Company Registration Number: 10368316

Acorn Dynamics Limited

Annual Report
31 December 2018

Contents:

Acorn Dynamics Limited
Company Information

Directors	Mr A C Macaulay Mr M W Webb 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
Auditors	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD

Acorn Dynamics Limited
Strategic Report

The Directors submit their Strategic Report for the Company for the year ended 31 December 2018.

Business Review

The Company continues to write insurance business in the Lloyd's insurance market as a Lloyd's Corporate Capital Member.

The Financial Statements incorporate the annual accounting results of the Syndicates on which the Company participates for The 2017 and 2018 open underwriting account will normally close at 31 December 2019 and 2020.

Results and Dividends

The results for the year are set out on pages 8 to 9 of the Financial Statements. Dividends totalling £Nil were paid in the year (2017 - £Nil).

Financial Risk Management Objectives and Policies

The Company 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 Company is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the Company.

Hedge accounting is not used by the Company.

Key Performance Indicators

	2018	2017
Capacity (youngest underwriting year)	£ 650,233	£ 573,953
Gross premium written as a % of capacity	98.2%	87.3%
Underwriting profit of latest closed year:		
as a % of capacity	0.0%	0.0%
Run-off years of account movement	£ 1	£ -
Combined ratio	109.9%	144.4%

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

Brexit

The Brexit talks continue with parliament debating the EU Withdraw Bill. At present the insurance sector still needs certainty on the UK's future trading relationship with the EU. The priority is to ensure mutual insurance and reinsurance market access if the UK leaves the EU. Lloyd's have established a subsidiary, Lloyd's Brussels, which opened for business on 13 November 2018 and provides certainty for the market and Lloyd's clients. All legacy European Economic Area business will be moving to Lloyd's Brussels before the end of 2020 via a part VII transfer. The Directors are monitoring the Lloyd's market's preparations along with general market conditions to identify if it is appropriate to make any changes to the current strategy of the Group.

Approved by the Board on 22/08/2019
and signed on its behalf by:

Alastair MacAulay (Aug 22, 2019)

A C MACAULAY

Director

Acorn Dynamics Limited
Report of the Directors

The Directors submit their Report together with the audited Financial Statements of the Company for the year ended 31 December 2018.

Principal Activities

The principal activity of the Company is that of trading as a Lloyd's Corporate Capital Member. The Company continues to underwrite for the 2019 year of account.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Accounting Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Directors

The Directors who served at any time during the year and to the date of this report were as follows:

Mr A C Macaulay
Mr M W Webb (Appointed 29 March 2019)
APCL Corporate Director No.1 Limited
APCL Corporate Director No.2 Limited
Mr J A Mackay (Resigned 29 March 2019)

Acorn Dynamics Limited
Report of the Directors (continued)

Auditors

Mazars LLP have signified their willingness to act and continue to be appointed as the Company's auditors.

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 auditors are unaware; and

b) they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 22/08/2019
and signed on its behalf by:

Alastair MacAulay (Aug 22, 2019)

A C MACAULAY

Director

Acorn Dynamics Limited
Independent Auditor's Report

Independent auditor's report to the members of Acorn Dynamics Limited

Opinion

We have audited the Financial Statements of Acorn Dynamics Limited (the 'Company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, 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 company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to the United Kingdom exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 2.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

Conclusions relation 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 Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. 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.

Other information (continued)

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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the 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 or the Report of the Directors.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specific 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 Statement of Directors' responsibilities set out on page 3, 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 they 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 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 company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Amanda Barker (Aug 23, 2019)

Amanda Barker (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

23/08/2019

Acorn Dynamics Limited
Statement of Comprehensive Income
Technical Account – general business
For the year ended 31 December 2018

	Note		2018 £		2017 £
Premiums					
Gross premiums written	1		638,753		501,111
Outward reinsurance premiums	1		(154,325)		(116,166)
Net premiums written			484,428		384,945
Change in the provision for unearned premiums					
Gross provision	1		(66,682)		(224,899)
Reinsurers' share	1		15,528		38,141
Earned premiums, net of reinsurance			433,274		198,187
Allocated investment return transferred from the non-technical account			1,821		1,066
Other technical income, net of reinsurance			-		-
Claims paid					
Gross amount	1	(180,002)		(59,961)	
Reinsurers' share	1	49,711		10,522	
Net claims paid		(130,291)		(49,439)	
Change in provision for claims					
Gross amount	1	(237,894)		(256,724)	
Reinsurers' share	1	63,204		106,687	
Change in net provision for claims		(174,690)		(150,037)	
Claims incurred, net of reinsurance			(304,981)		(199,476)
Changes in other technical provisions, net of reinsurance			117		311
Net operating expenses	1,2		(171,315)		(86,643)
Other technical charges, net of reinsurance	1		-		-
Balance on the technical account for general business			(41,084)		(86,555)

The accounting policies and notes on pages 14 to 41 form part of these Financial Statements.

Acorn Dynamics Limited
Statement of Comprehensive Income
Non Technical Account
For the year ended 31 December 2018

	Note	2018 £	2017 £
Balance on technical account for general business		(41,084)	(86,555)
Investment income	3	(7,718)	11,837
Allocated investment return transferred to the general business technical account		(1,821)	(1,066)
Other income		-	1,009
Other charges, including value adjustments		(57,976)	(63,865)
Loss on ordinary activities before taxation	4	(108,599)	(138,640)
Tax on loss on ordinary activities	5	17,640	24,269
Loss for the financial year		(90,959)	(114,371)
Other comprehensive expenditure:			
Currency translation differences		(3,674)	1,706
Tax on other comprehensive (expenditure)/income		637	(299)
Total comprehensive expenditure	10	(93,996)	(112,964)

All amounts relate to continuing operations.

The accounting policies and notes on pages 14 to 41 form part of these Financial Statements.

Acorn Dynamics Limited
Statement of Financial Position
As at 31 December 2018

		31 December 2018			31 December 2017		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Assets							
Intangible assets	6	-	173,074	173,074	-	208,374	208,374
Investments							
Other financial investments	7	238,240	138,329	376,569	94,076	144,262	238,338
Deposits with ceding undertakings		8	-	8	2	-	2
		238,248	138,329	376,577	94,078	144,262	238,340
Reinsurers' share of technical provisions							
Provision for unearned premiums	8	54,625	-	54,625	36,420	-	36,420
Claims outstanding	8	172,317	-	172,317	102,109	-	102,109
Other technical provisions		428	-	428	311	-	311
		227,370	-	227,370	138,840	-	138,840
Debtors							
Amounts falling due within one year	7	187,791	43,076	230,867	138,637	23,970	162,607
Amounts falling due after one year	7	34,500	7,310	41,810	10,395	-	10,395
		222,291	50,386	272,677	149,032	23,970	173,002
Other assets							
Cash at bank and in hand		18,385	10,766	29,151	8,769	19,538	28,307
Other		17,792	-	17,792	4,998	-	4,998
		36,177	10,766	46,943	13,767	19,538	33,305
Prepayments and accrued income							
Accrued interest		565	-	565	143	-	143
Deferred acquisitions costs	8	79,541	-	79,541	59,805	-	59,805
Other prepayments and accrued income		3,695	-	3,695	1,312	-	1,312
		83,801	-	83,801	61,260	-	61,260
Total assets		807,887	372,555	1,180,442	456,977	396,144	853,121

The accounting policies and notes on pages 14 to 41 form part of these Financial Statements.

Acorn Dynamics Limited
Statement of Financial Position
As at 31 December 2018

		31 December 2018			31 December 2017		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Liabilities and shareholders' funds							
Capital and reserves							
Called up share capital	9	-	100	100	-	100	100
Capital redemption		-	-	-	-	-	-
Capital contribution		-	-	-	-	-	-
Share premium account		-	-	-	-	-	-
Profit and loss account	10	(122,603)	(84,357)	(206,960)	(76,932)	(36,032)	(112,964)
Shareholders' funds – attributable to equity interests		(122,603)	(84,257)	(206,860)	(76,932)	(35,932)	(112,864)
Technical provisions							
Provision for unearned premiums	8	294,991	-	294,991	217,399	-	217,399
Claims outstanding	8	496,741	-	496,741	241,047	-	241,047
Other technical provisions		-	-	-	-	-	-
Provisions for other risks							
Deferred taxation	11	-	-	-	-	-	-
Other		-	-	-	-	-	-
Deposit received from reinsurers		12,183	-	12,183	2,795	-	2,795
Creditors							
Amounts falling due within one year	7	98,796	455,312	554,108	60,454	430,076	490,530
Amounts falling due after one year	7	17,456	-	17,456	5,279	-	5,279
		116,252	455,312	571,564	65,733	430,076	495,809
Accruals and deferred income		10,323	1,500	11,823	6,935	2,000	8,935
Total liabilities		807,887	372,555	1,180,442	456,977	396,144	853,121

Approved and authorised for issue by the Board of Directors on 22/08/2019
and signed on its behalf by:

Alastair MacAulay (Aug 22, 2019)

A C MACAULAY
Director

Company registration number: 10368316

The accounting policies and notes on pages 14 to 41 form part of these Financial Statements.

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

	Called up share capital £	Capital redemption reserve £	Share premium account £	Profit and loss account £	Capital contribution reserve £	Total £
Opening balance	-	-	-	-	-	-
Loss for the year	-	-	-	(114,371)	-	(114,371)
Other comprehensive income	-	-	-	1,407	-	1,407
Total comprehensive expenditure	-	-	-	(112,964)	-	(112,964)
Proceeds from the issue of shares	100	-	-	-	-	100
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
As at 31 December 2017	100	-	-	(112,964)	-	(112,864)
Loss for the year	-	-	-	(90,959)	-	(90,959)
Other comprehensive expenditure	-	-	-	(3,037)	-	(3,037)
Total comprehensive expenditure	-	-	-	(93,996)	-	(93,996)
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
As at 31 December 2018	100	-	-	(206,960)	-	(206,860)

Called up share capital represents the nominal value of shares that have been issued.

Capital redemption reserve records the nominal value of shares repurchased by the Company.

The share premium account records the amount above the nominal value received for shares sold, less transaction costs.

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

Capital contribution reserve relates to contributions to the equity capital of the Company.

The accounting policies and notes on pages 14 to 41 form part of these Financial Statements.

Acorn Dynamics Limited
Statement of Cash Flows
For the year ended 31 December 2018

	2018 £	2017 £
Operating activities		
Loss on ordinary activities before tax	(108,599)	(138,640)
Loss attributable to Syndicate transactions	41,997	78,638
Loss - excluding Syndicate transactions	(66,602)	(60,002)
Adjusted for:		
Increase in debtors	(7,310)	-
Increase in creditors	24,736	432,076
Profit on disposal of intangible assets	-	-
Amortisation of Syndicate capacity	51,968	51,469
Realised/unrealised gains/(losses) on investments	13,592	(8,117)
Investment income	(4,053)	(2,654)
Corporation and overseas taxes (losses)/refunded	(830)	1
Net cash inflow from operating activities	11,501	412,773
Investing activities		
Investment income	4,053	2,654
Purchase of Syndicate capacity	(16,668)	(259,843)
Proceeds from sale of Syndicate capacity	-	-
Purchase of financial investments	(24,085)	(150,878)
Proceeds from sale of financial investments	16,427	14,732
Net cash outflow from investing activities	(20,273)	(393,335)
Financing activities		
Issue of shares	-	100
Share issue expenses	-	-
Capital contribution/redemption	-	-
Equity dividends paid	-	-
Net cash inflow from financing activities	-	100
Net cash (decrease)/increase in cash and cash equivalents	(8,772)	19,538
Effect of exchange rates on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	19,538	-
Cash and cash equivalents at the end of the year	10,766	19,538
Consisting of:		
Cash at bank and in hand	10,766	19,538
Cash equivalents	-	-
	10,766	19,538

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 41 form part of these Financial Statements.

Basis of preparation of Financial Statements

General information

The Company is a private company limited by shares and incorporated in the United Kingdom.

The Financial Statements have been presented in Pounds Sterling ("Sterling") as this is the Company's functional currency, being the primary economic environment in which the Company 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*, FRS103 *Insurance Contracts* 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"). 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 Company 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 Company at entity level ("the Corporate").

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 and loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

For each such Syndicate, the Company's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Company's profit and loss account. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading "Syndicate Participation"). The Syndicate's assets are held subject to trust deeds for the benefit of the Company's insurance creditors.

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

The Company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of 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 Company.

Sources of data

The information used to compile the technical account and the "Syndicate" balance sheet 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 collates 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 Company participates.

Accounting policies

i Going concern

As at 31 December 2018 the Company had net liabilities of £206,860 (2017: £112,864). The Directors consider the Company to be a going concern and have prepared the Financial Statements on that basis. The Company is continuing to underwrite at Lloyd's for the 2019 year of account.

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 vii below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see vii below). Premiums written by a Syndicate may also include the reinsurance of other Syndicates on which the Company 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 Company'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 regards 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 Directors 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.

vi Deferred acquisition costs

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

Acorn Dynamics Limited
Notes to the Financial Statements
For the year ended 31 December 2018

Accounting policies (continued)

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

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

viii Financial instruments

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

The Company holds both basic and non-basic financial instruments. The Company'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 Corporate and through the Syndicates.

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

Basic financial instruments 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 subsequently measured at amortised cost include cash, debtors and creditors.

Accounting policies (continued)

viii Financial instruments (continued)

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, except for investments in equity instruments that are not publicly traded, and whose fair value cannot otherwise be measured reliably, which are measured at cost less impairment.

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

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

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

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.

Accounting policies (continued)

xii Net operating expenses

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

xiii 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.

xiv 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.

xv Insurance contracts – product classification

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

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

Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with sections 11 and 12 of 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).

xvi Taxation

The Company is taxed on its share of the underwriting results declared by Syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. The Syndicate results included in these Financial Statements (excluding any losses on open years of account) are only declared for tax purposes in the calendar year following closure of the year of account. HM Revenue & Customs agrees the taxable results of Syndicates at a Syndicate level on the basis of computations submitted by the Managing Agent. At the date of approval of these Financial Statements, the Syndicate taxable results of this year have not been agreed. Any adjustments that may be necessary to the tax provision as a result of HM Revenue & Customs agreement of Syndicate taxable results will be reflected in the Financial Statements of subsequent periods.

xvii Deferred taxation

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

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

Accounting policies (continued)

xvii Deferred taxation (continued)

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

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

xviii Critical accounting judgements and key sources of estimated uncertainty

In applying the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The estimates and underlying assumptions are reviewed on an ongoing basis.

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

Critical accounting judgements

The critical judgements that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the statutory Financial Statements are discussed below.

Assessing indicators of impairment
In assessing whether there have been any indicators of impairment assets, the Directors 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 Directors performs an impairment review when indications of impairment arise.

Recoverability of receivables
The Company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the Directors 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 Directors have assessed the useful life of syndicate capacity to be five years. This is on the basis that the Directors consider this to be the life over which value is created from the investment made.

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1. **Class of Business**

2018	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	20,363	19,470	(11,066)	(8,184)	(543)	(323)
Motor – third party liability	3,231	2,860	(1,650)	(985)	(176)	49
Motor – other classes	36,526	35,010	(22,755)	(11,382)	(607)	266
Marine, aviation and transport	56,974	53,466	(33,737)	(17,832)	(3,090)	(1,193)
Fire and other damage to property	176,950	158,946	(117,809)	(48,835)	(14,064)	(21,762)
Third party liability	159,006	134,069	(88,898)	(46,418)	(2,429)	(3,676)
Credit and suretyship	14,905	12,568	(7,116)	(3,632)	(1,157)	663
Legal expenses	1,032	973	(200)	(558)	6	221
Assistance	-	-	-	-	-	-
Miscellaneous	3,638	2,815	(1,925)	(1,034)	(146)	(290)
	472,625	420,177	(285,156)	(138,860)	(22,206)	(26,045)
Reinsurance	166,128	151,894	(132,740)	(32,455)	(3,676)	(16,977)
Total	638,753	572,071	(417,896)	(171,315)	(25,882)	(43,022)

2017	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	16,284	8,409	(4,489)	(4,137)	(231)	(448)
Motor – third party liability	2,056	911	(558)	(367)	(12)	(26)
Motor – other classes	35,055	17,908	(13,444)	(6,011)	190	(1,357)
Marine, aviation and transport	50,176	25,759	(19,452)	(9,652)	(1,060)	(4,405)
Fire and other damage to property	130,010	63,835	(90,562)	(24,115)	15,928	(34,914)
Third party liability	117,235	53,315	(35,459)	(20,583)	(2,007)	(4,734)
Credit and suretyship	11,404	5,477	(4,058)	(1,913)	(239)	(733)
Legal expenses	609	279	(141)	(114)	(13)	11
Assistance	-	-	-	-	-	-
Miscellaneous	2,935	1,333	(764)	(596)	(58)	(85)
	365,764	177,226	(168,927)	(67,488)	12,498	(46,691)
Reinsurance	135,347	98,986	(147,758)	(19,155)	26,686	(41,241)
Total	501,111	276,212	(316,685)	(86,643)	39,184	(87,932)

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.

2. Net Operating Expenses

	2018 £	2017 £
Acquisition costs	168,801	127,167
Change in deferred acquisition costs	(18,723)	(61,950)
Administrative expenses	31,871	22,544
Reinsurance commissions and profit participations	(19,882)	(8,121)
Personal expenses	9,248	7,003
	171,315	86,643

3. Investment Income

	2018 £	2017 £
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	7,961	2,984
Realised gains and losses	(2,147)	(31)
Unrealised gains and losses	(13,299)	8,462
Other	-	-
	(7,485)	11,415
Financial instruments held at amortised cost:		
Interest	43	552
Other	-	-
	43	552
Investment management expenses, including interest	(276)	(130)
	(276)	(130)
	(7,718)	11,837

4. Loss on Ordinary Activities before Taxation

	2018 £	2017 £
Operating loss is stated after charging:		
Directors' remuneration	-	-
Amortisation of Syndicate capacity	51,968	51,469
Loss on disposal of intangible fixed assets	-	-
Loss on exchange	1,025	1,761

The Company has no employees and no staff costs are met by the Company.

The Directors are considered to be the key management personnel of the Company.

The auditors charge a fixed fee to Argenta Private Capital Limited of £365 for the provision of the statutory audit, they also provide non-audit services through an outsourcing arrangement of approximately £515.

5. Taxation	**2018**	**2017**
	£	**£**
Analysis of charge in year		
Current tax:		
UK corporation tax on loss of the year	-	-
Adjustment in respect of previous period	-	-
	-	-
Foreign tax	829	-
Total current tax	829	-
Deferred tax:		
Origination and reversal of timing differences	(19,106)	(23,970)
Change in tax rate	-	-
Total tax	(18,277)	(23,970)

Factors affecting tax charge for period

The tax assessed for the period is different to the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018	2017
Loss on ordinary activities before tax	(108,599)	(138,640)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%)	(20,634)	(26,688)
Effects of:		
Change in deferred tax rate	-	-
Deferred tax asset previously unrecognised	-	-
Foreign tax	671	-
Expenses not deductible for tax purposes	-	-
Other corporation computation adjustments	(762)	(405)
Prior period and other adjustments	2,448	3,123
Total tax credit for the period	(18,277)	(23,970)

The results of the Company's participation on being the year after the calendar year result of each run-off year or the normal date of closure of each year of account.

The current UK corporation tax rate is 19%. The rate will be reduced to 17% from 1 April 2020. The effect of this reduction is reflected in the recognised deferred tax liability/(asset).

6. Intangible Assets

	Total
	£
Purchased Syndicate Capacity	
Cost	
At 1 January 2018	259,843
Additions	16,668
Disposals	-
At 31 December 2018	276,511
Amortisation	
At 1 January 2018	51,469
Additions	51,968
Disposals	-
At 31 December 2018	103,437
Net Book Value	
At 31 December 2018	173,074
At 31 December 2017	208,374

7. Financial Instruments and Financial Risk Management

7.1 Financial Investments

Other financial investments – Syndicate participation

	2018 Market Value £	2017 Market Value £
Shares and other variable yield securities and units in unit trusts	39,084	21,270
Debt securities and other fixed income securities	192,597	69,713
Participation in investment pools	2,487	1,702
Loans with credit institutions	166	81
Derivative financial instruments	(185)	59
Other investments	212	103
Deposits with credit institutions	526	371
Other	3,353	777
	238,240	94,076

Other financial investments – Corporate

Shares and other variable yield securities and units in unit trusts	138,329	144,262
Debt securities and other fixed income securities	-	-
Other investments	-	-
	138,329	144,262

7. Financial Instruments and Financial Risk Management (continued)

7.2 Debtors

	Syndicate Participation £	Corporate £	2018 Total £	Syndicate Participation £	Corporate £	2017 Total £
Amounts falling due within one year:						
Arising out of direct insurance operations	138,644	-	138,644	103,789	-	103,789
Arising out of reinsurance operations	49,144	-	49,144	35,374	-	35,374
Other Debtors:						
Amounts due from group undertakings	-	-	-	-	-	-
Other	3	43,076	43,079	(526)	23,970	23,444
Total Amounts falling due within one year	187,791	43,076	230,867	138,637	23,970	162,607
Amounts falling due after one year:						
Arising out of direct insurance operations	3,283	-	3,283	1,153	-	1,153
Arising out of reinsurance operations	26,131	-	26,131	6,926	-	6,926
Other Debtors:						
Amounts due from group undertakings	-	-	-	-	-	-
Other	5,086	7,310	12,396	2,316	-	2,316
Total Amounts falling due after one year	34,500	7,310	41,810	10,395	-	10,395
	222,291	50,386	272,677	149,032	23,970	173,002

7.3 Funds at Lloyd's

The amount of Funds at Lloyd's is represented in the balance sheet as:

	Syndicate Participation £	Corporate £	2018 Total £	Syndicate Participation £	Corporate £	2017 Total £
Cash	-	10,397	10,397	-	17,514	17,514
Investments	-	138,329	138,329	-	144,262	144,262
	-	148,726	148,726	-	161,776	161,776

Funds at Lloyd's represents assets 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 Lloyd's 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.

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

7.4 Creditors

	Syndicate Participation	Corporate	2018 Total	Syndicate Participation	Corporate	2017 Total
	£	£	£	£	£	£
Amounts falling due within one year:						
Arising out of direct insurance operations	12,351	-	12,351	5,661	-	5,661
Arising out of reinsurance operations	59,577	-	59,577	38,638	-	38,638
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors:						
Corporation tax	-	-	-	-	-	-
Directors' loan accounts	-	455,312	455,312	-	430,076	430,076
Third party funds	-	-	-	-	-	-
Other creditors	26,868	-	26,868	16,155	-	16,155
Amount due to group undertakings	-	-	-	-	-	-
Total Amounts falling due within one year	98,796	455,312	554,108	60,454	430,076	490,530
Amounts falling due after one year:						
Arising out of direct insurance operations	291	-	291	13	-	13
Arising out of reinsurance operations	14,073	-	14,073	4,770	-	4,770
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors:						
Corporation tax	-	-	-	-	-	-
Directors' loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	3,092	-	3,092	496	-	496
Amount due to group undertakings	-	-	-	-	-	-
Total Amounts falling due after one year	17,456	-	17,456	5,279	-	5,279
	116,252	455,312	571,564	65,733	430,076	495,809

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

7.5 Classification of Financial Instruments

The tables below set out the Company's financial instruments by classification.

Other financial investments – Syndicate participation

	At fair value through profit or loss	At amortised cost	2018 Total	At fair value through profit or loss	At amortised cost	2017 Total
	£	£	£	£	£	£
Financial assets						
Investments	238,240	-	238,240	94,076	-	94,076
Deposits with ceding undertakings	-	8	8	-	2	2
Insurance debtors	-	141,927	141,927	-	104,942	104,942
Reinsurance debtors	-	75,275	75,275	-	42,300	42,300
Other debtors	-	5,089	5,089	-	1,790	1,790
Cash at bank and in hand	-	18,385	18,385	-	8,769	8,769
Other assets	17,792	-	17,792	4,998	-	4,998
	256,032	240,684	496,716	99,074	157,803	256,877
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	90	-	90	(16)	-	(16)
Insurance creditors	-	12,642	12,642	-	5,674	5,674
Reinsurance creditors	-	73,650	73,650	-	43,408	43,408
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors	-	-	-	-	-	-
	90	86,292	86,382	(16)	49,082	49,066

Other financial investments – Corporate

	At fair value through profit or loss	At amortised cost	2018 Total	At fair value through profit or loss	At amortised cost	2017 Total
	£	£	£	£	£	£
Financial assets						
Investments	138,329	-	138,329	144,262	-	144,262
Other debtors	-	50,386	50,386	-	23,970	23,970
Cash at bank and in hand	-	10,766	10,766	-	19,538	19,538
Other assets	-	-	-	-	-	-
	138,329	61,152	199,481	144,262	43,508	187,770
Financial liabilities						
Other creditors	-	455,312	455,312	-	430,076	430,076
	-	455,312	455,312	-	430,076	430,076

7. Financial Instruments and Financial Risk Management (continued)

7.5 Classification of Financial Instruments (continued)

The table below sets out details of the Company's derivative financial instruments.

		2018		2017
	Notional amount	Fair value	Notional amount	Fair value
	£	£	£	£
Foreign exchange forward contracts	25,748	(187)	6,420	42
Interest rate future contracts	619	2	664	1
Foreign exchange options	-	-	-	-
Equity options	-	-	-	-
Foreign exchange contract for difference	-	-	1,491	14
Other	-	-	655	2
	26,367	(185)	9,230	59

7.6 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.

7. Financial Instruments and Financial Risk Management (continued)

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

The tables below set out Company'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
	£	£	£	£	£	£
2018						
Financial assets						
Shares and other variable yield securities and units in unit trusts	11,373	26,677	1,034	39,084	-	39,084
Debt securities and other fixed income securities	59,737	132,860	-	192,597	-	192,597
Participation in investment pools	961	1,258	268	2,487	-	2,487
Loans and deposits with credit institutions	526	166	212	904	-	904
Overseas deposits	11,108	9,532	505	21,145	-	21,145
Derivatives	125	(310)	-	(185)	-	(185)
Other investments	-	-	-	-	-	-
Financial assets classified as held for sale	-	-	-	-	-	-
	83,830	170,183	2,019	256,032	-	256,032
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	80	10	-	90	-	90
Financial liabilities classified as held for sale	-	-	-	-	-	-
	80	10	-	90	-	90

7. **Financial Instruments and Financial Risk Management (continued)**

7.6 **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 £
2017						
Financial assets						
Shares and other variable yield securities and units in unit trusts	4,526	15,940	804	21,270	-	21,270
Debt securities and other fixed income securities	20,786	48,927	-	69,713	-	69,713
Participation in investment pools	1,058	531	113	1,702	-	1,702
Loans and deposits with credit institutions	371	81	103	555	-	555
Overseas deposits	2,328	3,384	63	5,775	-	5,775
Derivatives	79	(20)	-	59	-	59
Other investments	-	-	-	-	-	-
Financial assets classified as held for sale	-	-	-	-	-	-
	29,148	68,843	1,083	99,074	-	99,074
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	(16)	-	-	(16)	-	(16)
Financial liabilities classified as held for sale	-	-	-	-	-	-
	(16)	-	-	(16)	-	(16)

Other financial investments – Corporate

	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	138,329	-	-	138,329	-	138,329
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	138,329	-	-	138,329	-	138,329

7. Financial Instruments and Financial Risk Management (continued)

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

Other financial investments – Corporate (continued)

	Level (a)	Level (b)	Level (c)	Fair value total	Held at amortised cost	Total
	£	£	£	£	£	£
2017						
Financial assets						
Shares and other variable yield securities and units in unit trusts	144,262	-	-	144,262	-	144,262
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	144,262	-	-	144,262	-	144,262

7.7 Financial Risk Management

The Company is a financial institution and therefore provides the following disclosures in respect of the financial instruments it holds.

The Company 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 Company 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 Directors therefore relate to the Corporate only. The quantitative disclosures are made in respect of both the Corporate and the Syndicates.

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Credit risk

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

The Company manages credit risk at the Corporate level by ensuring that investments and cash and cash equivalent deposits are placed only with highly rated credit institutions. At the Corporate level the Company did not hold any collateral as security against its receivables, or have any other credit enhancements at the reporting dates.

The carrying amount of the Company's financial assets represents the Company'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
	£	£	£	£	£	£
2018						
Shares and other variable yield securities and units in unit trusts	3,207	2,782	9,426	1,956	21,713	39,084
Debt securities and other fixed income securities	50,933	59,233	58,227	19,194	5,010	192,597
Participation in investment pools	757	792	363	66	509	2,487
Loans secured with credit institutions	165	1	-	-	212	378
Deposits with credit institutions	-	-	256	-	270	526
Overseas deposits	9,431	3,995	1,800	2,157	3,762	21,145
Derivative investments	-	-	87	35	(307)	(185)
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	-	-	-	-	8	8
Reinsurers share of claims outstanding	12,439	21,730	113,832	111	24,205	172,317
Reinsurance debtors	268	1,123	5,325	-	2,049	8,765
Cash at bank and in hand	5,715	299	9,068	1,905	1,398	18,385
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	82,915	89,955	198,384	25,424	58,829	455,507

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
2017						
Shares and other variable yield securities and units in unit trusts	4,884	601	5,834	1,687	8,264	21,270
Debt securities and other fixed income securities	18,847	19,685	21,401	7,083	2,697	69,713
Participation in investment pools	431	742	388	39	102	1,702
Loans secured with credit institutions	81	-	-	-	103	184
Deposits with credit institutions	-	-	190	-	181	371
Overseas deposits	2,574	1,047	545	787	822	5,775
Derivative investments	-	9	51	29	(30)	59
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	-	-	-	-	2	2
Reinsurers share of claims outstanding	1,187	12,895	71,885	452	15,690	102,109
Reinsurance debtors	-	138	1,411	-	2,592	4,141
Cash at bank and in hand	903	291	5,826	1,706	43	8,769
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	28,907	35,408	107,531	11,783	30,466	214,095

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 £
2018						
Shares and other variable yield securities and units in unit trusts	39,084	-	-	-	-	39,084
Debt securities and other fixed income securities	192,597	-	-	-	-	192,597
Participation in investment pools	2,487	-	-	-	-	2,487
Loans secured with credit institutions	378	-	-	-	-	378
Deposits with credit institutions	526	-	-	-	-	526
Overseas deposits	21,145	-	-	-	-	21,145
Derivative investments	(185)	-	-	-	-	(185)
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	8	-	-	-	-	8
Reinsurers share of claims outstanding	172,317	-	-	-	-	172,317
Reinsurance debtors	6,189	2,482	83	11	-	8,765
Cash at bank and in hand	18,385	-	-	-	-	18,385
Insurance debtors	126,988	9,988	2,254	2,697	-	141,927
Other debtors	202,527	283	139	-	-	202,949
	782,446	12,753	2,476	2,708	-	800,383

7. Financial Instruments and Financial Risk Management (continued)

7.7 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 £
2017						
Shares and other variable yield securities and units in unit trusts	21,270	-	-	-	-	21,270
Debt securities and other fixed income securities	69,713	-	-	-	-	69,713
Participation in investment pools	1,702	-	-	-	-	1,702
Loans secured with credit institutions	184	-	-	-	-	184
Deposits with credit institutions	371	-	-	-	-	371
Overseas deposits	5,775	-	-	-	-	5,775
Derivative investments	59	-	-	-	-	59
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	2	-	-	-	-	2
Reinsurers share of claims outstanding	102,109	-	-	-	-	102,109
Reinsurance debtors	3,605	530	3	3	-	4,141
Cash at bank and in hand	8,769	-	-	-	-	8,769
Insurance debtors	95,000	8,493	1,441	8	-	104,942
Other debtors	132,949	264	16	-	-	133,229
	441,508	9,287	1,460	11	-	452,266

At the Corporate level the Company is not exposed to significant credit risk. Consequently a sensitivity analysis for credit risk has not been presented for the Corporate.

Liquidity risk

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

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

The following tables detail the Company'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 Company 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 £
2018						
Derivative financial instruments	-	90	-	-	-	90
Deposits received from reinsurers	-	7,813	3,417	820	133	12,183
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	190,538	182,040	69,687	54,476	496,741
Creditors	(527)	76,560	20,389	3,902	387	100,711
Other	-	-	-	-	-	-
	(527)	275,001	205,846	74,409	54,996	609,725

7. ***Financial Instruments and Financial Risk Management (continued)***

7.7 **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 £**
2017						
Derivative financial instruments	-	(16)	-	-	-	(16)
Deposits received from reinsurers	-	925	1,138	729	3	2,795
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	100,352	88,894	32,023	19,778	241,047
Creditors	439	51,003	5,741	1,718	5	58,906
Other	-	-	-	-	-	-
	439	152,264	95,773	34,470	19,786	302,732

At the Corporate level the Company is not exposed to significant liquidity risk. Consequently a maturity profile has not been presented for the Corporate.

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 Company is exposed to the risk of interest rate fluctuations in respect of cash and cash equivalents and other interest bearing securities.

At the Corporate level the Company 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 Company.

Syndicate participation

	2018 £	**2017 £**
Impact of 50 basis point increase on profit or loss	(1,898)	(585)
Impact of 50 basis point decrease on profit or loss	1,880	578
Impact of 50 basis point increase on equity	(1,898)	(585)
Impact of 50 basis point decrease on equity	1,880	578

At the Corporate level the Company 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 Corporate.

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 Company is exposed to equity price risk in respect of its equity investments.

At the Corporate level the Company manages equity price risk by maintaining an appropriate mix between equity and debt financial instruments, and by spreading the risk on equity investments across a portfolio of investments.

7. Financial Instruments and Financial Risk Management (continued)

7.7 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 Company.

Syndicate participation

	2018 £	2017 £
Impact on profit or loss of 5% increase in Stock Market Prices	773	189
Impact on profit or loss of 5% decrease in Stock Market Prices	(772)	(190)
Impact on equity of 5% increase in Stock Market Prices	773	189
Impact on equity of 5% decrease in Stock Market Prices	(772)	(190)

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

Currency risk

The Company 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 Corporate level the Company 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 Company's principal foreign exchange exposures in aggregate.

Net assets and liabilities

		2018		2017
	Syndicate Participation £	Corporate £	Syndicate Participation £	Corporate £
Sterling	(71,047)	(289,470)	(41,179)	(264,787)
United States Dollar	(80,487)	16,009	(80,179)	8,659
Euro	24,721	16,131	23,670	11,822
Canadian Dollar	13,950	-	9,117	-
Australian Dollar	2,557	-	4,027	-
Japanese Yen	(2,902)	-	(9)	-
Other	5,147	-	4,292	-

7. *Financial Instruments and Financial Risk Management (continued)*

7.7 Financial Risk Management (continued)

The Company 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 Corporate in these Financial Statements.

The Company's assets are primarily Funds at Lloyd's to support its underwriting. These are held in various currencies but are all either listed investments or cash. As such, any exchange movement would be accounted for in the profit and loss.

	Corporate Profit and loss			
	31 December 2018		31 December 2017	
	Increase	Decrease	Increase	Decrease
Effect of Sterling exchange movement by 10%	£	£	£	£
United States Dollar	1,455	(1,779)	787	(962)
Euro	1,466	(1,792)	1,075	(1,314)
Canadian Dollar	-	-	-	-
Australian Dollar	-	-	-	-
Japanese Yen	-	-	-	-
Other	-	-	-	-

7.8 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 Funds at Lloyd's represent the capital which allows the Company to participate on the Syndicates. Refer to Note 7.3 for further information.

8. Insurance Contracts

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

	Gross provision £	Reinsurance asset £	2018 Net £	Gross provision £	Reinsurance asset £	2017 Net £
At 1 January	241,047	102,109	138,938	-	-	-
Movements in the year	237,894	63,204	174,690	249,816	106,687	143,129
Exchange differences	17,800	7,004	10,796	(8,769)	(4,578)	(4,191)
At 31 December	496,741	172,317	324,424	241,047	102,109	138,938

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

	Gross provision £	Reinsurance asset £	2018 Net £	Gross provision £	Reinsurance asset £	2017 Net £
At 1 January	217,399	36,420	180,979	-	-	-
Movements in the year	66,682	15,528	51,154	224,899	38,141	186,758
Exchange differences	10,910	2,677	8,233	(7,500)	(1,721)	(5,779)
At 31 December	294,991	54,625	240,366	217,399	36,420	180,979

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

	2018 £	2017 £
At 1 January	59,805	-
Movements in the year	18,723	61,950
Exchange differences	1,013	(2,145)
At 31 December	79,541	59,805

8.1 Risks arising from Insurance Contracts

The Company 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 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.

Acorn Dynamics Limited
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8. Insurance Contracts (continued)

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	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	
2013	-	-	-	-	-	-		
2014	-	-	-	-	-			
2015	-	-	-	-				
2016	-	-	-					
2017	310,604	475,995						
2018	266,913							

	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	
2017	207,644	268,351	
2018	38,523	228,390	

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	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	
2013	-	-	-	-	-	-		
2014	-	-	-	-	-			
2015	-	-	-	-				
2016	-	-	-					
2017	193,584	326,393						
2018	181,145							

8. Insurance Contracts (continued)

8.1 Risks arising from Insurance Contracts (continued)

Claims development – net (continued)

	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	
2017	150,790	175,603	
2018	32,323	148,822	

9. Called-up Share Capital

Issued and fully paid	Number of shares			
Par value per share	**At 1 January**	**Issued during the year**	**Redeemed during the year**	**At 31 December**
100 Ordinary £1 shares	100	-	-	100
Total	100	-	-	100

The Ordinary £1 shares each hold one voting right. There are no restrictions on the distribution of dividends and the repayments of capital.

10. Profit and Loss Account

	Syndicate Participation £	Corporate £	2018 Total £	Syndicate Participation £	Corporate £	2017 Total £
Retained loss brought forward	(76,932)	(36,032)	(112,964)	-	-	-
Reallocate distribution	488	(488)	-	-	-	-
Loss for the financial year	(46,159)	(47,837)	(93,996)	(76,932)	(36,032)	(112,964)
Equity dividends	-	-	-	-	-	-
Retained loss carried forward	(122,603)	(84,357)	(206,960)	(76,932)	(36,032)	(112,964)

11. Deferred Tax

2018

	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £	Total £
At 1 January	(13,378)	(9,383)	-	(1,209)	(23,970)
Movement in the year	(7,779)	(11,114)	-	(213)	(19,106)
At 31 December	(21,157)	(20,497)	-	(1,422)	(43,076)

2017

	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £	Total £
At 1 January	-	-	-	-	-
Movement in the year	(13,378)	(9,383)	-	(1,209)	(23,970)
At 31 December	(13,378)	(9,383)	-	(1,209)	(23,970)

The unused tax losses carried forward at the Statement of Financial Position date are £120,570. Unused tax losses are expected to be recoverable against the future profits of the Company and have no expiry date.

The deferred tax balance consists of timing differences relating to the taxation of underwriting results. Deferred tax assets are shown within other debtors (Note 7.2).

12. Related Party Disclosure

During the year the Directors made loans to and from the Company. At the Balance Sheet date the amount due (to)/from the Company was £455,312 (2017: £430,077).

Any related party loans and balances do not attract interest and are repayable on demand.

13. Ultimate Controlling Party

The Company is controlled by Mr A C Macaulay who holds 100% of the issued £100 ordinary share capital.