

WIESCO LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2017

TUESDAY



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	Page
Directors and Advisers	2
Report of the Directors	3
Strategic Report	4
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6 & 7
Profit and Loss Account	8 & 9
Balance Sheet	10 & 11
Statement of changes in equity	12
Cash Flow Statement	13
Accounting Policies	14 - 20
Risk Management	21 - 23
Notes to the Financial Statements	23 - 35

Directors	C H Wiese APCL Corporate Director No. 1 Limited APCL Corporate Director No. 2 Limited
Company Secretary	Argenta Secretariat Limited
Registered Office	5th Floor 70 Gracechurch Street London EC3V 0XL
Bankers	Metro Bank One Southampton Row London EC1B 5HA
Auditor	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD
Registered Number	3641073

The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 December 2017.

Results and Dividends

The results for the year are set out on pages 8 and 9 of the Financial Statements. An interim dividend of £3,351,880 was paid in the year (2016: £Nil). The Directors do not recommend the payment of a final dividend.

Directors

The Directors of the Company in office during the year were as follows:

C H Wiese
APCL Corporate Director No. 1 Limited
APCL Corporate Director No. 2 Limited

Disclosure of Information to the Auditor

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

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

Auditor

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

By Order of the Board

C H Wiese



Date: 22 October 2018

The Directors have pleasure in presenting the Strategic Report together with the Financial Statements for the year ended 31 December 2017.

Review of the Business

The principal activity of the Company in the period under review was that of a corporate underwriting member of Lloyd's.

The Financial Statements incorporate the annual accounting results of the syndicates on which the Company participates for the 2015, 2016 and 2017 years of account.

The annual accounting technical result for the year is a loss of £994,580 (2016 – profit of £345,835).

The three hurricanes Harvey, Irma and Maria together with other major events during the year has seen the Company record an underwriting loss.

The 2015 year closed at 31 December 2017 with a profit, net of any calendar year run-off movements of £685,855 (2014 profit - £1,045,986). The 2016 and 2017 open underwriting account will normally close at 31 December 2018 and 2019.

Future Developments

The Company continues to write insurance business in the Lloyd's insurance market as a corporate underwriting member of Lloyd's. The capacity being underwritten on the 2018 year of account is £12,909,525 an increase of £2,417,201 (23%) compared to the 2017 year of account.

Key Performance Indicators

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

	2017	2016	Change
Capacity (youngest underwriting year)	10,492,394	9,288,000	13%
Profit / (Loss) after tax	(1,086,478)	365,250	(397)%
Underwriting profit of latest closed pure year	685,855	1,045,986	(34)%
as a % of capacity	8%	12%	(33)%

Other Performance Indicators

As a result of the nature of this Company as a Lloyd's Corporate Member the majority of its activities are carried out by the Syndicates in which it participates. The company is not involved directly in the management of the Syndicate's activities, including employment of Syndicate staff, as these are the responsibility of the relevant Managing Agent. Each Managing Agent will also have responsibility for the environmental activities of each Syndicate, although by their nature insurers do not produce significant environmental emissions. As a result, the Directors of the Company do not consider it appropriate to monitor and report any performance indicators in relation to staff or environmental matters.

Risk Management

As a corporate member of Lloyd's the majority of the risks to this company's future cash flows arise from its participation in the results of Lloyd's syndicates. As detailed in the Notes to the financial statements, these risks are mostly managed by the Managing Agent of the syndicate. This company's role in managing this risk in conjunction with its Members' Agent is limited to selection of syndicate participations and monitoring performance of the syndicates. The Company seeks to achieve a balance of risk and reward in the portfolio of syndicates it chooses to support.

By Order of the Board

C H Wiese



Date: 22 October 2018

Statement of Directors' Responsibilities

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

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

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

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

Independent Auditor's Report to the Shareholders of Wiesco Limited**Opinion**

We have audited the financial statements of Wiesco Limited (the 'company') for the year ended 31 December 2017 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Shareholders of Wiesco Limited**Opinion on other matter prescribed by the Companies Act 2006**

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

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

Matters on which we are required to report by exception

In 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 and the Report of the Directors.

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of Our Report

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



Neil Coulson (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

Date: 22 October 2018

TECHNICAL ACCOUNT - GENERAL BUSINESS

	Note	2017	2016
Gross Premiums Written	3	9,788,358	8,693,602
Outward reinsurance premiums		(2,102,274)	(1,506,821)
Net Premiums Written		7,686,084	7,186,781
Change in the provision for unearned premiums			
Gross provision	5	(206,969)	(485,230)
Reinsurers' share	5	114,359	92,056
Earned Premiums, Net of Reinsurance		7,593,474	6,793,607
Allocated Investment Return Transferred from the Non-Technical Account		208,035	183,189
Claims Paid			
Gross amount		(4,675,870)	(3,658,663)
Reinsurers' share		619,032	418,138
Net claims paid		(4,056,838)	(3,240,525)
Change in Provision for Claims			
Gross amount	5	(3,144,538)	(901,064)
Reinsurers' share	5	1,637,006	465,156
Net change in provision for claims		(1,507,532)	(435,908)
Claims Incurred, Net of Reinsurance		(5,564,370)	(3,676,433)
Net operating expenses	6	(3,231,719)	(2,954,528)
Balance on Technical Account for General Business		£(994,580)	£345,835

All the amounts above relate to continuing operations.

NON TECHNICAL ACCOUNT

	Note	2017	2016
Balance on the General Business Technical Account		(994,580)	345,835
Investment income	7	323,594	271,488
Unrealised gains on investments	7	334,474	461,484
Investment expenses and charges	7	(107,160)	(96,406)
Unrealised losses on investments	7	(44,951)	(68,161)
Allocated investment return transferred to the general business technical account		(208,035)	(183,189)
Other income		-	18,135
Profit/(Loss) on exchange - syndicates		25,413	258,202
Other charges		(652,048)	(555,343)
Profit/(Loss) on Ordinary Activities before Taxation	8	(1,323,293)	452,045
Tax on profit/(loss) on ordinary activities	9	236,815	(86,795)
Profit/(Loss) on Ordinary Activities after Taxation	15	<u>£(1,086,478)</u>	<u>£365,250</u>

All operations are continuing.

The Company had no recognised gains and losses in the year other than the profit above.

STATEMENT OF COMPREHENSIVE INCOME

	2017	2016
Profit/(Loss) for the financial year	(1,086,478)	365,250
Other Comprehensive income:		
Currency translation differences	-	-
	<u>£(1,086,478)</u>	<u>£365,250</u>

The Accounting Policies and Notes on pages 14 to 35 form part of these Financial Statements.

		2017			2016		
	Note	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
ASSETS							
Intangible Assets							
Syndicate participation rights	10	-	799,664	799,664	-	193,473	193,473
Investments							
Financial investments	11	9,715,785	2,520,976	12,236,761	10,812,430	2,204,606	13,017,036
Deposits with ceding undertakings		1,922	-	1,922	2,087	-	2,087
		<u>9,717,707</u>	<u>2,520,976</u>	<u>12,238,683</u>	<u>10,814,517</u>	<u>2,204,606</u>	<u>13,019,123</u>
Reinsurers' Share of Technical Provisions							
Provision for unearned premiums	5	690,166	-	690,166	598,404	-	598,404
Claims outstanding	5	4,128,374	-	4,128,374	2,609,222	-	2,609,222
		<u>4,818,540</u>	<u>-</u>	<u>4,818,540</u>	<u>3,207,626</u>	<u>-</u>	<u>3,207,626</u>
Debtors							
Arising out of direct insurance operations							
Policyholders		339	-	339	251	-	251
Intermediaries		2,029,542	-	2,029,542	2,021,336	-	2,021,336
Arising out of reinsurance operations							
Other debtors	12	1,905,855	-	1,905,855	1,983,324	-	1,983,324
		<u>510,709</u>	<u>142,764</u>	<u>653,473</u>	<u>963,723</u>	<u>2,025</u>	<u>965,748</u>
	12	<u>4,446,445</u>	<u>142,764</u>	<u>4,589,209</u>	<u>4,968,634</u>	<u>2,025</u>	<u>4,970,659</u>
Other Assets							
Cash at bank and in hand	13	531,176	2,927,830	3,459,006	619,279	3,420,884	4,040,163
Other		509,016	-	509,016	458,938	-	458,938
		<u>1,040,192</u>	<u>2,927,830</u>	<u>3,968,022</u>	<u>1,078,217</u>	<u>3,420,884</u>	<u>4,499,101</u>
Prepayments and Accrued Income							
Accrued interest		28,310	-	28,310	30,111	-	30,111
Deferred acquisition costs	5	1,211,622	-	1,211,622	1,131,422	-	1,131,422
Other prepayments and accrued income		69,818	-	69,818	61,745	-	61,745
		<u>1,309,750</u>	<u>-</u>	<u>1,309,750</u>	<u>1,223,278</u>	<u>-</u>	<u>1,223,278</u>
Total Assets		<u>£21,332,634</u>	<u>£6,391,234</u>	<u>£27,723,868</u>	<u>£21,292,272</u>	<u>5,820,988</u>	<u>£27,113,260</u>

The Accounting Policies and Notes on pages 14 to 35 form part of these Financial Statements.

		2017			2016		
	Note	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
LIABILITIES AND SHAREHOLDERS' FUNDS							
Capital and Reserves							
Called-up share capital	14	-	500	500	-	500	500
Share Premium Account		-	-	-	-	-	-
Profit and Loss Account	15	(1,369,055)	1,883,982	514,927	645,994	4,307,291	4,953,285
Total Shareholders' Funds	16	<u>(1,369,055)</u>	<u>1,884,482</u>	<u>515,427</u>	<u>645,994</u>	<u>4,307,791</u>	<u>4,953,785</u>
Technical Provisions							
Provision for unearned premiums	5	4,343,249	-	4,343,249	4,354,068	-	4,354,068
Claims outstanding - gross amount	5	15,495,841	-	15,495,841	13,352,411	-	13,352,411
		<u>19,839,090</u>	<u>-</u>	<u>19,839,090</u>	<u>17,706,479</u>	<u>-</u>	<u>17,706,479</u>
Provisions for Other Risks							
Deferred Taxation	17	-	-	-	-	426,938	426,938
Deposits Received from Reinsurers		1,188	-	1,188	1,318	-	1,318
Creditors							
Arising out of direct insurance operations		441,516	-	441,516	230,138	-	230,138
Arising out of reinsurance operations		1,087,915	-	1,087,915	1,083,117	-	1,083,117
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors	18	1,128,694	4,370,129	5,498,823	1,468,509	1,076,963	2,545,472
		<u>2,658,125</u>	<u>4,370,129</u>	<u>7,028,254</u>	<u>2,781,764</u>	<u>1,076,963</u>	<u>3,858,727</u>
Accruals and Deferred Income		203,286	136,623	339,909	156,717	9,296	166,013
Total Liabilities		<u>£21,332,634</u>	<u>£6,391,234</u>	<u>£27,723,868</u>	<u>£21,292,272</u>	<u>£5,820,988</u>	<u>27,113,260</u>

Approved by the Board on 22 October 2018



C H Wiese

The Accounting Policies and Notes on pages 14 to 35 form part of these Financial Statements.

	Share capital	Share premium account	Profit and Loss account	Total
At 1 January 2016	500	-	4,588,036	4,588,536
Profit/(loss) for the financial year			365,250	365,250
Other comprehensive income			-	-
Dividends paid			-	-
Proceeds from issues of shares			-	-
At 31 December 2016	£500	£-	£4,953,285	£4,953,785
At 1 January 2017	500	-	4,953,285	4,953,785
Profit/(loss) for the financial year			(1,086,478)	(1,086,478)
Other comprehensive income			-	-
Dividends paid			(3,351,880)	(3,351,880)
Proceeds from issues of shares			-	-
At 31 December 2017	£500	£-	£514,928	£515,428

The Accounting Policies and Notes on pages 14 to 35 form part of these Financial Statements.

	Note	2017	2016
Net Cash from Operating Activities			
	19	485,904	489,794
Corporation Tax received / (paid)		(541,905)	(36,951)
Overseas Taxation paid		(3,541)	(1,124)
Taxation paid		(545,446)	(38,075)
Net cash generated from operating activities		(59,542)	451,719
Cash flow from investing activities			
Purchase of syndicate participations rights		(688,809)	(90,715)
Proceeds from sale of syndicate participations rights		-	-
Proceeds/(Purchase) of financial assets		(42,482)	1,228,963
Interest received		24,034	9,583
Interest paid on related party loan		(100)	-
Net Cash Inflow/(Outflow) from Investing Activities		(707,357)	1,147,831
		(766,899)	1,599,550
Financing			
Equity Dividends Paid		(3,351,880)	-
Funds lent by the Company to the Shareholders to meet expenses and cash calls		3,625,725	467,981
Net Cash (Outflow) from Financing		273,845	467,981
Net Cash inflow/(outflow) in the year		£(493,054)	£2,067,531
Decrease/increase in cash and cash equivalents		(493,054)	2,067,531
Cash and cash equivalents at beginning of year		3,420,884	1,353,353
Cash and cash equivalents at the end of the year		£2,927,830	£3,420,884

The Company 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 corporate funds, which includes transfers to and from the Syndicates at Lloyd's.

The Accounting Policies and Notes on pages 14 to 35 form part of these Financial Statements.

General information

The Company is a private company limited by shares that was incorporated in England and whose registered office is 5th Floor, 70 Gracechurch Street, London, EC3V 0XL. The Company participates in insurance business as an underwriting member of various syndicates at Lloyd's.

Accounting Policies**Basis of Preparation**

The Financial Statements are prepared under the historical cost basis of accounting modified to include the revaluation of investments, and comply with applicable Accounting Standards.

The Company participates in insurance business as an underwriting member of various Syndicates at Lloyd's.

These Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts", the Companies Act 2006 and Schedule 3 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations, relating to insurance.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. In addition, the Strategic Report includes the Company's objectives, policies and processes for managing the majority of the risk to the company's future cash flows.

The Company continues to participate on the 2016 and 2017 underwriting years of account, which will normally close at 31 December 2018 and 2019 respectively, and has continued this participation since the year end on the 2018 year of account. As a consequence, the Directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

Basis of Accounting

The Financial Statements are prepared under 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 the movements in the calendar year in respect of all relevant years of account of the Syndicates on which the Company participates.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents. Accordingly, these assets and liabilities have been shown separately in the balance sheet as "Syndicate Participation". Other assets and liabilities are shown as "Corporate". The syndicate assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

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

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 Company participates, less an allowance for cancellations. All premiums are shown gross of commission payable to intermediaries and exclude taxes and duties levied on them.

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 balance sheet date, calculated on a time apportionment basis having regard where appropriate, to the incidence of risk. The specific basis adopted by each syndicate is determined by the 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.

v. Claims Incurred and Reinsurers' Share (continued)

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

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

vi. Unexpired Risks Provision

Provisions for unexpired risks are made where the costs of outstanding claims, related expenses and deferred acquisition costs are expected to exceed the unearned premium provision carried forward at the balance sheet date. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after 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 Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The company has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

viii. Run-off Years of Account

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

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 Company participates.

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

x. **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.

xi. **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 Balance Sheet include the totals of all the syndicates 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.

Initial measurement

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

Subsequent measurement

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

xi. Financial assets and financial liabilities (continued)

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

Other debt instruments are measured at fair value through profit or loss.

Derecognition of financial assets and liabilities

Financial assets are derecognized when and only when a) the contractual rights to 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 derecognized 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 profit and loss immediately.

xii. Investment Return

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

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

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting the underwriting business.

xiii. Basis of Currency Translation

The functional and presentational currency of the Company is sterling.

Syndicates maintain separate funds in sterling, United States dollars, Canadian dollars and Euros.

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.

Assets and liabilities are translated into sterling at the rates of exchange at the Balance Sheet date.

Differences arising on the translation of foreign currency amounts in syndicates are included in the technical account or non-technical account depending on the treatment by the underlying syndicates.

Taxation

The company is taxed on its results including its share of underwriting results declared by the syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. The syndicate results included in these financial statements are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for corporation tax in relation to open years of account. However, full provision is made for deferred tax on underwriting results not subject to current corporation tax.

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

Deferred Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

Deferred tax assets are recognised to the extent that it is regarded as probable that they will be recovered.

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 fixed assets and amortised over a 3 year period beginning in the year after the underwriting commences in respect of the purchased Syndicate participation.

Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks, other short-term liquid investments with original maturities of three months or less and cash in hand.

Share capital

Ordinary share capital is classified as equity.

Distributions

Dividend distributions to the Company's shareholders are recognised in the Financial Statements in the period in which the dividends are approved by the shareholders.

1 Key accounting judgements and estimation uncertainties

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

The measurement of the provision for claims outstanding is the most significant judgement involving estimation uncertainty regarding amounts recognised in these Financial Statements in relation to underwriting by the syndicates and this is disclosed further in Note 5.

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

2 Risk management

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

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risks arise from the risk that a reinsurer fails to meet their share of a claim. The management of the syndicate's funds is exposed to risks of investment, 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 Company 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 Company considers that the risks being run by the syndicate are excessive it will seek confirmation from the managing agent that adequate management of the risk is in place and, if considered appropriate will withdraw support from the next underwriting year. The Company 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 Company also mitigates its insurance risks by participating across several syndicates as detailed in Note 23.

The analysis below provides details of the financial risks the Company is exposed to from syndicate insurance activities as required by FRS 103. Note 5 provides further analysis of sensitivities to reserving and underwriting risks.

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").

ii. Credit risk

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

	AAA	AA	A	BBB or lower	Not rated	Total
2017						
Deposits with ceding undertakings	-	-	-	-	1,922	1,922
Reinsurers share of claims outstanding	19,125	953,209	2,884,932	26,698	244,410	4,128,374
Reinsurance debtors	-	356,467	950,446	32,627	566,315	1,905,855
Total	£19,125	£1,309,676	£3,835,378	£59,325	£812,647	£6,036,151

2 Risk management (continued)

Syndicate risks (continued)

ii. Credit risk (continued)

	AAA	AA	A	BBB or lower	Not rated	Total
2016						
Deposits with ceding undertakings	-	-	-	-	2,087	2,087
Reinsurers share of claims outstanding	46,736	758,894	1,673,011	43,702	86,879	2,609,222
Reinsurance debtors	285,097	715,817	774,837	111,000	96,573	1,983,324
Total	£331,833	£1,474,711	£2,447,848	£154,702	£185,539	£4,594,633

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

	Neither due nor impaired	Up to three months	Three months to one year	Greater than one year	Financial assets that have been impaired	Total
2017						
Deposits with ceding undertakings	1,922	-	-	-	-	1,922
Reinsurers share of claims outstanding	4,130,631	-	-	-	(2,257)	4,128,374
Reinsurance debtors	1,554,892	267,817	69,166	15,644	(1,664)	1,905,855
Insurance debtors	1,809,117	108,707	65,596	48,796	(2,335)	2,029,881
Total	£7,496,562	£376,524	£134,762	£64,440	£(6,256)	£8,066,032

	Neither due nor impaired	Up to three months	Three months to one year	Greater than one year	Financial assets that have been impaired	Total
2016						
Deposits with ceding undertakings	2,087	-	-	-	-	2,087
Reinsurers share of claims outstanding	2,609,222	-	-	-	-	2,609,222
Reinsurance debtors	1,627,200	254,920	52,438	9,105	39,661	1,983,324
Insurance debtors	1,813,723	121,637	40,026	49,633	(3,432)	2,021,587
Total	£6,052,232	£376,557	£92,464	£58,738	£36,229	£6,616,220

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.

2 Risk management (continued)

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:

	GBP £	USD converted	EUR converted	CAD converted	Other converted	Total
2017						
Total assets	3,925,771	14,886,784	1,047,959	1,266,208	205,912	21,332,634
Total liabilities	(5,170,507)	(15,422,370)	(973,726)	(1,006,035)	(125,291)	(22,697,929)
Surplus/(deficiency) of assets	£(1,244,736)	£(535,586)	£74,233	£260,173	£80,621	£(1,365,295)
	GBP £	USD converted	EUR converted	CAD converted	Other converted	Total
2016						
Total assets	3,310,323	15,481,486	946,781	1,323,659	230,023	21,292,272
Total liabilities	(4,691,179)	(13,888,928)	(946,041)	(925,219)	(194,911)	(20,646,278)
Surplus/(deficiency) of assets	£(1,380,856)	£1,592,558	£740	£398,440	£35,112	£645,994

The impact of a 5% change in exchange rates between GBP and other currencies would be £6,028 on the result for the year (2016: £101,343).

Company risks

i. Investment, credit, liquidity and currency risks

The significant risks faced by the Company are with regard to the investment of the available funds within its own custody. The elements of these risks are investment risk, credit risk, liquidity risk, currency risk and interest rate risk. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the Company to meet the claim. In order to minimise investment, credit and liquidity risk the Company'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 Company is exposed to movements in the US Dollar between the Balance Sheet date and the distribution of the underwriting profits and losses, which is usually in the May following the closure of a year of account. The Company does not use derivative instruments to manage risk and, as such, no hedge accounting is applied.

ii. Regulatory risks

The Company 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 Company is able to support.

iii. Operational risks

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

3 Class of Business

	Gross written premiums	Gross premiums earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
2017						
Direct						
Accident and health	382,882	378,516	(212,276)	(163,934)	(14,007)	(11,701)
Motor (third party liability)	21,310	24,030	(17,612)	(7,879)	501	(960)
Motor (other classes)	1,042,788	1,109,449	(883,922)	(302,866)	(1,513)	(78,852)
Marine, aviation and transport	1,005,179	1,031,855	(709,949)	(434,407)	24,579	(87,922)
Fire and other damage to property	2,360,585	2,264,631	(1,940,967)	(819,171)	114,956	(380,551)
Third party liability	2,086,414	1,924,217	(1,129,180)	(737,389)	(108,399)	(50,751)
Credit and suretyship	221,336	185,933	(127,462)	(78,844)	(1,879)	(22,252)
Legal expenses	8,329	8,477	(4,162)	(4,296)	7	26
Other	289,304	250,580	(244,686)	(101,426)	(65,353)	(160,885)
Total Direct	7,418,127	7,177,688	(5,270,216)	(2,650,212)	(51,108)	(793,848)
Reinsurance Business						
Reinsurance balance	2,370,231	2,403,701	(2,550,192)	(581,507)	319,231	(408,767)
Total Reinsurance	2,370,231	2,403,701	(2,550,192)	(581,507)	319,231	(408,767)
Total	£9,788,358	£9,581,389	£(7,820,408)	£(3,231,719)	£268,123	£(1,202,615)
2016						
Direct						
Accident and health	359,087	350,480	(170,777)	(161,659)	(7,613)	10,431
Motor (third party liability)	24,828	25,029	(15,589)	(8,469)	(206)	765
Motor (other classes)	1,055,729	976,070	(1,033,230)	(305,439)	276,196	(86,403)
Marine, aviation and transport	981,397	922,474	(517,993)	(414,157)	(34,852)	(44,528)
Fire and other damage to property	2,078,009	2,007,322	(876,564)	(746,408)	(249,481)	134,869
Third party liability	1,771,264	1,549,262	(872,795)	(596,197)	(83,441)	(3,171)
Credit and suretyship	93,437	93,639	(43,107)	(29,796)	(10,029)	10,707
Legal expenses	8,908	9,104	(4,151)	(4,772)	(6)	175
Other	241,355	243,405	(117,612)	(96,449)	(11,829)	17,515
Total Direct	6,614,014	6,176,785	(3,651,818)	(2,363,346)	(121,261)	40,360
Reinsurance Business						
Reinsurance balance	2,079,588	2,031,587	(907,909)	(591,182)	(410,210)	122,286
Total Reinsurance	2,079,588	2,031,587	(907,909)	(591,182)	(410,210)	122,286
Total	£8,693,602	£8,208,372	£(4,559,727)	£(2,954,528)	£(531,471)	£162,646

4 Geographical Analysis	2017	2016
Direct Gross Premium Written In		
United Kingdom	7,418,127	6,614,014
Other EU Member States	-	-
Rest of the World	-	-
	<u>£7,418,127</u>	<u>£6,614,014</u>

5 Technical provisions

	Gross	Reinsurance	2017 Net	Gross	Reinsurance	2016 Net
Movement in claims outstanding						
At 1 January	13,352,411	(2,609,222)	10,743,189	10,452,315	(1,665,918)	8,786,397
Movement in technical account	3,144,538	(1,637,006)	1,507,532	901,064	(465,156)	435,908
Other movements	(1,001,108)	117,854	(883,254)	1,999,032	(478,148)	1,520,884
	<u>£15,495,841</u>	<u>£(4,128,374)</u>	<u>£11,367,467</u>	<u>£13,352,411</u>	<u>£(2,609,222)</u>	<u>£10,743,189</u>

	Gross	Reinsurance	2017 Net	Gross	Reinsurance	2016 Net
Movement in unearned premium						
At 1 January	4,354,068	(598,404)	3,755,664	3,384,657	(444,575)	2,940,082
Movement in technical account	206,969	(114,359)	92,610	485,230	(92,056)	393,174
Other movements	(217,788)	22,597	(195,191)	484,181	(61,773)	422,408
	<u>£4,343,249</u>	<u>£(690,166)</u>	<u>£3,653,083</u>	<u>£4,354,068</u>	<u>£(598,404)</u>	<u>£3,755,664</u>

Movement in deferred acquisitions costs	2017	2016
At 1 January	1,131,422	863,059
Movement in technical account	99,945	136,531
Other movements	(19,745)	131,832
	<u>£1,211,622</u>	<u>£1,131,422</u>

Included within other movements are foreign exchange movements in restating the opening balances and the effect of the 2014 and prior years' technical provisions being reinsured to close into the 2015 year of account (2016: 2013 and prior years' technical provisions being reinsured to close into the 2014 year of account), to the extent where the Company's syndicate participation portfolio has changed between those two years of account.

Assumptions, changes in assumptions and sensitivity

As described in Note 2 the majority of the risks to the Company'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 Company's role in managing these risks, in conjunction with the Company'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 Company 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.

5 Technical provisions (continued)

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

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

There have been no changes to these assumptions in 2017.

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

- a 5% increase/decrease in net earned premium (with all other underwriting elements assumed to change pro-rata with premium) will increase/decrease the Company's pre-tax profit/loss by £0.05m (2016: £0.02m);
- a 5% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the Company's pre-tax profit/loss by £0.77m (2016: £0.67m);
- a 5% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Company's pre-tax profit/loss by £0.57m (2016: £0.54m).

The 5% movement has been selected to give an indication of the possible variations in the assumptions used.

The historical gross and net claims development is as follows:

Gross basis

Underwriting year	After 12 months	After 24 months	After 36 months	Ultimate	Cumulative payments	Total
2011 and prior (including RITC)	3,048,621	4,766,387	6,837,985	6,837,985	(3,880,506)	2,957,479
2012	2,949,511	4,409,133	3,960,163	3,960,163	(3,312,020)	648,143
2013	2,347,745	4,131,234	3,844,183	3,844,183	(3,085,478)	758,705
2014	2,233,093	3,988,569	3,988,117	3,988,117	(2,775,584)	1,212,533
2015	2,186,204	4,339,211	4,579,213	4,579,213	(2,346,784)	2,232,429
2016	2,668,031	5,737,542	-	5,737,542	(2,063,693)	3,673,849
2017	4,927,165	-	-	4,927,165	(914,462)	4,012,703
				£33,874,368	£(18,378,527)	£15,495,841

Net basis

Underwriting year	After 12 months	After 24 months	After 36 months	Ultimate	Cumulative payments	Total
2011 and prior (including RITC)	2,613,205	4,161,110	5,575,172	5,575,172	(3,377,802)	2,197,370
2012	2,473,400	3,861,078	3,452,919	3,452,919	(2,923,435)	529,484
2013	2,054,614	3,690,898	3,389,631	3,389,631	(2,752,943)	636,688
2014	1,915,287	3,513,521	3,492,324	3,492,324	(2,534,946)	957,378
2015	1,882,163	3,802,870	4,000,051	4,000,051	(2,159,019)	1,841,032
2016	2,164,765	4,658,890	-	4,658,890	(1,829,402)	2,829,488
2017	3,137,974	-	-	3,137,974	(761,947)	2,376,027
				£27,706,961	£(16,339,494)	£11,367,467

6 Net Operating Expenses	2017	2016
Acquisition costs	2,623,274	2,360,606
Change in deferred acquisition costs	(99,945)	(136,531)
Administrative expenses	969,712	939,601
(Profit)/loss on exchange	-	-
Reinsurers commissions and profit participations	(261,322)	(209,148)
	<u>£3,231,719</u>	<u>£2,954,528</u>

7 Investment Income	2017	2016
Income from investments	241,243	218,276
Realised gains on investments	80,842	52,841
Bank Deposit Interest	1,509	371
	<u>323,594</u>	<u>271,488</u>
Investment income	323,594	271,488
Investment management expenses	17,929	15,489
Losses on the realisation of investments	89,231	80,917
	<u>107,160</u>	<u>96,406</u>
Investment expenses and charges	107,160	96,406
Unrealised gains and losses - net	289,523	393,323
	<u>£505,957</u>	<u>£568,405</u>
Total investment return	£505,957	£568,405

Analysed as follows:

	2017			2016		
	Investments at fair value through profit or loss	Investments available for sale	Total	Investments at fair value through profit or loss	Investments available for sale	Total
Realised gains or losses	(8,389)	-	(8,389)	(28,076)	-	(28,076)
Unrealised gains or losses	289,523	-	289,523	393,323	-	393,323
Other relevant income	-	-	-	-	-	-
	<u>£281,134</u>	<u>£-</u>	<u>£281,134</u>	<u>£365,247</u>	<u>£-</u>	<u>£365,247</u>
Interest and similar income, net of expenses			224,823			203,158
Total investment return			<u>£505,957</u>			<u>£568,405</u>

8 Profit/(Loss) on Ordinary Activities before Taxation	2017	2016
This is stated after charging/(crediting):	£	£
Fees payable to the company's auditor for:		
- audit of the financial statements	2,874	1,500
- taxation services	2,860	800
- other services	1,916	1,500
Directors remuneration	-	-
Amortisation of syndicate capacity	82,618	55,108
(Profit)/loss on sale of syndicate capacity	-	-
Exchange (gain) or loss - Non Technical Account	82,761	9,442
Interest Payable	100	-
Charge for Funds at Lloyd's	467,981	467,981

9 Taxation	2017	2016
Analysis of Charge in Year		
Current tax		
UK Corporation Tax on profits of the year	225,270	413,431
Adjustments in respect of previous years	-	-
	<u>225,270</u>	<u>413,431</u>
Double taxation relief	(21,924)	(7,093)
	<u>203,346</u>	<u>406,338</u>
Foreign tax	3,541	1,124
Total current tax	<u>206,887</u>	<u>407,462</u>
Deferred tax		
Origination and reversal of timing differences	(443,702)	(283,287)
Effect of change in tax rate on opening liability or asset	-	(37,380)
Total deferred tax	<u>(443,702)</u>	<u>(320,667)</u>
Tax on profit / (loss) on ordinary activities	<u>£(236,815)</u>	<u>£86,795</u>
Factors Affecting Tax Charge for the Year		
The tax assessed for the period is different to the standard rate of corporation tax in the UK (19.25%). The differences are explained below:		
	2017	2016
Profit/(loss) on ordinary activities before tax	£(1,323,293)	£452,045
	<u>£(1,323,293)</u>	<u>£452,045</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 19.25% (2016 - 20%)	(254,734)	90,409
Effects of:		
Expenses not deductible for tax purposes	34,681	37,438
Timing differences arising on the taxation of the underwriting results	151,379	10,318
Other timing differences	(145,422)	(8,021)
Foreign tax	(18,383)	(5,969)
Adjustments in respect of previous periods	-	-
Effect of change in tax rate on opening liability or asset	-	(37,380)
Income not taxable	(4,336)	-
	<u>£(236,815)</u>	<u>£86,795</u>

Factors that may affect Future Tax Charges

The results of the Company's participation on the 2015, 2016 and 2017 years of account and the calendar year movement on 2014 and prior run-offs, will not be assessed to tax until the year ended 31 December 2018, 2019 and 2020 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account. In addition, tax only Claims Equalisation Reserves (CER) may further affect the timing of the taxation of underwriting profits.

The above charge for foreign taxes has been estimated after making provision for double taxation relief with the UK. However due to the differences of timings and tax rates some foreign taxes may ultimately not be fully recoverable.

10 Intangible Assets

	Syndicate Participation Rights
Cost	
At 1 January 2017	551,574
Additions	688,809
Disposals	-
	<hr/>
At 31 December 2017	1,240,383
Amortisation	
At 1 January 2017	358,101
Charge for the year	82,618
Disposals	-
	<hr/>
At 31 December 2017	440,719
Net Book Value	
At 31 December 2017	£799,664
	<hr/>
At 31 December 2016	£193,473
	<hr/>

11 Investments

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: inputs other than quoted prices included within Level 1 that are observable (ie. developed using market data), for the asset or liability, either directly or indirectly

Level 3: priced determined using a valuation technique.

Other Financial Investments - Syndicate

	2017		2016	
	Market Value	Cost	Market Value	Cost
Shares and other variable yield securities and units in unit trusts	1,517,183	1,530,305	1,524,689	1,432,843
Debt securities and other fixed income securities	7,655,562	7,782,769	8,765,572	8,835,636
Participation in investment pools	274,379	253,954	184,421	164,286
Loans secured by mortgage	271	279	487	497
Other Loans	9,264	9,629	34,948	35,110
Deposits with credit institutions	81,897	81,897	117,211	117,211
Overseas deposits	171,189	171,643	172,446	172,446
Other	6,040	5,303	12,656	11,889
	<hr/>	<hr/>	<hr/>	<hr/>
	£9,715,785	£9,835,779	£10,812,430	£10,769,918
	<hr/>	<hr/>	<hr/>	<hr/>

11 Investments (continued)

Other Financial Investments - Syndicate
2017

	Held at fair value through profit or loss				Amortised	
	Level 1	Level 2	Level 3	Total	Cost	Total
Shares and other variable yield securities and units in unit trusts	345,779	1,127,109	44,295	1,517,183	-	1,517,183
Debt securities and other fixed income securities	3,122,749	4,532,813	-	7,655,562	-	7,655,562
Participation in investment pools	176,826	37,682	59,871	274,379	-	274,379
Loans and deposits with credit institutions	234,941	1,068	26,612	262,621	-	262,621
Derivatives	5,852	188	-	6,040	-	6,040
Other investments	-	-	-	-	-	-
Held for sale financial assets	-	-	-	-	-	-
Other	-	-	-	-	-	-
	<u>£3,886,147</u>	<u>£5,698,860</u>	<u>£130,778</u>	<u>£9,715,785</u>	<u>£-</u>	<u>£9,715,785</u>

Other Financial Investments - Corporate

	2017		2016	
	Market Value	Cost	Market Value	Cost
Shares and other variable yield securities and units in unit trusts	2,520,976	1,594,260	2,204,606	1,597,607
	<u>£2,520,976</u>	<u>£1,594,260</u>	<u>£2,204,606</u>	<u>£1,597,607</u>
Listed investments included within the above	<u>£2,520,976</u>	<u>£1,594,260</u>	<u>£2,204,606</u>	<u>£1,597,607</u>

Other Financial Investments - Corporate
2017

	Held at fair value through profit or loss				Amortised	
	Level 1	Level 2	Level 3	Total	Cost	Total
Shares and other variable yield securities and units in unit trusts	2,520,976	-	-	2,520,976	-	2,520,976
Debt securities and other fixed income securities	-	-	-	-	-	-
	<u>£2,520,976</u>	<u>£-</u>	<u>£-</u>	<u>£2,520,976</u>	<u>£-</u>	<u>£2,520,976</u>

11 Investments (continued)

Other Financial Investments - Syndicate
2016

	Held at fair value through profit or loss			Total	Amortised Cost	Total
	Level 1	Level 2	Level 3			
Shares and other variable yield securities and units in unit trusts	330,087	1,193,856	745	1,524,688	-	1,524,688
Debt securities and other fixed income securities	3,201,921	5,563,651	-	8,765,572	-	8,765,572
Participation in investment pools	69,213	41,341	73,867	184,421	-	184,421
Loans and deposits with credit institutions	249,426	68,130	7,589	325,145	-	325,145
Derivatives	12,547	57	-	12,604	-	12,604
Other investments	-	-	-	-	-	-
Held for sale financial assets	-	-	-	-	-	-
Other	-	-	-	-	-	-
Fair Value	£3,863,194	£6,867,035	£82,201	£10,812,430	£-	£10,812,430

Other Financial Investments - Corporate
2016

	Held at fair value through profit or loss			Total	Amortised Cost	Total
	Level 1	Level 2	Level 3			
Shares and other variable yield securities and units in unit trusts	2,204,606	-	-	2,204,606	-	2,204,606
Debt securities and other fixed income securities	-	-	-	-	-	-
Fair Value	£2,204,606	£-	£-	£2,204,606	£-	£2,204,606

The Corporate investments include £2,520,976 (2016 - £2,204,606) held as part of the Lloyd's deposit and subject to the restrictions referred to in Note 13.

12 Debtors

Other debtors analysis:

	2017			2016		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Deferred tax asset	-	16,764	16,764	-	-	-
Related Party Loan Account	-	-	-	-	-	-
Other	510,709	126,000	636,709	963,723	2,025	965,748
	£510,709	£142,764	£653,473	£963,723	£2,025	£965,748

Other debtors includes £126,000 (2016 - £Nil) in respect of cash calls paid to Lloyd's syndicates.

Included in total Debtors of £4,589,209 (2016: £4,970,659) is £697,306 (2016: £874,636) due after more than 1 year.

13 Cash at Bank and in hand

	2017			2016		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Lloyd's deposit	-	2,918,531	2,918,531	-	54,634	54,634
Cash at bank and in hand	531,176	9,299	540,475	619,279	3,366,250	3,985,529
	<u>£531,176</u>	<u>£2,927,830</u>	<u>£3,459,006</u>	<u>£619,279</u>	<u>£3,420,884</u>	<u>£4,040,163</u>

The Lloyd's deposit represents monies deposited with the Corporation of Lloyd's (Lloyd's) to support the Company's underwriting activities as described in the Accounting Policies. The Company has entered into a Lloyd's Deposit Trust Deed which gives the Corporation the right to apply these monies in settlement of any claims arising from the participation on the syndicates. These monies can only be released from the provision of this Deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset, or after the expiration of the Company's liabilities in respect of its underwriting.

14 Called-up Share Capital

	2017	2016
	Allotted, Called-up and Fully Paid	Allotted, Called-up and Fully Paid
500 Ordinary shares of £1 each	£500	£500

15 Profit and Loss Account

	2017		
	Syndicate Participation	Corporate	Total
Retained profit/(loss) brought forward	645,994	4,307,291	4,953,285
Transfer	(1,045,882)	1,045,882	-
Profit/(loss) for the financial year	(969,167)	(117,311)	(1,086,478)
Equity dividends paid and declared	-	(3,351,880)	(3,351,880)
Retained profit/(loss) carried forward	<u>£(1,369,055)</u>	<u>£1,883,982</u>	<u>£514,928</u>

An interim dividend of £6,703.759 per £1 share totalling £3,351,879.64 was paid on 6 March 2017

16 Shareholders' Funds	2017	2016
Opening shareholders' funds	4,953,785	4,588,535
Profit / (loss) for the financial year	(1,086,478)	365,250
Equity dividends paid and declared	(3,351,880)	-
Closing shareholders' funds	£515,428	£4,953,785

17 Provision for Deferred Tax	2017	2016
Liability/(asset) at start of year	426,938	747,605
Deferred tax charge/(credit) in Profit and Loss Account for year	(443,702)	(320,667)
Liability/(asset) at end of year	£(16,764)	£426,938

Analysis of Provision for Deferred Taxation

Timing differences arising from the taxation of the underwriting results	(260,121)	106,732
Cliams Equalisation Reserves	243,357	320,206
Other timing differences	-	-
Tax losses carried forward	-	-
	£(16,764)	£426,938

Deferred tax has been provided at 19% (2016: 19%)

18 Other Creditors	2017			2016		
Other creditors analysis:	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Other creditors	1,128,694	6,000	1,134,694	1,468,509	-	1,468,509
Corporation Tax	-	67,778	67,778	-	406,337	406,337
Related party loan account	-	4,296,351	4,296,351	-	670,626	670,626
	£1,128,694	£4,370,129	£5,498,823	£1,468,509	£1,076,963	£2,545,472

Included in total Creditors of £7,028,254 (2016: £3,858,727) is £286,017 (2016: £373,595) payable after more than 1 year.

19 Reconciliation of Operating Profit / (Loss) to Net Cash Inflow / (Outflow) from Operating Activities	2017	2016
Operating Profit/(Loss)	(1,323,293)	452,045
Interest and dividends received - non-technical account	(24,034)	(9,583)
Realised and unrealised profits and losses on corporate investments	(273,888)	(375,633)
Interest charged - non-technical account	100	-
Underwriting result in year	969,167	(604,037)
Closed Year result distributable in year	1,045,882	1,009,450
Increase / (Decrease) in creditors	133,327	(53,097)
(Increase) / Decrease in debtors	(123,975)	15,541
(Profit) / Loss on sale of capacity	-	-
Amortisation of syndicate capacity	82,618	55,108
Net cash Inflow / (Outflow) from operating activities	£485,904	£489,794

20 Funds at Lloyd's

In addition to the Funds held in the Lloyd's Deposit (Note 13) the Company's Lloyd's underwriting is supported by further amounts of £1,871,923 (2016: £1,871,923). These funds are also available to Lloyd's to meet the personal underwriting liabilities of the shareholders for underwriting years commencing prior to 1 January 1999.

21 Related Party Transactions

C H Wiese is a Director of the Company. During 2017 he and Myrtledare Corp have provided funding of £3,157,745 (2016 - £Nil) and made charges of £467,981 (2016: £467,981) for providing Funds at Lloyd's on behalf of the company. During 2017 £Nil (2016 - £Nil) was repaid and included within creditors at 31 December 2017 is £4,296,351 (2016: £670,626) which is due to Myrtledare Corp. This amount is shown separately in Notes 10 and 16 under Related party loan account. No interest has been charged on the amount outstanding.

As detailed in note 20 additional Funds at Lloyd's have been provided to support the company's underwriting. As part of an agreement for the continuation of this funding the company has agreed to pay a fee to Myrtledare Corp.

22 Ultimate Parent Undertaking

The ultimate parent undertaking is Myrtledare Corp a company registered in the British Virgin Islands that is owned by C H Wiese.

23 Syndicate Participation

Syndicate Managing Agent No.		Allocated capacity per underwriting year			
		2018	2017	2016	2015
		£'000	£'000	£'000	£'000
33	Hiscox Syndicates Limited	2,000	1,265	1,100	1,050
218	ERS Syndicate Management Limited	1,070	1,070	802	720
308	Tokio Marine Kiln Syndicates Limited	-	181	181	181
386	QBE Underwriting Limited	500	-	-	-
510	Tokio Marine Kiln Syndicates Limited	1,700	1,177	1,100	1,040
557	Tokio Marine Kiln Syndicates Limited	-	300	300	201
609	Atrium Underwriters Limited	1,500	1,233	1,233	1,233
623	Beazley Furlonge Limited	1,564	1,358	1,149	1,026
727	S A Meacock & Co Limited	650	650	650	650
1884	Charles Taylor Managing Agency Limited	-	700	600	142
1991	Coverys Managing Agency Limited	750	533	533	600
2010	Cathedral Underwriting Limited	376	376	376	306
2791	Managing Agency Partners Limited	1,500	1,100	900	770
5886	Asta Managing Agency Limited	140	65	-	-
6103	Managing Agency Partners Limited	400	-	-	-
6104	Hiscox Syndicates Limited	100	-	-	-
6105	Ark Syndicate Management Limited	-	-	-	112
6107	Beazley Furlonge Limited	100	-	-	-
6111	Catlin Underwriting Agency Limited	200	184	364	324
7231	Asta Managing Agency Limited	360	300	-	-
		£12,910	£10,492	£9,288	£8,355