Designated Member

Herbert-Ford LLP
Independent Auditor's Report
To the Members of Herbert-Ford LLP
For the year ended 31 December 2019

Opinion

We have audited the financial statements of Herbert-Ford LLP (the 'LLP') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Reconciliation of Members' Interests, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 December 2019 and of its Profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

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

Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the LLP's financial statements, which is not modified, we draw your attention to the members' view on the impact of the COVID-19 as disclosed on page 5, and the consideration in the going concern basis of preparation on page 16 and non-adjusting post balance sheet events on page 39.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The full impact following the recent emergence of the COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the LLP's trade, customers, suppliers and the wider economy.

Conclusions relating to going concern

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

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

Other information

The Members are responsible for the other information. The other information comprises the information included in the whole financial statements, other than the financial statements themselves and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Herbert-Ford LLP
Independent Auditor's Report (continued)
To the Members of Herbert-Ford LLP
For the year ended 31 December 2019

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Members' Report

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Members

As explained more fully in the Statement of Members' Responsibilities set out on page 5, the Members 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 Members 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 Members are responsible for assessing the LLP'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 Members either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the Audit Report

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 to limited liability partnerships. 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 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 LLP and the LLP's Members as a body for our audit work, for this report, or for the opinions we have formed.



Andrew Goldsworthy (Nov 9, 2020 21:34 GMT)

Andrew Goldsworthy (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St. Katharine's Way
London E1W 1DD

09/11/2020

Herbert-Ford LLP
Statement of Comprehensive Income – Technical Account
For the year ended 31 December 2019

	Note	2019 £	2018 £
Premiums			
Gross premiums written	1	1,157,258	1,071,193
Outward reinsurance premiums	1	<u>(324,969)</u>	<u>(256,438)</u>
Net premiums written		832,289	814,755
Change in the provision for			
Unearned premiums			
Gross provision	1	(29,954)	(2,025)
Reinsurers' share	1	<u>28,592</u>	<u>14,509</u>
Earned premiums, net of reinsurance		830,927	827,239
Allocated investment return transferred from the non-technical account		39,444	10,835
Other technical income, net of reinsurance		-	-
Claims paid			
Gross amount	1	(624,655)	(598,461)
Reinsurers' share	1	<u>167,417</u>	<u>136,176</u>
Net claims paid		(457,238)	(462,285)
Change in provision for claims			
Gross amount	1	(62,316)	4,377
Reinsurers' share	1	<u>57,669</u>	<u>17,667</u>
Net change in provisions for claims		(4,647)	22,044
Claims incurred, net of reinsurance		(461,885)	(440,241)
Changes in other technical provisions, net of reinsurance		7,800	17,253
Net operating expenses	1, 2	(337,125)	(340,930)
Other technical charges, net of reinsurance		-	-
Balance on the technical account for general business		79,161	74,156

The accounting policies and notes on pages 15 to 39 form part of these financial statements.

Herbert-Ford LLP
Statement of Comprehensive Income – Non Technical Account
For the year ended 31 December 2019

	Note	2019 £	2018 £
Balance on general business technical account		79,161	74,156
Investment income	3	40,186	10,933
Allocated investment return transferred to the technical account		(39,444)	(10,835)
Other income		38	-
Other charges, including value adjustments		(26,125)	(29,039)
Profit for the financial period before Members' remuneration and profit shares	4	53,816	45,215
Members' remuneration charged as an expense	5	-	-
Profit for the financial period available for discretionary division among Members		53,816	45,215
Other comprehensive income/(expenditure):			
Currency translation differences		2,522	(2,888)
Total comprehensive income		56,338	42,327

All items derive from continuing activities.

The accounting policies and notes on pages 15 to 39 form part of these financial statements.

Herbert-Ford LLP
Statement of Financial Position
As at 31 December 2019

		31 December 2019			31 December 2018		
	Note	Syndicate Participation £	Partnership £	Total £	Syndicate Participation £	Partnership £	Total £
Assets							
Intangible assets	6	-	1,315	1,315	-	2,629	2,629
Investments							
Other financial investments	7	918,689	-	918,689	980,916	-	980,916
Deposits with ceding undertakings		970	-	970	975	-	975
		919,659	-	919,659	981,891	-	981,891
Reinsurers' share of technical provisions							
Provision for unearned premiums	8	123,113	-	123,113	97,840	-	97,840
Claims outstanding	8	485,847	-	485,847	462,735	-	462,735
Other technical provisions		223	-	223	670	-	670
		609,183	-	609,183	561,245	-	561,245
Debtors							
Amounts falling due within one year	7	477,312	-	477,312	477,210	12,235	489,445
Amounts falling due after one year	7	33,453	33,232	66,685	55,518	33,232	88,750
		510,765	33,232	543,997	532,728	45,467	578,195
Other assets							
Cash at bank and in hand		44,387	1,445	45,832	50,523	43,081	93,604
Other		80,452	-	80,452	77,874	-	77,874
		124,839	1,445	126,284	128,397	43,081	171,478
Prepayments and accrued income							
Accrued interest		1,334	-	1,334	1,258	-	1,258
Deferred acquisitions costs	8	143,462	-	143,462	145,347	-	145,347
Other prepayments and accrued income		2,501	-	2,501	4,752	-	4,752
		147,297	-	147,297	151,357	-	151,357
Total assets		2,311,743	35,992	2,347,735	2,355,618	91,177	2,446,795

The accounting policies and notes on pages 15 to 39 form part of these financial statements.

Herbert-Ford LLP
Statement of Financial Position
As at 31 December 2019

	Note	31 December 2019			31 December 2018		
		Syndicate Participation £	Partnership £	Total £	Syndicate Participation £	Partnership £	Total £
Liabilities and Members' interests							
Loans and other debts due to Members							
Syndicate profit and loss		(127,050)	-	(127,050)	(148,063)	-	(148,063)
Corporate profit and loss - Syndicate capacity		-	20,688	20,688	-	21,989	21,989
Corporate profit and loss - other		-	5,140	5,140	-	56,383	56,383
		(127,050)	25,828	(101,222)	(148,063)	78,372	(69,691)
Technical provisions							
Provision for unearned premiums	8	514,848	-	514,848	501,145	-	501,145
Claims outstanding	8	1,572,360	-	1,572,360	1,623,634	-	1,623,634
Other technical provisions		-	-	-	-	-	-
Provisions for other risks		-	-	-	-	-	-
Deposit received from reinsurers		9,306	-	9,306	8,983	-	8,983
Creditors							
Amounts falling due within one year	7	280,982	-	280,982	309,763	-	309,763
Amounts falling due after one year	7	27,403	-	27,403	30,372	-	30,372
		2,404,899	-	2,404,899	2,473,897	-	2,473,897
Accruals and deferred income		33,894	10,164	44,058	29,784	12,805	42,589
Total liabilities		2,311,743	35,992	2,347,735	2,355,618	91,177	2,446,795

The financial statements were approved by the Members of the Limited Liability Partnership and signed on its behalf by:



D C BOWLES
ARGENTA LLP SERVICES LIMITED
Date: 9 November 2020

Registered Number: OC378764

The accounting policies and notes on pages 15 to 39 form part of these financial statements.

Herbert-Ford LLP
Reconciliation of Members' Interests
For the year ended 31 December 2019

	Liabilities			
	Partnership profit and loss allocated to Members			
	Syndicate profit and loss allocated to Members £	Syndicate capacity £	Other £	Total £
Members' interests at 1 January 2018	(97,899)	23,304	(35,099)	(109,694)
Allocated Profit 2016 year of account	106,404	-	-	106,404
Allocated Profit 2017 year of account	42,307	-	-	42,307
Allocated (Loss) 2018 year of account	(83,366)	(1,315)	(21,703)	(106,384)
Members' interests after (Loss) for the year	(32,554)	21,989	(56,802)	(67,367)
Reallocate distribution Introduced by Members	(115,509)	-	115,509	-
Repayment of debt (including Members' capital classified as a liability)	-	-	(2,322)	(2,322)
Other movements	-	-	-	-
Members' interests at 31 December 2018	(148,063)	21,989	56,383	(69,691)
Allocated Profit 2017 year of account	74,002	-	-	74,002
Allocated Profit 2018 year of account	45,702	-	-	45,702
Allocated Loss 2019 year of account	(40,896)	(1,277)	(21,193)	(63,366)
Members' interests after Profit for the year	(69,255)	20,712	35,190	(13,353)
Reallocate distribution Introduced by Members	(57,795)	-	57,795	-
Repayment of debt (including Members' capital classified as a liability)	-	(24)	(87,845)	(87,869)
Other movements	-	-	-	-
Members' interests at 31 December 2019	(127,050)	20,688	5,140	(101,222)

The accounting policies and notes on pages 15 to 39 form part of these financial statements.

Herbert-Ford LLP
Statement of Cash Flows
For the year ended 31 December 2019

	2019 £	2018 £
Operating activities		
Profit on ordinary activities before tax	53,816	45,215
Loss attributable to Syndicate transactions	<u>(76,287)</u>	<u>(68,235)</u>
Loss excluding Syndicate transactions	(22,471)	(23,020)
Adjustment for:		
Decrease/(increase) in debtors	12,235	(45,467)
Decrease in creditors	(2,641)	(2,934)
Loss/(profit) on disposal of intangible assets	(38)	-
Amortisation of Syndicate capacity	1,315	1,315
Realised/unrealised losses on investments	-	-
Investment income	(742)	(98)
Net cash outflow from operating activities	<u>(12,342)</u>	<u>(70,204)</u>
Investing activities		
Investment income	742	98
Purchase of Syndicate capacity	-	-
Proceeds from sale of Syndicate capacity	38	-
Net cash inflow from investing activities	<u>780</u>	<u>98</u>
Financing activities		
Repayment of debt to Members	(87,869)	(2,322)
Capital introduced by Members	-	-
Reallocation of distribution	57,795	115,509
Net cash (outflow)/inflow from financing activities	<u>(30,074)</u>	<u>113,187</u>
Net cash (decrease)/increase in cash and cash equivalents	(41,636)	43,081
Effect of exchange rates on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	43,081	-
Cash and cash equivalents at the end of the year	<u>1,445</u>	<u>43,081</u>
Consisting of:		
Cash at bank and in hand	1,445	43,081
Cash equivalents	-	-
	<u>1,445</u>	<u>43,081</u>

The Limited Liability 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 Limited Liability Partnership funds, which includes transfers to and from the Syndicates at Lloyd's.

The accounting policies and notes on pages 15 to 39 form part of these financial statements.

Herbert-Ford LLP

Notes to the Financial Statements

For the year ended 31 December 2019

General information

The Partnership is a Limited Liability Partnership incorporated in England, United Kingdom.

The financial statements have been presented in Pounds Sterling ("Sterling") as this is the Limited Liability Partnership's functional currency, being the primary economic environment in which the Limited Liability Partnership operates.

Basis of preparation

These financial statements have been prepared in accordance with:

- FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* ("FRS 102");
- FRS 103 *Insurance Contracts*;
- The requirements of the Statement of Recommended Practice *Accounting by Limited Liability Partnerships* ("LLP SORP"); and
- Applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI 2008/410") as modified by the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 ("SI 2008/1913").

These financial statements have been prepared under the historical costs convention as modified for certain financial instruments held at fair value.

Recognition of insurance transactions

The Limited Liability Partnership recognises its proportion of all the transactions undertaken by the Lloyd's Syndicates in which it participates ("the Syndicates") in aggregation with the transactions undertaken by the Limited Liability Partnership at entity level ("the Partnership").

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

Amounts reported in the general business technical account relate to movements in the period in respect of all relevant years of account of the Syndicates on which the Limited Liability Partnership participates.

For each such Syndicate, the Limited Liability Partnership's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Limited Liability Partnership's Statement of Comprehensive Income. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its Statement of Financial Position (under the column heading "Syndicate"). The Syndicate's assets are held subject to trust deeds for the benefit of the Limited Liability Partnership's insurance creditors.

The proportion referred to above is calculated by reference to the Limited Liability Partnership's participation as a percentage of the Syndicate's total capacity.

The Limited Liability Partnership has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate ("the Managing Agent") and it has further undertaken not to interfere with the exercise of such management and control. The Managing Agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised by the Limited Liability Partnership.

Sources of data

The information used to compile the technical account and the "Syndicate" Statement of Financial Position is based on returns prepared for this purpose by the Managing Agents of the Syndicates ("the Returns"). These Returns have been subjected to audit by the Syndicate auditors and are consistent with the audited annual reports to Syndicate Members.

The format of the Returns is established by Lloyd's. Lloyd's collate this data at a Syndicate level analysing it into corporate Member level results which reflects the relevant data in respect of all the Syndicates in which the Limited Liability Partnership participates.

Herbert-Ford LLP
Notes to the Financial Statements
For the year ended 31 December 2019

Accounting policies

i. Going concern

As at 31 December 2019 the partnership had net members' capital of -£101,222 (2018: -£69,691). The Members consider the Limited Liability Partnership to be a going concern and have prepared the Financial Statements on that basis. The Limited Liability Partnership is continuing to underwrite at Lloyd's for the 2020 year of account. The Members have considered the impact of Coronavirus (Covid-19) and believe that, due to participating on multiple syndicates and thus diversifying their risk, it will not impact on the LLP's ability to continue as a going concern.

ii. Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years. Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax. Gross premiums written may include "reinsurance to close" premiums receivable (see vi below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see vi below). Premiums written by a Syndicate may also include the reinsurance of other Syndicates on which the Partnership participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this inter - Syndicate reinsurance. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

iii. Claims incurred

Claims incurred include the costs of claims handling expenses. Recoverable amounts arising out of subrogation or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from prior years differ from the provision at the beginning of the year.

iv. Provision for claims outstanding

Claims outstanding comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR). Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision is based on the Returns and reports from the Managing Agents and the Limited Liability Partnership's licensed adviser or Members' Agent. When appropriate, statistical methods have been applied to past experience of claims frequency and severity.

The two most critical assumptions with regard to 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 for current business are fair reflections of the likely level of ultimate claims to be incurred. The Members consider the provision for gross claims and related reinsurance recoveries, as based on the Returns to be fairly stated. 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 amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made.

v. Unexpired risk provision

A provision for unexpired risk is made by the underlying Syndicates where claims, related expenses and deferred acquisition costs, likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

Herbert-Ford LLP
Notes to the Financial Statements
For the year ended 31 December 2019

Accounting policies (continued)

vi. Reinsurance to close

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

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

Where the reinsurance to close is between Members on successive years of account of the same Syndicate, the Managing Agent has a duty to ensure both sets of Members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of Members. To the extent that the Limited Liability Partnership participates on successive years of account of the same Syndicate and there is a reinsurance to close between those years, the Limited Liability Partnership has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the Limited Liability Partnership has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the Limited Liability Partnership has assumed a greater proportion of the business of the Syndicate. If the Limited Liability Partnership has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the Limited Liability Partnership's exposure to risks previously written by the Syndicate. The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from Members of that year of account *ultimate responsibility for claims payable on risks they have written*. If the reinsuring Members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured Members remain theoretically liable for the settlement of any outstanding claims. However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured Member's participation on a Syndicate year of account and it is treated for accounts purposes as settling all the Limited Liability Partnership's outstanding gross liabilities in respect of the business so reinsured.

vii. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above. Overdrafts are reported separately in creditors.

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Notes to the Financial Statements
For the year ended 31 December 2019

Accounting policies (continued)

viii. Financial instruments

The Limited Liability Partnership has chosen to apply the provisions of Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instruments* in full.

The Limited Liability Partnership holds both basic and non-basic financial instruments. The Limited Liability Partnership's financial instruments comprise of cash and cash equivalents, trade and other debtors, trade and other creditors and investments in a variety of basic and non-basic financial instruments, through both the Limited Liability Partnership and through the Syndicates.

Financial assets and liabilities are recognised when the Limited Liability Partnership becomes party to the contractual provisions of the financial instrument.

Basic financial instruments (except for non-puttable ordinary and non-convertible preference shares) are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment in the case of financial assets. Amounts that are receivable/payable within one year are measured at the undiscounted amount of the cash expected to be received/settled. Financial instruments are subsequently measured at amortised cost include cash, debtors and creditors.

Where a financial instrument constitutes a financing transaction, it is initially measured at the present value of the future payments, discounted at a market rate of interest, and subsequently measured at amortised cost using the effective interest rate method.

All other financial instruments are measured at fair value through profit or loss.

At the end of each reporting year, the Limited Liability Partnership assesses whether there is objective evidence that any financial asset may be impaired. A provision for impairment is established when there is objective evidence that the Limited Liability Partnership will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised immediately in profit or loss.

Investment income is initially recorded in the non-technical account. All investment income arising on Syndicate participations is allocated to the technical account.

Interest income is recognised as it accrues using the effective interest method.

Dividend income receivable is recognised when the rights to receive the distributions have been established.

ix. Derivative financial instruments

The Limited Liability Partnership uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Limited Liability Partnership does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

x. Derecognition of financial assets

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

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

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Notes to the Financial Statements
For the year ended 31 December 2019

Accounting policies (continued)

x. Derecognition of financial assets (continued)

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

xi. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if there is a currently enforceable legal right to offset the recognised amounts; and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

xii. Net operating expenses

Operating expenses are recognised when incurred. They include the Limited Liability Partnership's share of Syndicate operating expenses, the remuneration payable to Managing Agents (and the Partnership's Members' Agent/licensed adviser) and the direct costs of Membership of Lloyd's.

xiii. Deferred acquisition costs

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

xiv. Foreign currencies

Transactions in United States Dollars, Canadian Dollars and Euros are translated at the rates of exchange ruling at the date the transaction is processed or at an appropriate average rate. Unless otherwise stated, transactions in currencies other than United States Dollars, Canadian Dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed. Monetary assets and liabilities are retranslated into Sterling at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities at the balance sheet date are maintained at the rate of exchange ruling when the contract was entered into except for non-monetary assets and liabilities arising out of insurance contracts which are treated as monetary items in accordance with FRS 103 *Insurance Contracts* ("FRS 103"). Exchange differences arising on translation to the functional currency are dealt with through the non-technical account in the profit and loss account.

xv. Intangible assets

Intangible assets include purchased rights to participate on Syndicates. The purchase cost is capitalised and amortised on a straight line basis over the useful life of the rights which is five years.

xvi. Insurance contracts – product classification

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

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

Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with sections 11 and 12 of FRS102 unless the embedded derivative is itself an insurance contract (i.e. the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

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Notes to the Financial Statements
For the year ended 31 December 2019

Accounting policies (continued)

xvii. Members' participation rights and remuneration

Members' participation rights are the rights of a Member against the Limited Liability Partnership that arise under the Members' Agreement.

Members' participation rights in the earnings or assets of the Limited Liability Partnership are analysed between those that are, from the Limited Liability Partnership's perspective, either a financial liability or equity, in accordance with Section 22 *Liabilities and Equity*. A Member's participation right results in a liability where there is a contractual obligation on the part of the Limited Liability Partnership to deliver cash, or other financial assets, to the Member.

Amounts subscribed or otherwise contributed by Members, for instance Members' capital and loans, are classified as equity where the Limited Liability Partnership has an unconditional right to avoid delivering cash or other assets to the Member (i.e. the right to any payment or repayment is discretionary on the part of the Limited Liability Partnership). If the Limited Liability Partnership does not have such an unconditional right, such amounts are classified as liabilities.

The net profit of the Limited Liability Partnership for the financial year is allocated to each Member in accordance with their respective profit shares for the relevant year(s) of account.

The net loss of the Limited Liability Partnership for the financial year is allocated to each Member in accordance with their respective yearly shares for the relevant year(s) of account.

Loans and other debts due to Members rank *pari passu* with other unsecured creditors on the winding up of a partnership.

The key management personnel of the Limited Liability Partnership are considered to be the Members. The Members are not employees of the Limited Liability Partnership, and consequently the total remuneration of the Members' consists of the allocated profit/(loss) for the year.

xviii. Taxation

Income tax payable on the Limited Liability Partnership's profits is solely the personal liability of the Members and consequently is not dealt with in these financial statements.

xiv. Critical accounting judgements and key sources of estimation uncertainty

In applying the Limited Liability Partnership's accounting policies, the Members are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Members' 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.

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Limited Liability Partnership looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate. The critical accounting judgements and key sources of estimation uncertainty set out below therefore relate to those made by the Members in respect of the Partnership only, and do not include estimates and judgements made in respect of the Syndicates.

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Notes to the Financial Statements
For the year ended 31 December 2019

Accounting policies (continued)

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

Critical accounting judgements

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

Assessing indicators of impairment

In assessing whether there have been any indicators of impairment assets, the Members have considered 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.

Key sources of estimation uncertainty

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

Impairment review

The impairment of the Syndicate Assets is performed by the Syndicate themselves. The Members perform an impairment review when indications of impairment arise.

Recoverability of receivables

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

Determining the useful life of purchased Syndicate capacity

The Members have assessed the useful life of Syndicate capacity to be five years. This is on the basis that the Members consider this to be the life over which value is created from the investment made.

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Notes to the Financial Statements
For the year ended 31 December 2019

1. Class of Business

2019	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	46,971	50,738	(29,947)	(23,107)	(2,684)	(5,000)
Motor – third party liability	5,351	5,535	(3,461)	(1,813)	(222)	39
Motor – other classes	45,430	47,225	(26,566)	(16,436)	(1,017)	3,206
Marine, aviation and transport	127,452	126,054	(57,662)	(42,621)	(13,027)	12,744
Fire and other damage to property	384,518	364,253	(184,148)	(104,318)	(50,398)	25,389
Third party liability	284,673	268,659	(154,840)	(90,766)	(11,518)	11,535
Credit and suretyship	39,648	39,673	(17,758)	(12,571)	(3,963)	5,381
Legal expenses	2,587	2,349	(810)	(1,221)	(168)	150
Assistance	-	-	-	-	-	-
Miscellaneous	10,569	22,796	(17,296)	(8,149)	(1,083)	(3,732)
	947,199	927,282	(492,488)	(301,002)	(84,080)	49,712
Reinsurance	210,059	200,022	(194,483)	(36,123)	12,789	(17,795)
Total	1,157,258	1,127,304	(686,971)	(337,125)	(71,291)	31,917

2018	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	53,963	57,505	(29,494)	(24,948)	(1,457)	1,606
Motor – third party liability	5,886	6,131	(3,440)	(2,041)	(623)	27
Motor – other classes	46,781	45,280	(21,967)	(15,350)	(6,349)	1,614
Marine, aviation and transport	118,506	117,922	(53,369)	(43,991)	(11,265)	9,297
Fire and other damage to property	333,882	315,190	(186,575)	(96,385)	(39,725)	(7,495)
Third party liability	250,249	229,987	(134,133)	(84,837)	(3,711)	7,306
Credit and suretyship	27,908	25,887	(10,898)	(8,345)	(2,011)	4,633
Legal expenses	1,917	1,974	(629)	(1,299)	11	57
Assistance	-	-	-	-	-	-
Miscellaneous	47,527	84,876	(13,324)	(26,408)	(6,558)	38,586
	886,619	884,752	(453,829)	(303,604)	(71,688)	55,631
Reinsurance	184,574	184,416	(140,255)	(37,326)	(16,398)	(9,563)
Total	1,071,193	1,069,168	(594,084)	(340,930)	(88,086)	46,068

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

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Notes to the Financial Statements
For the year ended 31 December 2019

2. Net Operating Expenses

	2019 £	2018 £
Acquisition costs	324,080	302,735
Change in deferred acquisition costs	(5,288)	601
Administrative expenses	60,915	58,948
Reinsurance commissions and profit participations	(59,252)	(48,795)
Personal expenses	16,670	27,441
	<u>337,125</u>	<u>340,930</u>

3. Investment Income

	2019 £	2018 £
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	24,307	20,522
Realised gains and losses	4,166	(1,314)
Unrealised gains and losses	12,340	(7,008)
Other	-	-
	<u>40,813</u>	<u>12,200</u>
Financial instruments held at amortised cost:		
Interest	742	98
Other	-	-
	<u>742</u>	<u>98</u>
Investment management expenses, including interest	(1,369)	(1,365)
	<u>(1,369)</u>	<u>(1,365)</u>
Total	<u>40,186</u>	<u>10,933</u>

4. Profit/(Loss) on Ordinary Activities before Taxation

	2019 £	2018 £
Operating Profit is stated after charging:		
Amortisation of Syndicate capacity	1,315	1,315
Loss/(profit) on disposal of intangible fixed assets	(38)	-
Loss on exchange	4,886	4,456

The Limited Liability Partnership has no employees.

The auditors charge a fixed fee to Argenta Private Capital Limited of £328 for the provision of the statutory audit, they also provide non-audit services through an outsourcing arrangement of approximately £515.

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Notes to the Financial Statements
For the year ended 31 December 2019

5. Members' Remuneration

The key management personnel of the Limited Liability Partnership are considered to be the Members. The Members are not employees of the Limited Liability Partnership, and consequently the total remuneration of the Members consists of the allocated profit/(loss) for the year.

The average number of Members during the year was 4.

6. Intangible Assets	Total £
Purchased Syndicate Capacity	
Cost	
At 1 January 2019	269,057
Additions	-
Disposals	(129)
At 31 December 2019	268,928
Amortisation	
At 1 January 2019	266,428
Charge	1,315
Disposals	(129)
At 31 December 2019	267,614
Net Book Value	
At 31 December 2019	1,315
At 31 December 2018	2,629

7. Financial Instruments and Financial Risk Management

7.1 Financial Investments

Other financial investments – Syndicate participation

	2019 Market Value £	2018 Market Value £
Shares and other variable yield securities and units in unit trusts	146,237	155,414
Debt securities and other fixed income securities	743,083	790,470
Participation in investment pools	5,102	12,214
Loans with credit institutions	-	19
Derivative financial instruments	1,066	550
Other investments	3,248	969
Deposits with credit institutions	2,892	2,920
Other	17,061	18,360
	918,689	980,916

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Notes to the Financial Statements
For the year ended 31 December 2019

7. Financial Instruments and Financial Risk Management (continued)

7.2 Debtors

	2019			2018		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts falling due within one year:						
Arising out of direct insurance operations	287,450	-	287,450	305,097	-	305,097
Arising out of reinsurance operations	169,080	-	169,080	148,014	-	148,014
Other Debtors:						
Amounts due from group undertakings	-	-	-	-	-	-
Other	20,782	-	20,782	24,099	12,235	36,334
Total Amounts falling due within one year	477,312	-	477,312	477,210	12,235	489,445
Amounts falling due after one year:						
Arising out of direct insurance operations	6,228	-	6,228	9,295	-	9,295
Arising out of reinsurance operations	20,476	-	20,476	38,788	-	38,788
Other Debtors:						
Amounts due from group undertakings	-	-	-	-	-	-
Other	6,749	33,232	39,981	7,435	33,232	40,667
Total Amounts falling due after one year	33,453	33,232	66,685	55,518	33,232	88,750
	510,765	33,232	543,997	532,728	45,467	578,195

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Notes to the Financial Statements
For the year ended 31 December 2019

7. Financial Instruments and Financial Risk Management (continued)

7.3 Creditors

	2019			2018		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts falling due within one year:						
Arising out of direct insurance operations	43,118	-	43,118	59,819	-	59,819
Arising out of reinsurance operations	191,157	-	191,157	148,271	-	148,271
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors:						
Corporation tax	-	-	-	-	-	-
Members loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	46,707	-	46,707	101,673	-	101,673
Amount due to group undertakings	-	-	-	-	-	-
Total Amounts falling due within one year	280,982	-	280,982	309,763	-	309,763
Amounts falling due after one year:						
Arising out of direct insurance operations	380	-	380	577	-	577
Arising out of reinsurance operations	26,627	-	26,627	29,160	-	29,160
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors:						
Corporation tax	-	-	-	-	-	-
Members loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	396	-	396	635	-	635
Amount due to group undertakings	-	-	-	-	-	-
Total Amounts falling due after one year	27,403	-	27,403	30,372	-	30,372
	308,385	-	308,385	340,135	-	340,135

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Notes to the Financial Statements
For the year ended 31 December 2019

7. Financial Instruments and Financial Risk Management (continued)

7.4 Classification of Financial Instruments

The tables below set out the Limited Liability Partnership's financial instruments by classification.

Other financial investments – Syndicate participation

	2019			2018		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
Financial assets						
Investments	917,935	754	918,689	980,916	-	980,916
Deposits with ceding undertakings	-	970	970	-	975	975
Insurance debtors	-	293,678	293,678	-	314,392	314,392
Reinsurance debtors	-	189,556	189,556	-	186,802	186,802
Other debtors	-	27,531	27,531	-	31,534	31,534
Cash at bank and in hand	-	44,387	44,387	-	50,523	50,523
Other assets	80,452	-	80,452	77,874	-	77,874
	998,387	556,876	1,555,263	1,058,790	584,226	1,643,016
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	577	-	577	590	-	590
Insurance creditors	-	43,498	43,498	-	60,396	60,396
Reinsurance creditors	-	217,784	217,784	-	177,431	177,431
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors	-	-	-	-	-	-
	577	261,282	261,859	590	237,827	238,417

Other financial investments – Partnership

	2019			2018		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
Financial assets						
Investments	-	-	-	-	-	-
Other debtors	-	33,232	33,232	-	45,467	45,467
Cash at bank and in hand	-	1,445	1,445	-	43,081	43,081
Other assets	-	-	-	-	-	-
	-	34,677	34,677	-	88,548	88,548
Financial liabilities						
Other creditors	-	-	-	-	-	-
	-	-	-	-	-	-

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Notes to the Financial Statements
For the year ended 31 December 2019

7. Financial Instruments and Financial Risk Management (continued)

7.4 Classification of Financial Instruments (continued)

The table below sets out details of the Limited Liability Partnership's derivative financial instruments.

	2019		2018	
	Notional amount	Fair value	Notional amount	Fair value
	£	£	£	£
Foreign exchange forward contracts	49,687	1,055	24,536	538
Interest rate future contracts	7,002	7	1,747	12
Foreign exchange options	-	-	-	-
Equity options	-	-	-	-
Foreign exchange contract for difference	-	-	-	-
Other	13,279	4	-	-
	69,968	1,066	26,283	550

7.5 Financial Instruments held at fair value through profit or loss

The assets and liabilities carried at fair value through profit or loss have been categorised between the three levels of the fair value hierarchy that reflects the observability and significance of inputs used when establishing the fair value. The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level (a) in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis.

Level (b) in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. Instead the price of a recent transaction for an identical asset or liability is used, provided that there has not been a significant change in economic circumstances or a significant lapse of time since the recent transaction.

Level (c) in the fair value hierarchy consists of those types of assets and liabilities for which fair values cannot be obtained directly from quoted market prices in active markets or in a recent transaction. These assets and liabilities are measured using a valuation technique to estimate what the transaction price would have been in an arm's length transaction.

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Notes to the Financial Statements
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7. Financial Instruments and Financial Risk Management (continued)

7.5 Financial Instruments held at fair value through profit or loss (continued)

The tables below set out the Limited Liability Partnership's financial instruments held at fair value through profit or loss by level of hierarchy.

Other financial investments – Syndicate participation

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2019						
Financial assets						
Shares and other variable yield securities and units in unit trusts	43,682	99,735	2,820	146,237	-	146,237
Debt securities and other fixed income securities	165,922	577,161	-	743,083	-	743,083
Participation in investment pools	-	3,803	1,299	5,102	-	5,102
Loans and deposits with credit institutions	3,290	2,096	-	5,386	754	6,140
Overseas deposits	53,827	40,975	2,711	97,513	-	97,513
Derivatives	241	825	-	1,066	-	1,066
Other investments	-	-	-	-	-	-
Financial assets classified as held for sale	-	-	-	-	-	-
	266,962	724,595	6,830	998,387	754	999,141
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	577	-	-	577	-	577
Financial liabilities classified as held for sale	-	-	-	-	-	-
	577	-	-	577	-	577

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Notes to the Financial Statements
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7. Financial Instruments and Financial Risk Management (continued)

7.5 Financial Instruments held at fair value through profit or loss (continued)

Other financial investments – Syndicate participation (continued)

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2018						
Financial assets						
Shares and other variable yield securities and units in unit trusts	23,763	131,639	12	155,414	-	155,414
Debt securities and other fixed income securities	202,585	587,885	-	790,470	-	790,470
Participation in investment pools	3,308	5,284	3,622	12,214	-	12,214
Loans and deposits with credit institutions	2,900	39	969	3,908	-	3,908
Overseas deposits	50,600	42,708	2,913	96,221	-	96,221
Derivatives	507	43	-	550	-	550
Other investments	-	13	-	13	-	13
Financial assets classified as held for sale	-	-	-	-	-	-
	283,663	767,611	7,516	1,058,790	-	1,058,790
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	544	46	-	590	-	590
Financial liabilities classified as held for sale	-	-	-	-	-	-
	544	46	-	590	-	590

At the Partnership level the Limited Liability Partnership does not hold any financial investments. Consequently investment tables have not been presented for the Partnership.

7.6 Financial Risk Management

The Limited Liability Partnership is a financial institution and therefore provides the following disclosures in respect of the financial instruments it holds. The Limited Liability Partnership holds only cash and cash equivalents in respect of financial instruments.

The Limited Liability Partnership is exposed to the following financial risks in the course of its operating and financing activities:

- Credit risk
- Liquidity risk
- Interest rate risk
- Equity price risk; and
- Currency risk

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Limited Liability Partnership looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate, including those in respect of financial risk management. The following qualitative risk management disclosures made by the Members therefore relate to the Partnership only. The quantitative disclosures are made in respect of both the Partnership and the Syndicates.

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7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Risk Management (continued)

Credit risk

Credit risk is the risk that a counterparty to the Limited Liability Partnership's financial instruments will cause a loss to the Limited Liability Partnership through failure to perform its obligations. The key areas of exposure to credit risk for the Limited Liability Partnership result through its reinsurance programme, investments, bank deposits and policyholder receivables.

The Limited Liability Partnership manages credit risk at the Limited Liability Partnership level by ensuring that investments and cash and cash equivalent deposits are placed only with highly rated credit institutions.

The carrying amount of the Limited Liability Partnership's financial assets represents the Limited Liability Partnership's maximum exposure to credit risk.

The tables below show the credit quality of financial assets that are neither past due nor impaired.

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
2019						
Shares and other variable yield securities and units in unit trusts	36,926	6,080	33,089	2,239	67,903	146,237
Debt securities and other fixed income securities	137,338	268,660	216,441	99,131	21,513	743,083
Participation in investment pools	1,005	2,051	745	2	1,299	5,102
Loans secured with credit institutions	1,675	-	1,573	-	-	3,248
Deposits with credit institutions	-	-	1,635	-	1,257	2,892
Overseas deposits	42,223	15,576	11,311	9,705	18,698	97,513
Derivative investments	-	-	-	236	830	1,066
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	-	-	-	-	970	970
Reinsurers share of claims outstanding	41,947	95,924	310,913	1,257	35,806	485,847
Reinsurance debtors	485	8,088	30,278	1,236	14,911	54,998
Cash at bank and in hand	313	481	33,088	2,411	8,094	44,387
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	261,912	396,860	639,073	116,217	171,281	1,585,343

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7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Risk Management (continued)

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
2018						
Shares and other variable yield securities and units in unit trusts	50,823	3,511	22,961	3,713	74,406	155,414
Debt securities and other fixed income securities	194,230	229,107	235,758	102,056	29,319	790,470
Participation in investment pools	2,112	3,784	767	98	5,453	12,214
Loans secured with credit institutions	-	19	-	-	969	988
Deposits with credit institutions	-	-	1,685	-	1,235	2,920
Overseas deposits	40,435	16,893	9,219	9,445	20,229	96,221
Derivative investments	-	-	399	97	54	550
Other investments	-	-	-	-	13	13
Deposits with ceding undertakings	-	-	-	-	975	975
Reinsurers share of claims outstanding	46,494	87,668	294,932	853	32,788	462,735
Reinsurance debtors	1,113	5,559	19,713	1	5,337	31,723
Cash at bank and in hand	480	337	40,626	2,667	6,413	50,523
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	335,687	346,878	626,060	118,930	177,191	1,604,746

The tables below show the ageing and impairment of financial assets by class of instruments.

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
2019						
Shares and other variable yield securities and units in unit trusts	146,237	-	-	-	-	146,237
Debt securities and other fixed income securities	743,083	-	-	-	-	743,083
Participation in investment pools	5,102	-	-	-	-	5,102
Loans secured with credit institutions	3,248	-	-	-	-	3,248
Deposits with credit institutions	2,892	-	-	-	-	2,892
Overseas deposits	97,513	-	-	-	-	97,513
Derivative investments	1,066	-	-	-	-	1,066
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	970	-	-	-	-	970
Reinsurers share of claims outstanding	485,873	-	-	-	(26)	485,847
Reinsurance debtors	45,151	8,454	749	645	(1)	54,998
Cash at bank and in hand	44,387	-	-	-	-	44,387
Insurance debtors	268,075	16,747	3,982	4,915	(41)	293,678
Other debtors	421,727	604	25	-	-	422,356
	2,265,324	25,805	4,756	5,560	(68)	2,301,377

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7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Risk Management (continued)

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
2018						
Shares and other variable yield securities and units in unit trusts	155,414	-	-	-	-	155,414
Debt securities and other fixed income securities	790,470	-	-	-	-	790,470
Participation in investment pools	12,214	-	-	-	-	12,214
Loans secured with credit institutions	988	-	-	-	-	988
Deposits with credit institutions	2,920	-	-	-	-	2,920
Overseas deposits	96,221	-	-	-	-	96,221
Derivative investments	550	-	-	-	-	550
Other investments	13	-	-	-	-	13
Deposits with ceding undertakings	975	-	-	-	-	975
Reinsurers share of claims outstanding	462,760	-	-	-	(25)	462,735
Reinsurance debtors	24,045	7,080	276	324	(2)	31,723
Cash at bank and in hand	50,523	-	-	-	-	50,523
Insurance debtors	291,197	11,807	3,705	7,730	(47)	314,392
Other debtors	421,466	569	272	-	-	422,307
	2,309,756	19,456	4,253	8,054	(74)	2,341,445

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The following tables detail the Limited Liability Partnership's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date of which the Partnership can be required to pay.

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
2019						
Derivative financial instruments	-	577	-	-	-	577
Deposits received from reinsurers	-	9,306	-	-	-	9,306
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	1,449	582,664	506,417	290,130	191,700	1,572,360
Creditors	6	275,381	26,617	6,322	-	308,326
Other	-	-	-	-	-	-
	1,455	867,928	533,034	296,452	191,700	1,890,569

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7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Risk Management (continued)

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
2018						
Derivative financial instruments	-	590	-	-	-	590
Deposits received from reinsurers	-	8,983	-	-	-	8,983
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	1,855	626,773	565,194	233,929	195,883	1,623,634
Creditors	100	294,233	37,400	8,077	-	339,810
Other	-	-	-	-	-	-
	1,955	930,579	602,594	242,006	195,883	1,973,017

At the Partnership level the Limited Liability Partnership is not exposed to significant liquidity risk. Consequently a maturity profile has not been presented for the Partnership.

Interest rate risk

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

The Limited Liability Partnership is exposed to the risk of interest rate fluctuations in respect of cash and cash equivalents and other interest bearing securities.

At the Partnership level the Limited Liability Partnership manages interest rate risk by maintaining an appropriate mix between fixed and floating rate financial instruments.

The table below shows the impact of changes in interest rates on the profit or loss for the period and on the equity of the Limited Liability Partnership.

Syndicate participation	2019 £	2018 £
Impact of 50 basis point increase on profit or loss	(7,745)	(7,832)
Impact of 50 basis point decrease on profit or loss	7,765	7,914
Impact of 50 basis point increase on equity	(7,745)	(7,832)
Impact of 50 basis point decrease on equity	7,765	7,914

At the Partnership level the Limited Liability Partnership is not exposed to significant cash flow interest rate risk as all of the financial instruments attract fixed rates of interest. Consequently a sensitivity analysis for interest rate risk has not been presented for the Partnership.

Equity price risk

Equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices.

The Limited Liability Partnership is exposed to equity price risk in respect of its equity investments.

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7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Risk Management (continued)

The table below shows the impact of changes in equity prices on the profit or loss for the period and on the equity of the Limited Liability Partnership.

Syndicate participation

	2019	2018
	£	£
Impact on profit or loss of 5% increase in Stock Market Prices	1,319	1,680
Impact on profit or loss of 5% decrease in Stock Market Prices	(1,320)	(1,678)
Impact on equity of 5% increase in Stock Market Prices	1,319	1,680
Impact on equity of 5% decrease in Stock Market Prices	(1,320)	(1,678)

At the Partnership level the Limited Liability Partnership is not exposed to significant cash flow equity price risk. Consequently a sensitivity analysis for equity price risk has not been presented for the Partnership.

Currency risk

The Limited Liability Partnership holds both assets and liabilities denominated in currencies other than Sterling, its functional currency. It is therefore exposed to currency risk as the value of the foreign currency assets and liabilities will fluctuate in line with changes in foreign exchange rates.

At the Partnership level the Limited Liability Partnership manages currency risk by ensuring that exchange rate exposures are managed within approved policy parameters.

The table below considers financial assets and financial liabilities denominated in the currencies of the Limited Liability Partnership's principal foreign exchange exposures in aggregate.

Net assets and liabilities

	Syndicate	2019	Syndicate	2018
	Participation	Partnership	Participation	Partnership
	£	£	£	£
Sterling	(257,201)	24,513	(169,313)	32,662
United States Dollar	28,569	-	(84,826)	43,081
Euro	86,309	-	60,207	-
Canadian Dollar	18,059	-	49,644	-
Australian Dollar	15,311	-	11,326	-
Japanese Yen	(1,899)	-	(392)	-
Other	4,739	-	11,053	-

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7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Risk Management (continued)

The Limited Liability Partnership has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate and it has further undertaken not to interfere with the exercise of such management and control. The managing agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised. As such, disclosures in respect of the assumptions and judgements made, and the objectives, policies and processes for managing currency risk arising from assets and liabilities are only presented for the Partnership in these financial statements.

The Limited Liability Partnership's assets are held in various currencies but are all cash. As such, any exchange movement would be accounted for in the profit and loss.

	Partnership Profit and loss			
	31 December 2019		31 December 2018	
	Increase	Decrease	Increase	Decrease
	£	£	£	£
Effect of Sterling exchange movement by 10%				
United States Dollar	-	-	3,916	(4,787)
Euro	-	-	-	-
Canadian Dollar	-	-	-	-
Australian Dollar	-	-	-	-
Japanese Yen	-	-	-	-
Other	-	-	-	-

7.7 Capital Management

Lloyd's capital setting process

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

Each Syndicate Member is liable for its own share of underwriting liabilities on the Syndicate on which it participates but not other Members' shares.

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

Over and above this, Lloyd's applies a capital uplift to the Member's capital requirement, the ECA. The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives.

Effective 1 January 2016, Lloyd's is subject to the Solvency II capital regime and the Solvency I figures are no longer applicable from that date. Although the capital regime has changed, this has not significantly impacted the solvency capital requirement of the Syndicate, since this has been previously calculated using Solvency II principles.

The total Members' interests represent the capital which allows the Limited Liability Partnership to participate on the Syndicates.

The Partnership has complied with all externally imposed capital requirements during the year.

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8. Insurance Contracts

The following reconciliation shows the movement in the provision for claims outstanding during the year.

	2019			2018		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	1,623,634	462,735	1,160,899	1,567,750	422,129	1,145,621
Movements in the year	62,316	57,669	4,647	(4,377)	17,667	(22,044)
Exchange differences	(113,590)	(34,557)	(79,033)	60,261	22,939	37,322
At 31 December	1,572,360	485,847	1,086,513	1,623,634	462,735	1,160,899

The following reconciliation shows the movement in the provision for unearned premium during the year.

	2019			2018		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	501,145	97,840	403,305	482,879	78,897	403,982
Movements in the year	29,954	28,592	1,362	2,025	14,509	(12,484)
Exchange differences	(16,251)	(3,319)	(12,932)	16,241	4,434	11,807
At 31 December	514,848	123,113	391,735	501,145	97,840	403,305

The following reconciliation shows the movement in deferred acquisition costs during the year.

	2019 £	2018 £
At 1 January	145,347	141,329
Movements in the year	5,288	(601)
Exchange differences	(7,173)	4,619
At 31 December	143,462	145,347

8.1 Risks arising from Insurance Contracts

The Limited Liability Partnership has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate and it has further undertaken not to interfere with the exercise of such management and control. The managing agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised by the Limited Liability Partnership. As such, disclosures in respect of the assumptions and judgements made, and the objectives, policies and processes for managing risk arising from insurance contracts, are not presented in these financial statements.

The development of insurance liabilities provides a measure of the managing agent's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the estimate of total claims outstanding for each accident year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

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8.1 Risks arising from Insurance Contracts (continued)

Claims development - gross								
	At end of reporting year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later
2011	339,411	539,963	536,986	537,325	525,155	514,672	505,687	496,158
2012	338,853	509,663	501,186	484,115	474,839	466,775	460,060	456,423
2013	271,598	485,380	471,309	454,582	443,145	435,302	430,132	
2014	261,910	464,185	469,758	449,070	458,373	448,429		
2015	268,792	496,688	510,848	500,639	489,086			
2016	290,205	625,744	624,927	618,078				
2017	518,731	813,704	858,665					
2018	383,469	689,369						
2019	357,648							
	Eight years later	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received				
2010 & prior			91,007					
2011	493,040	462,509	30,531	(30,273)				
2012		423,093	33,330	(69,614)				
2013		395,858	34,274	(50,670)				
2014		388,025	60,404	(79,524)				
2015		392,982	96,104	(54,636)				
2016		459,762	158,316	(58,928)				
2017		524,929	333,736					
2018		273,545	415,824					
2019		38,814	318,834					
			<u>1,572,360</u>					
Claims development - net								
	At end of reporting year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later
2011	278,823	456,214	451,436	440,203	430,226	422,344	416,810	411,236
2012	265,583	426,699	421,993	404,262	395,677	389,784	385,746	382,736
2013	229,844	424,181	410,991	397,592	387,194	381,162	376,533	
2014	216,497	399,603	403,355	383,622	382,043	376,307		
2015	227,210	427,939	441,113	433,808	423,722			
2016	228,481	513,044	516,848	512,513				
2017	324,465	579,131	615,407					
2018	252,500	473,143						
2019	226,761							

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8.1 Risks arising from Insurance Contracts (continued)

Claims development - net

	Eight years later	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received
2010 & prior			66,419	
2011	407,494	387,201	20,293	(28,767)
2012		354,754	27,982	(61,300)
2013		346,859	29,674	(46,923)
2014		328,354	47,953	(55,526)
2015		345,692	78,030	(42,533)
2016		390,734	121,779	(51,677)
2017		390,932	224,475	
2018		198,228	274,915	
2019		31,768	194,993	
			<u>1,086,513</u>	

9. Related Party Disclosure

There are no related party transactions other than those disclosed in the members interest statements. Related party loans and balances do not attract interest and are repayable on demand.

10. Ultimate Controlling Party

The ultimate controlling party of the Partnership is Mr R A E Herbert.

11. Post Balance Sheet Event

In March 2020, the World Health Organisation declared Coronavirus (Covid-19) to be a global pandemic. The full extent of the impact is not yet known, however as the Partnership participates on multiple syndicates the potential impact is mitigated due to the diverse spread of risks underwritten in them. This is a non-adjusting post balance sheet event.