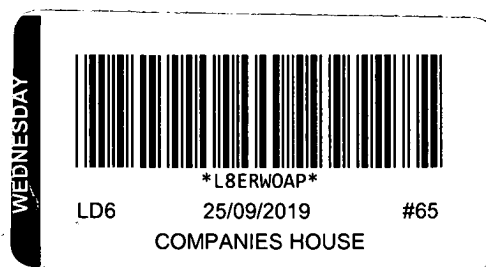

LIMITED LIABILITY PARTNERSHIP

Alizadeh Underwriting LLP

Annual Report

◆ For the year ended 31 December 2018 ◆



Registered Number: OC331756

Alizadeh Underwriting LLP

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Alizadeh Underwriting LLP

General Information

DESIGNATED MEMBERS

Argenta Continuity Limited
Argenta LLP Services Limited

MEMBERS' AGENT

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

AUDITORS

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

REGISTERED NUMBER

OC331756

REGISTERED OFFICE

5th Floor, 70 Gracechurch Street
London
EC3V 0XL

Alizadeh Underwriting LLP

Strategic Report

For the year ended 31 December 2018

The Members present their Strategic Report for the year ended 31 December 2018.

Business Review

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

The financial statements incorporate the annual accounting results of the Syndicates on which the Limited Liability Partnership participates for the 2016, 2017 and 2018 years of account, as well as any 2015 and prior run-off years.

Results

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

Financial Risk Management Objectives and Policies

The Limited Liability Partnership is principally exposed to financial risk through its participation on Lloyd's Syndicates. It has delegated sole management and control of its underwriting through each Syndicate to the managing agent of that Syndicate and it looks to the managing agents to implement appropriate policies, procedures and internal controls to manage each Syndicate's exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The Limited Liability Partnership is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the Limited Liability Partnership.

Hedge accounting is not used by the Limited Liability Partnership.

Approved by the Members on 21 June 2019 and signed on their behalf by:



D C BOWLES
ARGENTA LLP SERVICES LIMITED
Designated Member

Alizadeh Underwriting LLP

Members' Report For the year ended 31 December 2018

The Members present their report together with the financial statements for the year ended 31 December 2018.

Statement of Members' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

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

Activities

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

Designated Members

The Designated Members during the period were as follows:

Argenta Continuity Limited
Argenta LLP Services Limited

Members' Interests

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

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

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 Members 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 Partnership.

Auditors

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

Approved by the Members on 21 June 2019 and signed on their behalf by:



D C BOWLES
ARGENTA LLP SERVICES LIMITED
Designated Member

Alizadeh Underwriting LLP

Independent Auditor's Report To the Members of Alizadeh Underwriting LLP For the year ended 31 December 2018

Opinion

We have audited the financial statements of Alizadeh Underwriting LLP (the "LLP") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Reconciliation of Member's Interests, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 December 2018 and of its Loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

Basis for Opinion

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

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

The Members' view on the impact of Brexit is disclosed on page 5.

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 Partnership's trade, customers, suppliers and the wider economy.

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

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Alizadeh Underwriting LLP

Independent Auditor's Report (continued) To the Members of Alizadeh Underwriting LLP For the year ended 31 December 2018

Matters on which we are required to report by exception

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

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

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

Responsibilities of Members

As explained more fully in the Statement of Members' Responsibilities set out on page 5, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the Audit Report

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



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

21 June 2019

Alizadeh Underwriting LLP

Statement of Comprehensive Income – Technical Account For the year ended 31 December 2018

	Note	2018 £	2017 £
Premiums			
Gross premiums written	1	1,364,568	1,550,978
Outward reinsurance premiums	1	<u>(295,596)</u>	<u>(327,285)</u>
Net premiums written		<u>1,068,972</u>	<u>1,223,693</u>
Change in the provision for Unearned premiums			
Gross provision	1	70,537	(7,017)
Reinsurers' share	1	<u>1,690</u>	<u>11,374</u>
Earned premiums, net of reinsurance		<u>1,141,199</u>	<u>1,228,050</u>
Allocated investment return transferred from the non-technical account		17,648	30,933
Other technical income, net of reinsurance		115	168
Claims paid			
Gross amount	1	(907,914)	(792,504)
Reinsurers' share	1	<u>214,344</u>	<u>101,425</u>
Net claims paid		<u>(693,570)</u>	<u>(691,079)</u>
Change in provision for claims			
Gross amount	1	(8,816)	(509,017)
Reinsurers' share	1	<u>(4,342)</u>	<u>292,436</u>
Net change in provisions for claims		<u>(13,158)</u>	<u>(216,581)</u>
Claims incurred, net of reinsurance		(706,728)	(907,660)
Changes in other technical provisions, net of reinsurance		(2,285)	2,976
Net operating expenses	1, 2	(451,960)	(496,190)
Other technical charges, net of reinsurance		-	-
Balance on the technical account for general business		<u>(2,011)</u>	<u>(141,723)</u>

The accounting policies and notes on pages 14 to 38 form part of these financial statements.

Alizadeh Underwriting LLP

Statement of Comprehensive Income – Non Technical Account For the year ended 31 December 2018

	Note	2018 £	2017 £
Balance on general business technical account		(2,011)	(141,723)
Investment income	3	17,845	30,996
Allocated investment return transferred to the technical account		(17,648)	(30,933)
Other income		-	20,958
Other charges, including value adjustments		(38,050)	(38,440)
Loss for the financial period before Members' remuneration and profit shares	4	(39,864)	(159,142)
Members' remuneration charged as an expense	5	-	-
Loss for the financial period available for discretionary division among Members		(39,864)	(159,142)
Other comprehensive (expenditure)/income:			
Currency translation differences		(6,841)	806
Total comprehensive expenditure		(46,705)	(158,336)

All items derive from continuing activities.

The accounting policies and notes on pages 14 to 38 form part of these financial statements.

Alizadeh Underwriting LLP

Statement of Financial Position As at 31 December 2018

		31 December 2018			31 December 2017		
	Note	Syndicate Participation £	Partnership £	Total £	Syndicate Participation £	Partnership £	Total £
Assets							
Intangible assets	6	-	5,600	5,600	-	7,325	7,325
Investments							
Other financial investments	7	1,472,106	-	1,472,106	1,532,311	-	1,532,311
Deposits with ceding undertakings		126	-	126	109	-	109
		1,472,232	-	1,472,232	1,532,420	-	1,532,420
Reinsurers' share of technical provisions							
Provision for unearned premiums	8	104,951	-	104,951	98,292	-	98,292
Claims outstanding	8	699,138	-	699,138	701,378	-	701,378
Other technical provisions		2,711	-	2,711	4,994	-	4,994
		806,800	-	806,800	804,664	-	804,664
Debtors							
Amounts falling due within one year	7	636,119	15,649	651,768	616,868	-	616,868
Amounts falling due after one year	7	98,218	34,566	132,784	155,658	-	155,658
		734,337	50,215	784,552	772,526	-	772,526
Other assets							
Cash at bank and in hand		101,843	-	101,843	94,462	-	94,462
Other		134,434	-	134,434	133,831	-	133,831
		236,277	-	236,277	228,293	-	228,293
Prepayments and accrued income							
Accrued interest		4,338	-	4,338	3,759	-	3,759
Deferred acquisitions costs	8	170,713	-	170,713	190,271	-	190,271
Other prepayments and accrued income		10,076	-	10,076	8,807	-	8,807
		185,127	-	185,127	202,837	-	202,837
Total assets		3,434,773	55,815	3,490,588	3,540,740	7,325	3,548,065

The accounting policies and notes on pages 14 to 38 form part of these financial statements.

Alizadeh Underwriting LLP

Statement of Financial Position As at 31 December 2018

		31 December 2018			31 December 2017		
	Note	Syndicate Participation £	Partnership £	Total £	Syndicate Participation £	Partnership £	Total £
Liabilities and Members' interests							
Loans and other debts due to Members							
Syndicate profit and loss		(307,785)	-	(307,785)	(154,843)	-	(154,843)
Corporate profit and loss - Syndicate capacity		-	5,014	5,014	-	5,939	5,939
Corporate profit and loss - other		-	33,805	33,805	-	(21,786)	(21,786)
		(307,785)	38,819	(268,966)	(154,843)	(15,847)	(170,690)
Technical provisions							
Provision for unearned premiums	8	623,801	-	623,801	670,949	-	670,949
Claims outstanding	8	2,633,799	-	2,633,799	2,589,222	-	2,589,222
Other technical provisions		-	-	-	-	-	-
Provisions for other risks		3,479	-	3,479	-	-	-
Deposit received from reinsurers		21,263	-	21,263	13,222	-	13,222
Creditors							
Amounts falling due within one year	7	388,007	800	388,807	337,110	801	337,911
Amounts falling due after one year	7	44,242	1,600	45,842	53,674	2,400	56,074
		3,714,591	2,400	3,716,991	3,664,177	3,201	3,667,378
Accruals and deferred income		27,967	14,596	42,563	31,406	19,971	51,377
Total liabilities		3,434,773	55,815	3,490,588	3,540,740	7,325	3,548,065

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



D C BOWLES
ARGENTA LLP SERVICES LIMITED
21 June 2019

Registered Number: OC331756

The accounting policies and notes on pages 14 to 38 form part of these financial statements.

Alizadeh Underwriting LLP

Reconciliation of Members' Interests For the year ended 31 December 2018

	Liabilities			
	Partnership profit and loss allocated to Members			
	Syndicate profit and loss allocated to Members £	Syndicate capacity £	Other £	Total £
Members' interests at 1 January 2017	170,122	5,881	(27,266)	148,737
Allocated Profit 2015 year of account	87,270	-	-	87,270
Allocated Profit 2016 year of account	5,897	-	-	5,897
Allocated (Loss) 2017 year of account	(230,707)	16,656	(37,452)	(251,503)
Members' interests after (Loss) for the year	32,582	22,537	(64,718)	(9,599)
Reallocate distribution Introduced by Members	(187,425)	-	187,425	-
Repayment of debt (including Members' capital classified as a liability)	-	(16,598)	(144,493)	(161,091)
Other movements	-	-	-	-
Members' interests at 31 December 2017	(154,843)	5,939	(21,786)	(170,690)
Allocated Profit 2016 year of account	83,781	-	-	83,781
Allocated Profit 2017 year of account	22,839	-	-	22,839
Allocated Loss 2018 year of account	(124,667)	(1,725)	(26,933)	(153,325)
Members' interests after Loss for the year	(172,890)	4,214	(48,719)	(217,395)
Reallocate distribution Introduced by Members	(134,895)	-	134,894	(1)
Repayment of debt (including Members' capital classified as a liability)	-	800	-	800
Other movements	-	-	(52,370)	(52,370)
Members' interests at 31 December 2018	(307,785)	5,014	33,805	(268,966)

The accounting policies and notes on pages 14 to 38 form part of these financial statements.

Alizadeh Underwriting LLP

Statement of Cash Flows For the year ended 31 December 2018

	2018 £	2017 £
Operating activities		
Loss on ordinary activities before tax	(39,864)	(159,142)
Profit attributable to Syndicate transactions	11,204	138,345
Loss excluding Syndicate transactions	(28,660)	(20,797)
Adjustment for:		
(Increase)/decrease in debtors	(50,215)	-
Decrease in creditors	(6,176)	(2,463)
(Profit)/loss on disposal of intangible assets	-	(17,581)
Amortisation of Syndicate capacity	1,725	925
Realised/unrealised losses on investments	-	-
Investment income	(197)	(63)
Net cash outflow from operating activities	(83,523)	(39,979)
Investing activities		
Investment income	197	63
Purchase of Syndicate capacity	-	(4,000)
Proceeds from sale of Syndicate capacity	-	17,581
Net cash inflow from investing activities	197	13,644
Financing activities		
Repayment of debt to Members	-	-
Capital introduced by Members	83,326	26,335
Net cash inflow from financing activities	83,326	26,335
Net cash increase in cash and cash equivalents	-	-
Effect of exchange rates on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	-	-
Consisting of:		
Cash at bank and in hand	-	-
Cash equivalents	-	-
	-	-

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

The accounting policies and notes on pages 14 to 38 form part of these financial statements.

Alizadeh Underwriting LLP

Notes to the Financial Statements For the year ended 31 December 2018

General information

The Partnership is a Limited Liability Partnership incorporated in the United Kingdom.

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

Basis of preparation

These financial statements have been prepared in accordance with:

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

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

Recognition of insurance transactions

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

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

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

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

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

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

Sources of data

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

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

Alizadeh Underwriting LLP

Notes to the Financial Statements For the year ended 31 December 2018

Accounting policies

i. Going concern

These financial statements have been prepared on a going concern basis.

ii. Premiums

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

iii. Claims incurred

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

iv. Provision for claims outstanding

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

The two most critical assumptions with regard to claims provisions are that the past is a reasonable predictor of the likely level of claims development, and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The Members consider the provision for gross claims and related reinsurance recoveries, as based on the Returns to be fairly stated. However, ultimate liability will vary as a result of subsequent information and events, and this may result in significant adjustments to the amounts provided. Adjustments to amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made.

v. Unexpired risk provision

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

Alizadeh Underwriting LLP

Notes to the Financial Statements For the year ended 31 December 2018

Accounting policies (continued)

vi. Reinsurance to close

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

- (1) a premium; and
- (2) either:

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

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

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

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Notes to the Financial Statements For the year ended 31 December 2018

Accounting policies (continued)

vii. Financial instruments

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

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

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

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

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

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

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

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

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

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

viii. Derivative financial instruments

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

ix. Derecognition of financial assets

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

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

Alizadeh Underwriting LLP

Notes to the Financial Statements For the year ended 31 December 2018

Accounting policies (continued)

ix. Derecognition of financial assets (continued)

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

x. 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.

xi. Net operating expenses

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

xii. Deferred acquisition costs

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

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

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

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

Alizadeh Underwriting LLP

Notes to the Financial Statements For the year ended 31 December 2018

Accounting policies (continued)

xvi. Members' participation rights and remuneration

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

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

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

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

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

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

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

xvii. Taxation

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

xviii. Critical accounting judgements and key sources of estimation uncertainty

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

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

Alizadeh Underwriting LLP

Notes to the Financial Statements For the year ended 31 December 2018

Accounting policies (continued)

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

Critical accounting judgements

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

Assessing indicators of impairment

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

Key sources of estimation uncertainty

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

Impairment review

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

Recoverability of receivables

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

Determining the useful life of purchased Syndicate capacity

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

Alizadeh Underwriting LLP

Notes to the Financial Statements For the year ended 31 December 2018

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	54,358	58,580	(28,920)	(24,783)	(1,280)	3,597
Motor – third party liability	4,064	5,086	(2,788)	(1,631)	(551)	116
Motor – other classes	31,786	72,259	(17,057)	(21,559)	(26,128)	7,515
Marine, aviation and transport	116,431	122,892	(63,442)	(43,900)	(8,813)	6,737
Fire and other damage to property	427,867	426,469	(289,009)	(134,720)	(38,293)	(35,553)
Third party liability	362,157	355,666	(245,791)	(128,077)	16,319	(1,883)
Credit and suretyship	29,520	27,373	(11,944)	(8,385)	(2,729)	4,315
Legal expenses	1,525	1,570	(500)	(1,031)	9	48
Assistance	-	-	-	-	-	-
Miscellaneous	5,127	6,012	(2,828)	(2,129)	(623)	432
	1,032,835	1,075,907	(662,279)	(366,215)	(62,089)	(14,676)
Reinsurance	331,733	359,198	(254,451)	(85,745)	(21,815)	(2,813)
Total	1,364,568	1,435,105	(916,730)	(451,960)	(83,904)	(17,489)

2017	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	58,220	57,981	(31,462)	(25,561)	(1,835)	(877)
Motor – third party liability	4,565	5,139	(3,961)	(1,444)	57	(209)
Motor – other classes	123,580	129,189	(101,511)	(36,693)	170	(8,845)
Marine, aviation and transport	127,200	128,174	(60,960)	(50,381)	(11,778)	5,055
Fire and other damage to property	425,606	423,722	(421,936)	(144,271)	53,198	(89,287)
Third party liability	361,580	340,273	(197,839)	(123,899)	(10,490)	8,045
Credit and suretyship	25,523	24,303	(16,331)	(8,719)	161	(586)
Legal expenses	1,332	1,363	(667)	(692)	2	6
Assistance	-	-	-	-	-	-
Miscellaneous	7,387	6,959	(3,599)	(2,595)	(544)	221
	1,134,993	1,117,103	(838,266)	(394,255)	28,941	(86,477)
Reinsurance	415,985	426,858	(463,255)	(101,935)	49,009	(89,323)
Total	1,550,978	1,543,961	(1,301,521)	(496,190)	77,950	(175,800)

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.

Alizadeh Underwriting LLP

Notes to the Financial Statements For the year ended 31 December 2018

2. Net Operating Expenses	2018	2017
	£	£
Acquisition costs	373,448	423,087
Change in deferred acquisition costs	21,137	(9,446)
Administrative expenses	66,520	76,634
Reinsurance commissions and profit participations	(43,207)	(35,590)
Personal expenses	34,062	41,505
	<u>451,960</u>	<u>496,190</u>
3. Investment Income	2018	2017
	£	£
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	34,809	33,345
Realised gains and losses	(3,132)	94
Unrealised gains and losses	(12,481)	(3)
Other	-	-
	<u>19,196</u>	<u>33,436</u>
Financial instruments held at amortised cost:		
Interest	197	63
Other	-	-
	<u>197</u>	<u>63</u>
Investment management expenses, including interest	(1,548)	(2,503)
	<u>(1,548)</u>	<u>(2,503)</u>
Total	<u>17,845</u>	<u>30,996</u>
4. Profit/(Loss) on Ordinary Activities before Taxation	2018	2017
	£	£
Operating Loss is stated after charging:		
Amortisation of Syndicate capacity	1,725	925
Profit/(loss) on disposal of intangible fixed assets	-	(17,581)
Loss on exchange	7,395	3,255

The Limited Liability Partnership has no employees.

The auditors charge a fixed fee to Argenta Private Capital Limited of £315 for the provision of the statutory audit, they also provide non-audit services through an outsourcing arrangement of approximately £515.

Alizadeh Underwriting LLP

Notes to the Financial Statements For the year ended 31 December 2018

5. Members' Remuneration

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

The average number of Members during the year was 4.

6. Intangible Assets	Total £
Purchased Syndicate Capacity	
Cost	
At 1 January 2018	272,271
Additions	-
Disposals	-
At 31 December 2018	272,271
Amortisation	
At 1 January 2018	264,946
Additions	1,725
Disposals	-
At 31 December 2018	266,671
Net Book Value	
At 31 December 2018	5,600
At 31 December 2017	7,325

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	232,028	283,688
Debt securities and other fixed income securities	1,162,547	1,178,253
Participation in investment pools	53,925	45,381
Loans with credit institutions	702	771
Derivative financial instruments	638	3,405
Other investments	710	640
Deposits with credit institutions	2,935	3,064
Other	18,621	17,109
	<u>1,472,106</u>	<u>1,532,311</u>

Alizadeh Underwriting LLP

Notes to the Financial Statements For the year ended 31 December 2018

7. Financial Instruments and Financial Risk Management (continued)

7.2 Debtors

	2018			2017		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts falling due within one year:						
Arising out of direct insurance operations	296,248	-	296,248	304,144	-	304,144
Arising out of reinsurance operations	247,326	-	247,326	232,522	-	232,522
Other Debtors:						
Amounts due from group undertakings	-	-	-	-	-	-
Other	92,545	15,649	108,194	80,202	-	80,202
Total Amounts falling due within one year	636,119	15,649	651,768	616,868	-	616,868
Amounts falling due after one year:						
Arising out of direct insurance operations	7,380	-	7,380	4,403	-	4,403
Arising out of reinsurance operations	82,432	-	82,432	139,155	-	139,155
Other Debtors:						
Amounts due from group undertakings	-	-	-	-	-	-
Other	8,406	34,566	42,972	12,100	-	12,100
Total Amounts falling due after one year	98,218	34,566	132,784	155,658	-	155,658
	734,337	50,215	784,552	772,526	-	772,526

Alizadeh Underwriting LLP

Notes to the Financial Statements For the year ended 31 December 2018

7. Financial Instruments and Financial Risk Management (continued)

7.3 Creditors

	2018			2017		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts falling due within one year:						
Arising out of direct insurance operations	42,243	-	42,243	52,183	-	52,183
Arising out of reinsurance operations	169,656	-	169,656	163,649	-	163,649
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors:						
Corporation tax	-	-	-	-	-	-
Members loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	176,108	800	176,908	121,278	801	122,079
Amount due to group undertakings	-	-	-	-	-	-
Total Amounts falling due within one year	388,007	800	388,807	337,110	801	337,911
Amounts falling due after one year:						
Arising out of direct insurance operations	461	-	461	298	-	298
Arising out of reinsurance operations	40,658	-	40,658	47,222	-	47,222
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors:						
Corporation tax	-	-	-	-	-	-
Members loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	3,123	1,600	4,723	6,154	2,400	8,554
Amount due to group undertakings	-	-	-	-	-	-
Total Amounts falling due after one year	44,242	1,600	45,842	53,674	2,400	56,074
	432,249	2,400	434,649	390,784	3,201	393,985

Alizadeh Underwriting LLP

Notes to the Financial Statements For the year ended 31 December 2018

7. Financial Instruments and Financial Risk Management (continued)

7.4 Classification of Financial Instruments

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

Other financial investments – Syndicate participation

	2018			2017		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
Financial assets						
Investments	1,472,106	-	1,472,106	1,532,311	-	1,532,311
Deposits with ceding undertakings	-	126	126	-	109	109
Insurance debtors	-	303,628	303,628	-	308,547	308,547
Reinsurance debtors	-	329,758	329,758	-	371,677	371,677
Other debtors	-	100,951	100,951	-	92,302	92,302
Cash at bank and in hand	-	101,843	101,843	-	94,462	94,462
Other assets	134,434	-	134,434	133,831	-	133,831
	1,606,540	836,306	2,442,846	1,666,142	867,097	2,533,239
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	470	-	470	158	-	158
Insurance creditors	-	42,704	42,704	-	52,481	52,481
Reinsurance creditors	-	210,314	210,314	-	210,871	210,871
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors	-	-	-	-	-	-
	470	253,018	253,488	158	263,352	263,510

Other financial investments – Partnership

	2018			2017		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
Financial assets						
Investments	-	-	-	-	-	-
Other debtors	-	50,215	50,215	-	-	-
Cash at bank and in hand	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
	-	50,215	50,215	-	-	-
Financial liabilities						
Other creditors	-	2,400	2,400	-	3,201	3,201
	-	2,400	2,400	-	3,201	3,201

Alizadeh Underwriting LLP

Notes to the Financial Statements For the year ended 31 December 2018

7. Financial Instruments and Financial Risk Management (continued)

7.4 Classification of Financial Instruments (continued)

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

	2018		2017	
	Notional amount £	Fair value £	Notional amount £	Fair value £
Foreign exchange forward contracts	76,663	623	91,609	3,057
Interest rate future contracts	2,225	7	10,902	17
Foreign exchange options	-	-	-	-
Equity options	-	-	-	-
Foreign exchange contract for difference	-	-	38,456	276
Other	-	8	6,841	55
	78,888	638	147,808	3,405

7.5 Financial Instruments held at fair value through profit or loss

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

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

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

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

Alizadeh Underwriting LLP

Notes to the Financial Statements For the year ended 31 December 2018

7. Financial Instruments and Financial Risk Management (continued)

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

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

Other financial investments – Syndicate participation

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2018						
Financial assets						
Shares and other variable yield securities and units in unit trusts	67,747	158,381	5,900	232,028	-	232,028
Debt securities and other fixed income securities	410,095	752,452	-	1,162,547	-	1,162,547
Participation in investment pools	40,134	9,309	4,482	53,925	-	53,925
Loans and deposits with credit institutions	2,915	722	710	4,347	-	4,347
Overseas deposits	75,278	73,229	3,605	152,112	-	152,112
Derivatives	382	256	-	638	-	638
Other investments	-	16	-	16	-	16
Financial assets classified as held for sale	-	-	-	-	-	-
	596,551	994,365	14,697	1,605,613	-	1,605,613
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	431	39	-	470	-	470
Financial liabilities classified as held for sale	-	-	-	-	-	-
	431	39	-	470	-	470

Notes to the Financial Statements
For the year ended 31 December 2018

7.	Financial Instruments and Financial Risk Management (continued)	
7.5	Financial Instruments held at fair value through profit or loss (continued)	
	Other financial investments – Syndicate participation (continued)	

2017	Level (a)	Level (b)	Level (c)	Fair value total	Held at amortised cost	Total
£	£	£	£	£	£	£
Financial assets						
Shares and other variable yield securities and units in unit trusts	53,080	221,562	9,046	283,688	-	283,688
Debt securities and other fixed income securities	369,553	808,700	-	1,178,253	-	1,178,253
Participation in investment pools	27,626	10,590	7,165	45,381	-	45,381
Loans and deposits with credit institutions	3,047	788	640	4,475	-	4,475
Overseas deposits	44,157	103,387	2,654	150,198	-	150,198
Derivatives	675	2,730	-	3,405	-	3,405
Other investments	-	16	-	16	-	16
Financial assets classified as held for sale	-	-	-	-	-	-
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	155	3	-	158	-	158
Financial liabilities classified as held for sale	-	-	-	-	-	-
	498,138	1,147,773	19,505	1,665,416	-	1,665,416

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

7.6 Financial Risk Management

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

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

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

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

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Notes to the Financial Statements For the year ended 31 December 2018

7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Risk Management (continued)

Credit risk

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

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

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

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

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
2018						
Shares and other variable yield securities and units in unit trusts	32,059	13,831	54,325	6,752	125,061	232,028
Debt securities and other fixed income securities	245,515	343,430	363,219	186,525	23,858	1,162,547
Participation in investment pools	4,521	40,550	1,907	321	6,626	53,925
Loans secured with credit institutions	683	19	-	-	710	1,412
Deposits with credit institutions	-	-	2,030	-	905	2,935
Overseas deposits	77,491	30,838	11,254	13,489	19,040	152,112
Derivative investments	-	-	292	77	269	638
Other investments	-	-	-	-	16	16
Deposits with ceding undertakings	-	-	-	-	126	126
Reinsurers share of claims outstanding	37,966	122,646	481,327	950	56,249	699,138
Reinsurance debtors	1,222	6,782	28,049	2	5,827	41,882
Cash at bank and in hand	20,470	4,767	64,269	7,572	4,765	101,843
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	419,927	562,863	1,006,672	215,688	243,452	2,448,602

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Notes to the Financial Statements For the year ended 31 December 2018

7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Risk Management (continued)

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
2017						
Shares and other variable yield securities and units in unit trusts	78,861	18,029	57,761	21,031	108,006	283,688
Debt securities and other fixed income securities	230,993	334,426	405,270	187,686	19,878	1,178,253
Participation in investment pools	27,338	7,365	3,740	451	6,487	45,381
Loans secured with credit institutions	727	44	-	-	640	1,411
Deposits with credit institutions	-	76	1,863	-	1,125	3,064
Overseas deposits	76,412	32,937	11,894	14,560	14,395	150,198
Derivative investments	1	54	327	363	2,660	3,405
Other investments	-	-	-	-	16	16
Deposits with ceding undertakings	-	-	-	-	109	109
Reinsurers share of claims outstanding	1,322	132,355	506,226	4,447	57,028	701,378
Reinsurance debtors	-	4,548	17,414	237	10,358	32,557
Cash at bank and in hand	5,638	6,122	63,733	18,149	820	94,462
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	421,292	535,956	1,068,228	246,924	221,522	2,493,922

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	232,028	-	-	-	-	232,028
Debt securities and other fixed income securities	1,162,547	-	-	-	-	1,162,547
Participation in investment pools	53,925	-	-	-	-	53,925
Loans secured with credit institutions	1,412	-	-	-	-	1,412
Deposits with credit institutions	2,935	-	-	-	-	2,935
Overseas deposits	152,112	-	-	-	-	152,112
Derivative investments	638	-	-	-	-	638
Other investments	16	-	-	-	-	16
Deposits with ceding undertakings	126	-	-	-	-	126
Reinsurers share of claims outstanding	699,264	-	-	-	(126)	699,138
Reinsurance debtors	23,886	16,901	512	592	(9)	41,882
Cash at bank and in hand	101,843	-	-	-	-	101,843
Insurance debtors	276,328	18,273	4,430	4,832	(235)	303,628
Other debtors	653,677	684	343	-	-	654,704
	3,360,737	35,858	5,285	5,424	(370)	3,406,934

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Notes to the Financial Statements For the year ended 31 December 2018

7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Risk Management (continued)

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
2017						
Shares and other variable yield securities and units in unit trusts	283,688	-	-	-	-	283,688
Debt securities and other fixed income securities	1,178,253	-	-	-	-	1,178,253
Participation in investment pools	45,381	-	-	-	-	45,381
Loans secured with credit institutions	1,411	-	-	-	-	1,411
Deposits with credit institutions	3,064	-	-	-	-	3,064
Overseas deposits	150,198	-	-	-	-	150,198
Derivative investments	3,405	-	-	-	-	3,405
Other investments	16	-	-	-	-	16
Deposits with ceding undertakings	109	-	-	-	-	109
Reinsurers share of claims outstanding	701,631	-	-	-	(253)	701,378
Reinsurance debtors	19,657	11,970	506	438	(14)	32,557
Cash at bank and in hand	94,462	-	-	-	-	94,462
Insurance debtors	270,355	23,902	6,324	8,221	(255)	308,547
Other debtors	698,211	573	33	3	-	698,820
	3,449,841	36,445	6,863	8,662	(522)	3,501,289

Liquidity risk

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

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

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
2018						
Derivative financial instruments	-	470	-	-	-	470
Deposits received from reinsurers	-	14,234	5,437	1,303	289	21,263
Provisions for other risks and charges	-	1,945	787	332	415	3,479
Claims outstanding	-	965,021	904,503	390,559	373,716	2,633,799
Creditors	7,995	302,768	54,052	11,372	1,182	377,369
Other	-	(1,945)	(787)	(332)	(415)	(3,479)
	7,995	1,282,493	963,992	403,234	375,187	3,032,901

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Notes to the Financial Statements For the year ended 31 December 2018

7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Risk Management (continued)

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
2017						
Derivative financial instruments	-	158	-	-	-	158
Deposits received from reinsurers	-	4,694	5,142	3,277	109	13,222
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	928,603	900,914	424,685	335,020	2,589,222
Creditors	5,941	288,724	48,762	18,879	518	362,824
Other	-	-	-	-	-	-
	5,941	1,222,179	954,818	446,841	335,647	2,965,426

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

Interest rate risk

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

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

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

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

Syndicate participation

	2018 £	2017 £
Impact of 50 basis point increase on profit or loss	(11,979)	(12,811)
Impact of 50 basis point decrease on profit or loss	11,655	12,646
Impact of 50 basis point increase on equity	(11,979)	(12,811)
Impact of 50 basis point decrease on equity	11,655	12,646

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

Equity price risk

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

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

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Notes to the Financial Statements For the year ended 31 December 2018

7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Risk Management (continued)

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

Syndicate participation

	2018 £	2017 £
Impact on profit or loss of 5% increase in Stock Market Prices	3,896	1,699
Impact on profit or loss of 5% decrease in Stock Market Prices	(3,890)	(1,702)
Impact on equity of 5% increase in Stock Market Prices	3,896	1,699
Impact on equity of 5% decrease in Stock Market Prices	(3,890)	(1,702)

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

Currency risk

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

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

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

Net assets and liabilities

	2018		2017	
	Syndicate Participation £	Partnership £	Syndicate Participation £	Partnership £
Sterling	(334,999)	33,219	(326,963)	(23,172)
United States Dollar	(125,837)	-	(53,986)	-
Euro	56,953	-	75,830	-
Canadian Dollar	103,642	-	99,543	-
Australian Dollar	18,206	-	23,107	-
Japanese Yen	(4,646)	-	(60)	-
Other	12,950	-	9,637	-

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Notes to the Financial Statements For the year ended 31 December 2018

7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Risk Management (continued)

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

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

	Partnership Profit and loss			
	31 December 2018		31 December 2017	
	Increase	Decrease	Increase	Decrease
	£	£	£	£
Effect of Sterling exchange movement by 10%				
United States Dollar	-	-	-	-
Euro	-	-	-	-
Canadian Dollar	-	-	-	-
Australian Dollar	-	-	-	-
Japanese Yen	-	-	-	-
Other	-	-	-	-

7.7 Capital Management

Lloyd's capital setting process

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

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

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

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

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

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

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

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Notes to the Financial Statements For the year ended 31 December 2018

8. Insurance Contracts

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

	2018			2017		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	2,589,222	701,378	1,887,844	2,268,281	433,908	1,834,373
Movements in the year	8,816	(4,342)	13,158	509,017	292,436	216,581
Exchange differences	35,761	2,102	33,659	(188,076)	(24,966)	(163,110)
At 31 December	2,633,799	699,138	1,934,661	2,589,222	701,378	1,887,844

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

	2018			2017		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	670,949	98,292	572,657	713,240	96,688	616,552
Movements in the year	(70,537)	1,690	(72,227)	7,017	11,374	(4,357)
Exchange differences	23,389	4,969	18,420	(49,308)	(9,770)	(39,538)
At 31 December	623,801	104,951	518,850	670,949	98,292	572,657

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

	2018 £	2017 £
At 1 January	190,271	187,049
Movements in the year	(21,137)	9,446
Exchange differences	1,579	(6,224)
At 31 December	170,713	190,271

8.1 Risks arising from Insurance Contracts

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

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

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Notes to the Financial Statements For the year ended 31 December 2018

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	531,822	854,999	853,751	845,283	830,720	824,029	810,091	804,491
2012	529,297	803,699	790,676	764,533	756,587	743,716	737,253	
2013	418,244	741,864	733,629	714,986	701,644	693,263		
2014	408,561	736,432	767,678	746,118	762,192			
2015	384,777	769,284	805,830	799,623				
2016	456,598	975,730	1,029,389					
2017	856,073	1,301,444						
2018	514,946							

	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received
2011	740,052	64,438	(50,637)
2012	660,696	76,557	(86,856)
2013	596,410	96,853	(57,297)
2014	581,337	180,854	(91,485)
2015	554,034	245,588	(86,517)
2016	535,199	494,190	
2017	553,155	748,290	
2018	73,435	441,510	

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	447,809	721,285	718,413	697,027	678,059	671,652	664,849	661,787
2012	438,126	691,355	680,046	650,676	640,124	634,624	629,960	
2013	365,327	660,578	648,024	628,520	621,214	616,038		
2014	353,579	648,779	674,190	657,424	665,753			
2015	333,033	671,211	696,683	689,371				
2016	379,231	796,757	844,102					
2017	547,546	918,359						
2018	365,220							

	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received
2011	613,868	47,919	(66,803)
2012	564,965	64,995	(89,228)
2013	530,820	85,217	(75,567)
2014	531,727	134,026	(69,226)
2015	492,438	196,932	(66,486)
2016	459,181	384,922	
2017	405,288	513,071	
2018	62,488	302,732	

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Notes to the Financial Statements For the year ended 31 December 2018

9. Related Party Disclosure

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

10. Ultimate Controlling Party

The ultimate controlling party of the Partnership is Fifteen B Limited.