



TALISMAN

— UNDERWRITING PLC —

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2019



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Directors	Peter K Steel Robert E Eaton David Monksfield Paul F Sandilands	Chairman
Company Secretary	Graham Hodgson	
Registered Office	5 th Floor 70 Gracechurch Street London EC3V 0XL	
Auditors	PKF Littlejohn LLP Statutory Auditor 15 Westferry Circus Canary Wharf London E14 4HD	
Solicitors	Mills & Reeve LLP Botanic House 100 Hills Road Cambridge CB2 1PH	
Members' Agent	Argenta Private Capital Limited 70 Gracechurch Street London EC3V 0XL	
Bankers	Coutts & Co 440 The Strand London WC2R 0QS	
Fund Manager	Ruffer LLP 80 Victoria Street London SW1E 5JL	
Company Registration Number	03370297	



The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 December 2019.

Results and Dividends

The results for the year are set out on pages 10 and 11 of the Financial Statements. Dividends totalling £515,288 were paid in the year (2018 - £1,355,592).

Directors

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

Peter K Steel
Robert E Eaton
David Monksfield
Paul F Sandilands

Auditors

A resolution to reappoint PKF Littlejohn LLP will be proposed at the next Annual General Meeting.

Disclosure of Information to 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 a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' Indemnity

The Board of Directors has effected a Directors' and Officers' Liability Insurance policy to indemnify the Directors and Officers of the Company against loss arising from any claim made against them jointly or severally by reason of any wrongful act in their capacity as Directors or Officers of the Company. The insurance also covers the Company's loss when it is required or permitted to indemnify the Directors or officers pursuant to the law, Common or Statutory, or the Articles of Association. The cost of this insurance is met by the Company.

By Order of the Board on 17 June 2020

D Monksfield
Director



The Directors have pleasure in presenting their Strategic Report together with the Financial Statements for the year ended 31 December 2019.

Business Review

Activity

The principal activity of Talisman Underwriting Plc and its subsidiaries (“the Group”) in the year under review was that of underwriting insurance risks at Lloyd’s.

Results

The Financial Statements incorporate the annual accounting results of the syndicates on which the Group participates for the 2017, 2018 and 2019 years of account.

The annual accounting technical result for the year is a profit of £1,311,170 (2018 – loss of £284,689) including the profit on exchange from syndicate participations reported in the non-technical account. 2018 was affected by large natural catastrophes, including hurricanes Florence and Michael, Typhoon Jebi in Japan, as well as the Californian wildfires which were not experienced to the same extent in 2019 and saw the Group return to profit for the full year.

The 2017 year of account closed at 31 December 2019 with a loss of £1,387,348 (2016 profit - £590,082). The 2018 and 2019 open underwriting years will normally close at 31 December 2020 and 31 December 2021 respectively, and the Directors expect the 2018 year of account to produce a result of between 1% and (8)% of capacity and based on current information a result for the 2019 year of account of between 5% and (6)% although it must be noted that many policies remain on risk and the economic effects of the COVID-19 pandemic are still uncertain.

The Group acquired three corporate members in the year: Nameco (No.420) Limited, St. Albans Underwriting LLP and Swann Underwriting LLP. These three corporate members added £1.7m to the Group’s Syndicate capacity for the 2020 year of account.

Future Developments

The Group continues to write insurance business in the Lloyd’s insurance market. The capacity being underwritten on the 2020 year of account is £29.0m an increase of £4.0m against the 2019 year of account.

Key Performance Indicators

For the 2019 calendar year the amount of gross premium written by the Syndicates on which the Group participates amounted to £27.4m (2018 - £22.6m) with a technical underwriting profit for the year of £1.3m (2018 – loss of £0.3m).

Post Balance Sheet Events and the COVID-19 pandemic

The COVID-19 pandemic is a post-balance sheet event causing global economic uncertainty. The impact of COVID-19 on the Lloyd’s market is two-fold: there will be significant underwriting losses but also a reduction in the value of investments which syndicates hold in order to meet future claims.

COVID-19’s impact on the Lloyd’s market is at an early stage and it is difficult to assess the financial impact it may have with any degree of certainty. However, on 14 May 2020, Lloyd’s released initial estimates of the expected impact of the pandemic and it expects a similar pay-out as compared to hurricanes Harvey, Irma and Maria which effected the 2017 year of account and produced a 5% loss on capacity for the Group and which it is well placed to meet.

The Group and the Lloyd’s Market are well placed to manage the operational and economic fallout from the COVID-19 pandemic.



Risk Factors

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

Risk Management

As the holding company for Corporate Members of Lloyd's the majority of the risks to the Group's future cash flows arise from its participation in the results of Lloyd's syndicates. As detailed on page 24, these risks are mostly managed by the Managing Agents of the syndicates. This Group's role in managing this risk in conjunction with its Members' Agent is limited to selection of syndicate participations and monitoring performance of the syndicates.

Impact of the Brexit vote

The United Kingdom left the European Union on 31 January 2020. Lloyd's has been working together with market members to prepare for changes that are likely to arise as a result of the UK leaving the EU. Lloyd's has put measures in place to maintain access to the insurance market in the EU by setting up a subsidiary, Lloyd's Insurance Company SA, in Brussels ("Lloyd's Brussels"). Insurance policies incepting from 1 January 2019 are placed through Lloyd's Brussels. Lloyd's is also working on transferring all non-life European Economic Area (EEA) business that has been written by the Lloyd's Market between 1993 and 2020 to Lloyd's Brussels before the end of 2020 via a Part VII portfolio transfer. The Directors are monitoring Lloyd's preparations along with general market conditions to identify if it is appropriate to make any changes to the current strategy of the Company.

Section 172 Statement

The Directors are well aware of their duty under section 172 of the Companies Act 2006 to act in a way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

As a result of the nature of this Company as a holding company for Lloyd's corporate members, the majority of its activities are carried out by the syndicates in which it participates. The Company is not involved directly in the management of the syndicates' activities, as these are the responsibility of the relevant managing agent. Each managing agent has a board of directors which are responsible for the activities of each syndicate, and they have a duty towards a range of considerations including (but not limited to) employees, community and environmental matters, standards of business conduct and the long term consequences of business decisions.

The Company itself undertakes very few transactions. Its strategy is to continue to build a portfolio of underwriting capacity through the acquisition of corporate members and participation in the Lloyd's annual auction process. It continues to target high quality syndicates managed by leading managing agents.

The Company does not employ any staff other than the Directors and the Company Secretary and the only suppliers are those who provide services for the administration of the Company. The Directors ensure supplier invoices are paid on time in line with any agreed terms.

The Directors issue twice yearly updates to the Company's members and encourage two-way communication with the members to ensure that they are kept informed of the latest developments.

By Order of the Board on 17 June 2020

D Monksfield
Director



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

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

- select suitable Accounting Policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group 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 Group and 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 Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.



Independent Auditor's Report to the Shareholders of Talisman Underwriting Plc**Opinion**

We have audited the financial statements of Talisman Underwriting Plc for the year ended 31 December 2019 which comprise the Group Profit and Loss Account, the Statement of Comprehensive Income, the Group and Parent Company Balance Sheet, the Group and Parent Company Statement of Changes in Equity, the Group Cash Flow Statement, the Accounting Policies, the Risk Management section and the related notes. 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" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 group and parent 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.

Emphasis of matter – impact of COVID-19

We draw attention to the Going Concern paragraph on page 18, which describes the company's consideration of the COVID-19 virus outbreak on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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.



Independent Auditor's Report to the Shareholders of Talisman Underwriting Plc (continued)**Other information**

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Report of the Directors.

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

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

Responsibilities of directors

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

In preparing the group and parent company financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.



Independent Auditor's Report to the Shareholders of Talisman Underwriting Plc (continued)**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 our report

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

Thomas Seaman (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

Date: 17 June 2020



TALISMAN UNDERWRITING PLC
TECHNICAL ACCOUNT - GENERAL BUSINESS

GROUP PROFIT AND LOSS ACCOUNT
Year ended 31 December 2019

	Note	2019	2018
Gross Premiums Written			
Continuing operations	1	27,385,736	22,595,826
Outward reinsurance premiums		(7,493,642)	(5,390,215)
		<hr/>	<hr/>
Net Premiums Written		19,892,094	17,205,611
Change in the provision for unearned premiums			
Gross provision	3	(1,358,404)	173,581
Reinsurers share	3	604,819	245,224
		<hr/>	<hr/>
Earned Premiums, Net of Reinsurance		19,138,509	17,624,416
Allocated Investment Return Transferred from the Non-Technical Account	5	993,664	258,685
Claims Paid			
Gross amount		(14,885,278)	(13,557,559)
Reinsurers' share		4,196,612	3,185,552
		<hr/>	<hr/>
Net claims paid		(10,688,666)	(10,372,007)
		<hr/>	<hr/>
Change in Provision for Claims			
Gross amount	3	(2,054,463)	(625,726)
Reinsurers' share	3	1,495,530	360,498
		<hr/>	<hr/>
Change in net provision for claims		(558,933)	(265,228)
		<hr/>	<hr/>
Claims Incurred, Net of Reinsurance		(11,247,599)	(10,637,235)
Net operating expenses	4	(7,606,867)	(7,315,097)
		<hr/>	<hr/>
Balance on the Technical Account for General Business		£1,277,707	£(69,231)
		<hr/> <hr/>	<hr/> <hr/>

The Accounting Policies and Notes on pages 18 to 48 form part of these Financial Statements.



NON-TECHNICAL ACCOUNT

	Note	2019	2018
Balance on the General Business Technical Account		1,277,707	(69,231)
Investment income	5	180,195	(92,399)
Profit/(loss) on exchange - syndicate participation		33,463	(215,458)
Other income		23,693	-
Other charges		(658,931)	(333,852)
		<hr/>	<hr/>
Profit/(Loss) on Ordinary Activities before Taxation	6	856,127	(710,940)
Tax on profit/(loss) on ordinary activities	7	(117,169)	57,011
		<hr/>	<hr/>
Profit/(Loss) on Ordinary Activities after Taxation		£738,958	£(653,929)
		<hr/> <hr/>	<hr/> <hr/>

STATEMENT OF COMPREHENSIVE INCOME

Profit/(Loss) for the financial year	738,958	(653,929)
Other Comprehensive income:		
Currency translation differences	-	-
	<hr/>	<hr/>
	£738,958	£(653,929)
	<hr/> <hr/>	<hr/> <hr/>

All operations are continuing.

The Accounting Policies and Notes on pages 18 to 48 form part of these Financial Statements.



TALISMAN UNDERWRITING PLC

GROUP BALANCE SHEET

As at 31 December 2019

Registered Number 03370297

	Note	2019			2018		
		Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Assets							
Intangible Assets	9a	-	1,450,781	1,450,781	-	921,188	921,188
Positive goodwill	9a	-	6,463	6,463	-	28,481	28,481
Negative goodwill	9b	-	(45,216)	(45,216)	-	(40,224)	(40,224)
		-	(38,753)	(38,753)	-	(11,743)	(11,743)
Investments							
Financial Investments	10	24,889,243	2,579,307	27,468,550	23,635,764	2,393,520	26,029,284
Deposits with ceding undertakings		3,906	-	3,906	3,053	-	3,053
		24,893,149	2,579,307	27,472,456	23,638,817	2,393,520	26,032,337
Reinsurers' share of technical provisions							
Provision for unearned premiums		2,799,934	-	2,799,934	2,161,834	-	2,161,834
Claims outstanding		13,706,253	-	13,706,253	12,145,453	-	12,145,453
		16,506,187	-	16,506,187	14,307,287	-	14,307,287
Debtors							
Arising out of direct Insurance operations	11	6,766,370	-	6,766,370	5,863,934	-	5,863,934
Arising out of Reinsurance operations	11	5,597,151	-	5,597,151	5,560,932	-	5,560,932
Other debtors	12	783,064	1,045,046	1,828,110	1,579,238	1,076,187	2,655,425
		13,146,585	1,045,046	14,191,631	13,004,104	1,076,187	14,080,291
Other Assets							
Cash at bank and In hand	13	1,453,372	7,704,945	9,158,317	1,274,944	7,525,803	8,800,747
Overseas deposits		2,530,013	-	2,530,013	2,255,068	-	2,255,068
Other		235,665	-	235,665	78,306	-	78,306
		4,219,050	7,704,945	11,923,995	3,608,318	7,525,803	11,134,121
Prepayments and Accrued Income							
Accrued interest		63,935	-	63,935	63,024	-	63,024
Deferred acquisition costs		3,408,420	-	3,408,420	3,022,934	-	3,022,934
Other prepayments and accrued income		86,411	-	86,411	109,329	-	109,329
		3,558,766	-	3,558,766	3,195,287	-	3,195,287
Total Assets							
		£62,323,737	£12,741,326	£75,065,063	£57,753,813	£11,904,955	£69,658,768



The Accounting Policies and Notes on pages 18 to 48 form part of these Financial Statements.

Registered Number 03370297

	Note	2019		2018		Total	
		Syndicate Participation	Corporate	Syndicate Participation	Corporate		
Liabilities and Shareholders' Funds							
Capital and Reserves							
Called-up share capital	14	-	4,562,217	4,562,217	-	4,164,931	4,164,931
Capital redemption reserve		-	295	295	-	295	295
Share premium account		-	3,611,487	3,611,487	-	2,924,841	2,924,841
Profit and Loss Account		(4,020,197)	2,650,803	(1,369,394)	(4,319,074)	2,726,010	(1,593,064)
Total Shareholders Funds		(4,020,197)	10,824,802	6,804,605	(4,319,074)	9,816,077	5,497,003
Technical provisions:							
Provision for unearned premiums		12,839,469	-	12,839,469	11,029,809	-	11,029,809
Claims outstanding		44,138,648	-	44,138,648	42,357,649	-	42,357,649
Provisions for Other Risks and Charges							
Deferred taxation	15	-	189,920	189,920	-	84,638	84,638
Deposit received from reinsurers		502,843	-	502,843	308,252	-	308,252
Creditors							
Arising out of direct Insurance operations	16	1,117,085	-	1,117,085	910,430	-	910,430
Arising out of Reinsurance operations	16	5,138,951	-	5,138,951	3,973,518	-	3,973,518
Other creditors including taxation and social security	17	1,772,412	1,575,252	3,347,664	2,882,836	1,884,077	4,766,913
		8,028,448	1,575,252	9,603,700	7,766,784	1,884,077	9,650,861
Accruals and Deferred Income		834,526	151,352	985,878	610,393	120,163	730,556
Total Liabilities		£62,323,737	£12,741,326	£75,065,063	£57,753,813	£11,904,955	£69,658,768

The Financial Statements were approved and authorised for issue by the Board on 17 June 2020 and were signed on its behalf by:

D Monksfield
Director

The Accounting Policies and Notes on pages 18 to 48 form part of these Financial Statements.



TALISMAN UNDERWRITING PLC

Registered Number 03370297

COMPANY BALANCE SHEET
As at 31 December 2019

	Note	2019	2018
Fixed Assets			
Investments	10	1,212,242	558,590
Current Assets			
Debtors	12	479,225	170,318
Investments	10	2,579,307	2,393,520
Cash at bank		6,996,269	6,978,688
		<u>10,054,801</u>	<u>9,542,526</u>
Creditors: amounts falling due within one year	17	(2,653,003)	(2,572,039)
		<u>7,401,798</u>	<u>6,970,487</u>
Net current assets			
		<u>7,401,798</u>	<u>6,970,487</u>
Total assets less current liabilities		8,614,040	7,529,077
Provision for other risks and charges			
Deferred taxation	15	(58,060)	-
		<u>£8,555,980</u>	<u>£7,529,077</u>
Net assets			
		<u>£8,555,980</u>	<u>£7,529,077</u>
Capital and Reserves			
Called-up share capital	14	4,562,217	4,164,931
Capital redemption reserve		295	295
Share premium account		3,611,487	2,924,841
Profit and Loss Account			
At 1 January		439,010	1,861,541
Profit/(loss) for the year		458,259	(66,939)
Dividends paid		(515,288)	(1,355,592)
		<u>£8,555,980</u>	<u>£7,529,077</u>
Shareholders Funds attributable to Equity Interests		<u>£8,555,980</u>	<u>£7,529,077</u>

The Financial Statements were approved and authorised for issue by the Board on 17 June 2020 and were signed on its behalf by:

D Monksfield
Director

The Accounting Policies and Notes on pages 18 to 48 form part of these Financial Statements.



Group statement of changes in shareholders' equity

	A Ordinary Share capital	B Ordinary share capital	Capital redemption reserve	Share premium account	Profit and loss account	Total
At 1 January 2018	4,017,368	929	295	2,685,726	416,457	7,120,775
Loss for the financial year	-	-	-	-	(653,929)	(653,929)
Dividends paid	-	-	-	-	(1,355,592)	(1,355,592)
Issue of 585,539 ordinary A shares of 25p each	146,384	-	-	239,115	-	385,499
Issue of 2,501 ordinary B shares of 10p each	-	250	-	-	-	250
Cancellation of ordinary B shares of 10p each	-	-	-	-	-	-
At 31 December 2018	£4,163,752	£1,179	£295	£2,924,841	£(1,593,064)	£5,497,003

	A Ordinary Share capital	B Ordinary share capital	Capital redemption reserve	Share premium account	Profit and loss account	Total
At 1 January 2019	4,163,752	1,179	295	2,924,841	(1,593,064)	5,497,003
Profit for the financial year	-	-	-	-	738,958	738,958
Dividends paid	-	-	-	-	(515,288)	(515,288)
Issue of 1,588,890 ordinary A shares of 25p each	397,223	-	-	686,646	-	1,083,869
Issue of 630 ordinary B shares of 10p each	-	63	-	-	-	63
Cancellation of ordinary B shares of 10p each	-	-	-	-	-	-
At 31 December 2019	£4,560,975	£1,242	£295	£3,611,487	£(1,369,394)	£6,804,605

The capital redemption reserve represents the nominal value of the shares redeemed and cancelled by the company.

The Accounting Policies and Notes on pages 18 to 48 form part of these Financial Statements.



Company statement of changes in shareholders' equity

	A Ordinary Share capital	B Ordinary share capital	Capital redemption reserve	Share premium account	Profit and loss account	Total
At 1 January 2018	4,017,368	929	295	2,685,726	1,861,541	8,565,859
Loss for the financial year	-	-	-	-	(66,939)	(66,939)
Dividends paid	-	-	-	-	(1,355,592)	(1,355,592)
Issue of 585,539 ordinary A shares of 25p each	146,384	-	-	239,115	-	385,499
Issue of 2,501 ordinary B shares of 10p each	-	250	-	-	-	250
Cancellation of ordinary B shares of 10p each	-	-	-	-	-	-
At 31 December 2018	£4,163,752	£1,179	£295	£2,924,841	£439,010	£7,529,077

	A Ordinary Share capital	B Ordinary share capital	Capital redemption reserve	Share premium account	Profit and loss account	Total
At 1 January 2019	4,163,752	1,179	295	2,924,841	439,010	7,529,077
Loss for the financial year	-	-	-	-	458,259	458,259
Dividends paid	-	-	-	-	(515,288)	(515,288)
Issue of 1,588,890 ordinary A shares of 25p each	397,223	-	-	686,646	-	1,083,869
Issue of 630 ordinary B shares of 10p each	-	63	-	-	-	63
Cancellation of ordinary B shares of 10p each	-	-	-	-	-	-
At 31 December 2019	£4,560,975	£1,242	£295	£3,611,487	£381,981	£8,555,980

The Accounting Policies and Notes on pages 18 to 48 form part of these Financial Statements.



	Note	2019	2018
Cash flows from operating activities			
Profit/(loss) on ordinary activities before tax		856,127	(710,940)
Addition of loss/(deduction of profit) attributed to syndicate transactions		(1,311,170)	284,689
Distribution of closed year result from syndicates		1,012,292	2,015,247
		<hr/>	<hr/>
Total		557,249	1,588,996
Adjustments for:			
Decrease/(increase) in debtors		61,173	(285,540)
(Decrease) in creditors		(704,872)	(187,153)
Amortisation of goodwill		28,485	57,889
Amortisation of negative goodwill		(8,045)	-
Profit on sale of syndicate capacity		-	22,321
Amortisation of syndicate capacity		301,488	197,399
Investment income		(94,408)	(70,224)
Unrealised (gains) on investments		(185,787)	162,792
Taxation (paid)		(293,699)	(521,426)
		<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities		(338,416)	965,054
		<hr/>	<hr/>
Cash flows from investing activities			
Investment income		94,408	70,224
Purchase of syndicate capacity		(99,269)	(394,440)
Proceeds from sale of syndicate capacity		-	-
Purchase of subsidiaries net of cash acquired		493,975	(76,901)
Purchase of investments		-	-
		<hr/>	<hr/>
Net cash inflow/(outflow) from investing activities		489,114	(401,117)
		<hr/>	<hr/>
Cash flows from financing activities			
Equity dividends paid		(515,288)	(1,355,592)
Issues of shares		543,732	268,749
		<hr/>	<hr/>
Net cash inflow/(outflow) from financing activities		28,444	(1,086,843)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	18	179,142	(522,906)
		<hr/>	<hr/>
Cash and cash equivalents at beginning of year		7,525,803	8,048,709
		<hr/>	<hr/>
Cash and cash equivalents at end of year	18	£7,704,945	£7,525,803
		<hr/>	<hr/>
Cash and cash equivalents comprise:			
Cash at bank and in hand (including Funds at Lloyd's)		7,704,945	7,525,803
		<hr/>	<hr/>
Cash and cash equivalents	18	£7,704,945	£7,525,803
		<hr/>	<hr/>

The Group 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 18 to 48 form part of these Financial Statements.

General information

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

Basis of Preparation

These Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts", the Companies Act 2006 and Schedule 3 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations, relating to insurance. The Financial Statements are prepared under the historical cost basis of accounting modified to include the revaluation of investments and comply with applicable Accounting Standards. Accounting information in respect of the Syndicate participations has been provided by each Syndicate's managing agent and has been reported upon by the Syndicate auditors.

Going Concern

The Group, through its subsidiaries participates as underwriting members of Lloyd's. Its underwriting is supported by Funds at Lloyd's either made available by the company directly or by its loan note holders. The Group continues to participate on the 2018 and 2019 underwriting years of account, which will normally close at 31 December 2020 and 2021 respectively, and has continued this participation since the year end on the 2020 year of account. The 2020 calendar year, and the 2019 year of account in particular, are likely to be significantly adversely effected by underwriting losses from the impact of the COVID-19 pandemic. The Group has significant funds to support its underwriting through Fund at Lloyd's and these funds are in place to meet the underwriting impact arising from the COVID-19 pandemic. The Directors are of the opinion that the Group and Company have adequate resources to meet its underwriting and other operational obligations for the foreseeable future. Accordingly, the going concern concept has been adopted in the preparation of these Financial Statements.

Basis of Accounting

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 group participates.

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

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

General Business

i. Premiums

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



General Business (continued)**ii. Unearned Premiums**

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

iii. Deferred Acquisition Costs

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

iv. Reinsurance Premiums

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

v. Claims Incurred and Reinsurers' Share

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

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

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

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

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



General Business (continued)**v. Claims Incurred and Reinsurers' Share (continued)**

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

vi. Unexpired Risks Provision

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

vii. Closed Years of Account

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

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

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

viii. Run-off Years of Account

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

ix. Net Operating Expenses (including Acquisition Costs)

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

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



General Business (continued)**x. Distribution of Profits and Collection of Losses**

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

xi. Financial Instruments

The syndicate and company investments comprise debt and equity investments, derivatives, cash and cash equivalents and loans and receivables. The debt, equity investments and derivatives are measured at fair value through profit or loss.

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

Recognition

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

Initial measurement

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

Subsequent measurement

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

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

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

Derecognition of financial assets and liabilities

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

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



xi. Financial Instruments (continued)*Fair value measurement*

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

Impairment of financial instruments measured at amortised cost or cost

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

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

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

xii. Investment Return

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

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

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

xiii. Basis of Currency Translation

The Group financial statements are presented in sterling.

The Company's functional and presentation currency is sterling.

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

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

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

All differences arising on the translation of foreign currency amounts in syndicates are included in either the non-technical or technical account irrespective of their treatment by the underlying syndicates.



Current Taxation

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

HM Revenue and Customs (HMRC) agree the taxable results of the syndicates at a syndicate level on the basis of computations submitted by the managing agent. At the date of the approval of these Financial Statements the syndicate taxable results of years of account closed at this and at previous year ends may not have been fully agreed with the HMRC. Any adjustments that may be necessary to the tax provisions established by the Group, as a result of HMRC agreement of syndicate results, will be reflected in the Financial Statements of subsequent periods.

Deferred Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred tax assets are recognised to the extent that it is regarded as probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Intangible Assets

Costs incurred by the Group in the Corporation of Lloyd's auctions in order to acquire rights to participate on Syndicates' underwriting years are included at cost within intangible fixed assets and amortised over a 3 year period beginning in the year the underwriting commences in respect of the purchased Syndicate participation.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the separable net assets of businesses acquired. Goodwill is amortised through the profit and loss account in equal instalments over its estimated useful life of 5 years.

Cash Flow Statement

The Group 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 Syndicates at Lloyd's.

Basis of consolidation

The Group Financial Statements consolidate the Financial Statements of Talisman Underwriting Plc with those of its subsidiaries for the year ended 31 December 2019.

No profit or loss account is presented for Talisman Underwriting Plc as provided by s408 of the Companies Act 2006. The profit of the parent company for the financial year dealt within the consolidated Financial Statements of Talisman Underwriting Plc was £458,259 (2018 – loss of £66,939).

The profits and losses of subsidiaries are consolidated from the date of acquisition to the date of disposal using the purchase method of accounting. The difference between the fair value of the consideration, both cash and equity instruments, and the fair value of the separable net assets acquired is amortised through the profit and loss account in equal instalments over its estimated useful life.

Uniform accounting policies are used for all Group companies. Profits or losses on intra-Group transactions are eliminated on consolidation.



Risk management

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

Risk background

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

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

The Group manages the risks faced by the syndicates on which it participates by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate for the following year, with a review of the business plan prepared for each syndicate by its managing agent. In addition, quarterly reports and annual accounts together with any other information made available by the managing agent are monitored and if necessary enquired into. If the Group considers that the risks being run by the syndicate are excessive it will seek confirmation from the managing agent that adequate management of the risk is in place and, if considered appropriate will withdraw support from the next underwriting year. The Group relies on advice provided by the members' agent which acts for it, who are specialists in assessing the performance and risk profiles of syndicates. The Group also mitigates its insurance risks by participating across several syndicates as detailed in Note 21.

On the basis that the Group itself does not undertake the business of effecting or carrying out insurance contracts there is no requirement to discuss financial risks arising from syndicate investment activities. The analysis below provides details of the financial risks the Group is exposed to from syndicate insurance activities as required by FRS 103. Note 3 provides further analysis of sensitivities to reserving and underwriting risks.



i. Liquidity risk

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

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

ii. Interest rate and equity price risk

Interest rate risk and equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates and market prices, respectively. The Group and syndicates manage their exposure to these risks by maintaining an appropriate mix between equity and debt financial instruments, investing in both fixed and floating rate investments, and by investing in a large portfolio of high quality equity investments across of range of unrelated sectors.

iii. Currency risk

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

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

	GBP £	USD £	EUR £	CAD £	Other £	Total £
2019 converted	converted	converted	converted	converted	converted	
Total assets	9,763,351	41,368,524	3,810,445	5,341,230	2,040,187	62,323,737
Total liabilities	(15,035,928)	(41,797,964)	(3,430,780)	(4,293,281)	(1,785,981)	(66,343,934)
Surplus/(deficiency) of assets	£(5,272,577)	£(429,440)	£379,665	£1,047,949	£254,206	£(4,020,197)
2018 converted	converted	converted	converted	converted	converted	
Total assets	9,227,178	37,208,093	4,265,042	5,322,218	1,731,282	57,753,813
Total liabilities	(13,480,759)	(39,442,169)	(4,119,942)	(3,674,453)	(1,355,564)	(62,072,887)
Surplus/(deficiency) of assets	£(4,253,581)	£(2,234,076)	£145,100	£1,647,765	£375,718	£(4,319,074)

The impact of a 5% change in exchange rates between GBP and other currencies would be £62,619 on the result for the year (2018: £3,275).

iv. Credit risk

The Syndicates, through careful monitoring of the quality of their financial counterparties, are not exposed to significant credit risk.



Corporate risks**i. Investment, credit, liquidity and currency risks**

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

ii. Regulatory risks

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

iii. Operational risks

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

Key accounting judgements and estimation uncertainties

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

The measurement of the provision for claims outstanding is the most significant judgement involving estimation uncertainty regarding amounts recognised in these Financial Statements in relation to underwriting by the syndicates and this is disclosed further in Note 3. 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 key accounting judgement and source of estimation uncertainty set out below therefore relates to those made in respect of the Company only, and do not include estimates and judgements made in respect of the syndicates.

Recoverability of debtors

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



1. Class of Business	Gross written premiums	Gross premiums earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
2019						
Direct Insurance						
Accident and health	790,403	860,617	(505,375)	(383,026)	(45,571)	(73,354)
Motor (third party liability)	172,307	132,045	(83,465)	(42,343)	(4,321)	1,916
Motor (other classes)	1,347,238	1,349,760	(789,916)	(445,266)	(44,641)	69,937
Marine, aviation and Transport	2,424,219	2,415,825	(1,173,185)	(824,690)	(192,567)	225,383
Fire and other damage to property	8,481,539	7,888,807	(4,295,361)	(2,271,464)	(1,050,227)	271,755
Third party liability	6,536,689	6,223,585	(4,250,261)	(2,039,153)	161,713	95,884
Credit and suretyship	843,786	821,160	(442,688)	(239,091)	(63,318)	76,063
Legal expenses	47,405	42,665	(15,858)	(22,221)	(2,625)	1,961
Miscellaneous	23,630	24,752	(20,113)	(8,991)	(49)	(4,401)
	<u>20,667,216</u>	<u>19,759,216</u>	<u>(11,576,221)</u>	<u>(6,276,245)</u>	<u>(1,241,606)</u>	<u>665,144</u>
Reinsurance	<u>6,718,520</u>	<u>6,268,116</u>	<u>(5,363,520)</u>	<u>(1,330,622)</u>	<u>44,925</u>	<u>(381,101)</u>
Total	<u>£27,385,736</u>	<u>£26,027,332</u>	<u>£(16,939,741)</u>	<u>£(7,606,867)</u>	<u>£(1,196,681)</u>	<u>£284,043</u>
2018						
Direct Insurance						
Accident and health	883,537	958,527	(487,926)	(406,967)	(23,634)	40,000
Motor (third party liability)	114,377	120,815	(68,654)	(40,206)	(12,635)	(680)
Motor (other classes)	1,255,552	1,421,764	(548,765)	(454,660)	(348,631)	69,708
Marine, aviation and Transport	2,135,268	2,213,559	(1,140,994)	(817,749)	(238,065)	16,751
Fire and other damage to property	6,737,462	6,543,222	(4,231,885)	(2,068,064)	(777,785)	(534,512)
Third party liability	5,852,046	5,566,497	(3,661,542)	(2,050,838)	237,670	91,787
Credit and suretyship	569,946	542,606	(239,455)	(160,755)	(61,254)	81,142
Legal expenses	35,893	37,861	(12,022)	(24,947)	221	1,113
Miscellaneous	134,232	128,640	(65,012)	(46,450)	(13,080)	4,098
	<u>17,718,313</u>	<u>17,533,491</u>	<u>(10,456,255)</u>	<u>(6,070,636)</u>	<u>(1,237,193)</u>	<u>(230,593)</u>
Reinsurance	<u>4,877,513</u>	<u>5,235,916</u>	<u>(3,727,030)</u>	<u>(1,244,461)</u>	<u>(361,748)</u>	<u>(97,323)</u>
Total	<u>£22,595,826</u>	<u>£22,769,407</u>	<u>£(14,183,285)</u>	<u>£(7,315,097)</u>	<u>£(1,598,941)</u>	<u>£(327,916)</u>



2. Geographical Analysis

2019

2018

Direct Net Premium Written in:

United Kingdom	£20,667,216	£17,718,313
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3. Technical provisions

	Gross £	Reinsurance £	2019 Net £	Gross £	Reinsurance £	2018 Net £
Movement in claims outstanding						
At 1 January	42,357,649	(12,145,453)	30,212,196	39,224,081	(11,037,408)	28,186,673
Movement in technical account	2,054,463	(1,495,530)	558,933	625,726	(360,498)	265,228
Other movements	(273,464)	(65,270)	(338,734)	2,507,842	(747,547)	1,760,295
	<u>£44,138,648</u>	<u>£(13,706,253)</u>	<u>£30,432,395</u>	<u>£42,357,649</u>	<u>£(12,145,453)</u>	<u>£30,212,196</u>

	Gross £	Reinsurance £	2019 Net £	Gross £	Reinsurance £	2018 Net £
Movement in unearned premiums						
At 1 January	11,029,809	(2,162,705)	8,867,104	10,237,200	(1,737,049)	8,500,151
Movement in technical account	1,358,404	(604,819)	753,585	(173,581)	(245,224)	(418,805)
Other movements	451,256	(32,410)	418,846	966,190	(180,432)	785,758
	<u>£12,839,469</u>	<u>£(2,799,934)</u>	<u>£10,039,535</u>	<u>£11,029,809</u>	<u>£(2,162,705)</u>	<u>£8,867,104</u>

	2019 Net £	2018 Net £
Movement in deferred acquisition costs		
At 1 January	3,022,934	2,886,926
Movement in deferred acquisition costs	221,155	(74,263)
Other movements	164,331	210,271
	<u>£3,408,420</u>	<u>£3,022,934</u>

Included within other movements are foreign exchange movements in restating the opening balances and the effect of the 2016 and prior years' technical provisions being reinsured to close into the 2017 year of account (2018: 2015 and prior years' technical provisions being reinsured to close into the 2016 year of account), where the Company's syndicate participation portfolio has changed between those two years of account. The substantial changes in other movements are due to the Group's growth in Syndicate participation as can be seen in Note 21.

Assumptions, changes in assumptions and sensitivity

As described on page 24 the majority of the risks to the Group's future cash flows arise from its participation in the results of Lloyd's syndicates and are mostly managed by the managing agents of the syndicates. The Group's role in managing these risks, in conjunction with the Group's member's agent, is limited to a selection of syndicate participations and monitoring the performance of the syndicates and their managing agents.

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



3. Technical provisions (continued)

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

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

There have been no changes to these assumptions in 2019.

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

- a 5% increase/decrease in net earned premium (with all other underwriting elements assumed to change pro-rata with premium) will increase/decrease the Company's pre-tax profit/loss by £1.0m (2018: £0.9m);
- a 5% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the Company's pre-tax profit/loss by £2.2m (2018: £2.1m);
- a 5% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Company's pre-tax profit/loss by £1.5m (2018: £1.5m).

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



3. Technical provisions (continued)

The historical gross and net claims development by year of account (YOA) is as follows:

Claims development – gross

YOA	After one year £'000	After two years £'000	After three years £'000	After four years £'000	After five years £'000	After six years £'000	After seven years £'000	After eight years £'000	After nine years £'000	RITC received £'000	Ultimate £'000	Cumulative payments £'000	Total £'000
2011	8,702	14,172	14,186	14,116	13,909	13,821	13,638	13,481	13,435	3,699	17,134	(12,565)	4,569
2012	8,556	12,901	12,739	12,332	12,247	12,058	11,904	11,817			11,817	(10,845)	972
2013	6,480	11,460	11,286	11,007	10,784	10,536	10,415				10,415	(9,306)	1,109
2014	6,286	11,100	11,417	11,111	11,254	11,084					11,084	(9,191)	1,893
2015	5,949	11,692	11,952	11,784	11,698						11,698	(8,769)	2,929
2016	7,092	14,605	14,912	14,884							14,884	(10,289)	4,595
2017	13,615	20,713	21,676								21,676	(12,464)	9,212
2018	9,691	17,296									17,296	(6,913)	10,383
2019	9,543										9,543	(1,065)	8,478
Total											125,545	(81,407)	44,138

Claims development – net

YOA	After one year £'000	After two years £'000	After three years £'000	After four years £'000	After five years £'000	After six years £'000	After seven years £'000	After eight years £'000	After nine years £'000	RITC received £'000	Ultimate £'000	Cumulative payments £'000	Total £'000
2011	7,141	11,718	11,736	11,443	11,163	11,105	11,029	10,908	10,835	2,953	13,236	(10,172)	3,064
2012	6,765	10,721	10,598	10,140	10,046	9,948	9,834	9,729			9,729	(8,940)	789
2013	5,468	9,942	9,698	9,469	9,301	9,117	9,017				9,017	(8,043)	974
2014	5,298	9,652	9,845	9,486	9,470	9,351					9,351	(7,955)	1,396
2015	5,061	10,038	10,212	10,113	9,939						9,939	(7,692)	2,247
2016	5,686	11,654	11,960	11,899							11,899	(8,582)	3,317
2017	8,415	14,371	15,142								15,142	(8,892)	6,250
2018	6,614	12,028									12,028	(5,035)	6,993
2019	6,287										6,287	(886)	5,401
Total											96,629	(66,197)	30,432

4. Net Operating Expenses

	2019	2018
Acquisition costs	(7,106,795)	(6,188,854)
Change in deferred acquisition costs	221,155	(74,263)
Administrative expenses	(1,945,484)	(1,055,721)
Profit on exchange	-	-
Reinsurer's commissions and profit participations	1,224,257	3,741
	<u>£(7,606,867)</u>	<u>£(7,315,097)</u>



5. Investment Income

	2019	2018
Investment income – financial instruments held at fair value through profit or loss		
Dividend income and interest	786,628	520,365
Realised gains and losses	110,136	(55,864)
Unrealised gains and losses - net	213,901	(341,515)
	<hr/>	<hr/>
Investment income	1,110,665	122,986
	<hr/>	<hr/>
Bank interest	94,035	70,224
Investment management expenses	(30,841)	(26,924)
	<hr/>	<hr/>
Total investment return	£1,173,859	£166,286
	<hr/>	<hr/>
Recognised in:		
Technical account	993,664	258,685
Non-technical account	180,195	(92,399)
	<hr/>	<hr/>
Total investment return	£1,173,859	£166,286
	<hr/>	<hr/>

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

	2019	2018
This is stated after charging/(crediting):		
Chairman's remuneration	£ 10,000	£ 10,000
Directors' remuneration- excluding Chairman.	£ 22,500	£ 22,500
Other staff costs	£ 9,000	£ 9,000
Auditors' remuneration - audit of these Financial Statements	£ 21,630	£ 25,750
- audit of the Company's subsidiaries	£ 26,914	£ 18,540
- tax compliance services	£ 8,544	£ 15,000
Profit on sale of capacity	£ -	£ -
Amortisation of syndicate capacity	£ 301,488	£197,399
Amortisation of goodwill	£ 28,485	£ 57,889
Amortisation of negative goodwill	£ (8,045)	£ -
Exchange loss/(gain)	£ 122,008	£(82,953)
	<hr/>	<hr/>

The Group has no employees other than the Directors and the Company Secretary.



7. Taxation	2019	2018
Analysis of Charge in Year		
Corporation tax:		
UK corporation tax on profit of the year	148,989	394,342
Prior year adjustment	(16,488)	56,088
Overseas taxation	(11,148)	(12,370)
	<hr/>	<hr/>
	121,353	438,060
Deferred tax:		
Origination and reversal of timing differences	(4,184)	(495,071)
Adjustment in respect of previous period	-	-
Change in tax rate	-	-
	<hr/>	<hr/>
Total tax charge/(credit)	£117,169	£(57,011)
	<hr/> <hr/>	<hr/> <hr/>

Factors affecting tax charge/(credit) for year	2019	2018
The tax assessed for the year is different to the standard rate of corporation tax in the UK. The differences are explained below:		
Profit/(Loss) on ordinary activities before tax	£856,127	£(710,940)
	<hr/>	<hr/>
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	162,664	(135,097)
Effects of:		
Other adjustments to taxation	(17,859)	34,368
Foreign tax paid	(11,148)	(12,370)
Prior year adjustment	(16,488)	56,088
	<hr/>	<hr/>
Tax charge/(credit) for year	£117,169	£(57,011)
	<hr/> <hr/>	<hr/> <hr/>

Factors that may affect future tax charges

The results of the Group's participation on the 2017, 2018 and 2019 years of account, will not be assessed to tax until the year ended 31 December 2020, 2021 and 2022 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account. In addition, tax only Claims Equalisation Reserves (CER) may further affect the timing of the taxation of underwriting profits. At 31 December 2019 the Group had a CER of £822,717 (2018 - £1,170,950) which will be subject to UK corporation tax as it is released in future years.

On 18 November 2019, the Government outlined its proposal to reverse the planned corporation tax reduction from 19% to 17%. This was confirmed in the Budget on 11 March 2020 and substantively enacted on 17 March 2020. The change in the corporation tax rate is not expected to have a material impact on the deferred tax balance.



8. Dividends	2019	2018
Equity dividends declared and paid	£515,288	£1,355,592
	<u> </u>	<u> </u>
9a. Intangible Assets and Positive Goodwill		
Purchased		
Cost	Positive Goodwill	Syndicate Capacity
At 1 January 2019	193,578	4,773,782
Additions	-	99,269
On acquisition of subsidiaries (Note 24)	6,467	731,812
Disposals	-	(36,408)
	<u> </u>	<u> </u>
At 31 December 2019	200,045	5,568,455
	<u> </u>	<u> </u>
Amortisation		
At 1 January 2019	(165,097)	(3,852,594)
Provided during the year	(28,485)	(301,488)
Disposals	-	36,408
	<u> </u>	<u> </u>
At 31 December 2019	(193,582)	(4,117,674)
	<u> </u>	<u> </u>
Net Book Value		
At 31 December 2019	£6,463	£1,450,781
	<u> </u>	<u> </u>
At 31 December 2018	£28,481	£921,188
	<u> </u>	<u> </u>



9b. Negative Goodwill

Purchased	Negative Goodwill
Cost	
At 1 January 2019	40,224
On acquisition of subsidiaries (Note 24)	13,037
	<hr/>
At 31 December 2019	53,261
	<hr/>
Amortisation	
At 1 January 2019	-
Released during the year	(8,045)
	<hr/>
At 31 December 2019	(8,045)
	<hr/>
Net Book Value	
At 31 December 2019	£45,216
	<hr/> <hr/>
At 31 December 2018	£40,224
	<hr/> <hr/>

10. Investments

Company	2019	2018
Fixed asset investments	Subsidiary	Subsidiary
	Undertakings	Undertakings
At 1 January	558,590	32,015
Acquisition of subsidiary	692,126	530,001
Impairment of investment in subsidiaries	(38,474)	(3,426)
	<hr/>	<hr/>
At 31 December	£1,212,242	£558,590
	<hr/> <hr/>	<hr/> <hr/>

The Company acquired Swann Underwriting LLP, St Albans Underwriting LLP and Nameco (No.420) Limited in 2019 (see Note 24). Church Acre Limited was acquired by the Company in 2018.



10. Investments (continued)

The Company has the following beneficial interests, held either directly or indirectly in group undertakings:

Name	Direct/ indirect interest	Ownership interest	Country of incorporation	Business activity
Talisman Corporate Underwriting Limited	Direct	100%	England and Wales	Lloyd's corporate member
Talisman Corporate Underwriting 1999 Limited	Direct	100%	England and Wales	Lloyd's corporate member
Talisman Corporate Underwriting 2000 Limited	Direct	100%	England and Wales	Lloyd's corporate member
Goodhart Limited	Direct	100%	England and Wales	Lloyd's corporate Member
Church Acre Limited	Direct	100%	England and Wales	Lloyd's corporate partner
Talisman Corporate Limited	Direct	100%	England and Wales	LLP corporate Partner
Nameco (No.420) Limited	Direct	100%	England and Wales	Lloyd's corporate member
St Albans Underwriting LLP	Direct	100%	England and Wales	Lloyd's corporate member
Swann Underwriting LLP	Direct	100%	England and Wales	Lloyd's corporate member
J.A.T.P LLP	Indirect	100%	England and Wales	Lloyd's corporate member
John Coverdale LLP	Indirect	100%	England and Wales	Lloyd's corporate member

The registered office of the above subsidiaries is 5th Floor, 70 Gracechurch Street, London EC3V 0XL.

The Group resigned as a member of Leonid Underwriting LLP on 31 December 2019.

In addition to Church Acre Limited, the Group acquired J.A.T.P LLP and John Coverdale LLP during 2018.



10. Investments (continued)

The Group and Company also hold the following investments:

Group

Other Financial Investments - Syndicate	2019		2018	
	Market value	Cost	Market value	Cost
Shares and other variable yield securities and units in unit trusts	3,847,624	3,653,022	3,475,243	3,441,928
Debt securities and other fixed income securities	20,191,078	20,152,716	19,258,953	19,353,754
Participation in investment pools	283,234	279,366	400,733	393,099
Loans secured by mortgages	4,013	3,986	464,956	422,396
Other loans	74,809	62,977	14,095	14,098
Deposits with credit institutions	86,190	86,190	-	-
Overseas deposits	352,903	352,368	6,255	5,782
Other	49,392	352	15,529	15,481
	<u>£24,889,243</u>	<u>£24,590,977</u>	<u>£23,635,764</u>	<u>£23,646,538</u>

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

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

Level 2: prices based on recent transactions in identical assets.

Level 3: priced determined using a valuation technique.

Financial investments – Syndicate	Financial investments Held at fair value through profit or loss				Held at amortised cost	Total
	Level 1	Level 2	Level 3	Total		
2019						
Shares and other variable yield securities and units in unit trusts	1,287,380	2,407,134	153,110	3,847,624	-	3,847,624
Debt securities and other fixed income securities	5,871,011	14,320,067	-	20,191,078	-	20,191,078
Participation in investment pools	108,841	119,745	54,648	283,234	-	283,234
Loans and deposits with credit Institutions	35,665	77,387	51,960	165,012	-	165,012
Overseas deposits	206,027	141,378	5,498	352,903	-	352,903
Other investments	10,974	38,418	-	49,392	-	49,392
	<u>£7,519,898</u>	<u>£17,104,129</u>	<u>£265,216</u>	<u>£24,889,243</u>	<u>£-</u>	<u>£24,889,243</u>



10. Investments (continued)

Financial investments – Corporate	Financial investments Held at fair value through profit or loss			Total	Held at amortised cost	Total
	Level 1	Level 2	Level 3			
2019						
Shares and other variable yield securities and units in unit trusts	-	2,579,307	-	2,579,307	-	2,579,307
Fair value	£-	£2,579,307	£-	£2,579,307	£-	£2,579,307
						Total
Cost				£2,219,092	£-	£2,219,092

The Corporate Investments comprise units held in the Ruffer LLP Total Return International Fund and are deposited at Lloyd's to support the Group's underwriting (see Note 22).

Financial investments – Syndicate	Financial investments Held at fair value through profit or loss			Total	Held at amortised cost	Total
	Level 1	Level 2	Level 3			
2018						
Shares and other variable yield securities and units in unit trusts	1,138,937	2,207,040	129,266	3,475,243	-	3,475,243
Debt securities and other fixed income securities	5,744,141	13,514,812	-	19,258,953	-	19,258,953
Participation in investment pools	142,595	171,450	86,688	400,733	-	400,733
Loans and deposits with credit Institutions	354,425	54,512	56,019	464,956	-	464,956
Other investments	10,974	24,905	-	35,879	-	35,879
Fair value	£7,391,072	£15,972,719	£271,973	£23,635,764	£-	£23,635,764

Financial investments – Corporate	Financial investments Held at fair value through profit or loss			Total	Held at amortised cost	Total
	Level 1	Level 2	Level 3			
2018						
Shares and other variable yield securities and units in unit trusts	-	2,393,520	-	2,393,520	-	2,393,520
Fair value	£-	£2,393,520	£-	£2,393,520	£-	£2,393,520
						Total
Cost				£2,219,092	£-	£2,219,092



11. Debtors arising out of Direct Insurance and Reinsurance Operations

	2019			2018		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Direct insurance operations						
Intermediaries	58	-	58	5,863,803	-	5,683,803
Policyholders	6,766,312	-	6,766,312	131	-	131
	<u>£6,766,370</u>	<u>£-</u>	<u>£6,766,370</u>	<u>£5,863,934</u>	<u>£-</u>	<u>£5,863,934</u>
Reinsurance operations	5,597,151	-	5,597,151	5,560,932	-	5,560,932
	<u>£5,597,151</u>	<u>£-</u>	<u>£5,597,151</u>	<u>£5,560,932</u>	<u>£-</u>	<u>£5,562,932</u>

Debtors arising out of direct and reinsurance operations includes £130,787 (2018 - £167,758) and £800,031 (2018 - £1,470,473) respectively which is due after more than one year.

12. Other Debtors

Group	2019			2018		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Deferred tax asset (Note 15)	-	539,276	539,276	-	563,291	563,291
Other	783,064	505,770	1,288,834	1,579,238	512,896	2,092,134
	<u>£783,064</u>	<u>£1,045,046</u>	<u>£1,828,110</u>	<u>£1,579,238</u>	<u>£1,076,187</u>	<u>£2,655,425</u>

Company	2019	2018
Corporation tax recoverable	25,634	17,511
Debtors due from subsidiaries	360,758	-
Other debtors	89,663	149,637
Prepayments and accrued income	3,170	3,170
	<u>£479,225</u>	<u>£170,318</u>



13. Cash at Bank and in Hand

	2019			2018		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Lloyd's deposit	-	3,851,401	3,851,401	-	3,652,391	3,652,391
Cash at bank	1,453,372	3,853,544	5,306,916	1,274,944	3,873,412	5,148,356
	<u>1,453,372</u>	<u>£7,704,945</u>	<u>£9,158,317</u>	<u>£1,274,944</u>	<u>£7,525,803</u>	<u>£8,800,747</u>

The Lloyd's deposit represents monies deposited with the Corporation of Lloyd's (Lloyd's) to support the Group's underwriting activities (see Note 22).

14. Called-up Share Capital

	2019	2018
	Allotted, called-up and fully paid	Allotted, called-up and fully paid
18,363,901 (2018: 16,655,011) Ordinary A shares of 25p each	4,560,975	4,163,752
12,420 (2018: 11,792) Ordinary B shares of 10p each	1,242	1,179
	<u>£4,562,217</u>	<u>£4,164,931</u>

The Company has issued two classes of shares, Ordinary A shares and Ordinary B shares. The Ordinary A shares and Ordinary B shares carry the right for the shareholder to participate in the underwriting profits of the Company resolved to be distributed by the Company. The A shares also entitle the shareholder to participate on any investment income and gains generated on funds held by the Company to the exclusion of any other class of shares.

Each Ordinary A shareholder is entitled to a single vote for every A share held. Each Ordinary B shareholder is entitled to one thousand votes for every B share held. On winding up of the Company the capital and assets available for distribution will be divided amongst the members in proportions to the amounts paid up on the shares.

1,588,890 Ordinary A shares (2018: 585,539 Ordinary A shares) were issued at an average price of £0.68 per Ordinary A share and 630 Ordinary B shares (2018: 2,501 Ordinary B shares) were issued at par in 2019.



15. Deferred Taxation

Group	2019	2018
Opening balance – Deferred tax (asset)/liability	(478,653)	(36,857)
On acquisition of subsidiary companies	133,481	53,275
Profit and loss account (credit) for the financial year	(4,184)	(495,071)
	<u> </u>	<u> </u>
Closing balance – Deferred tax (asset)/liability	£(349,356)	£(478,653)
	<u> </u>	<u> </u>

Deferred tax consists of the following items:

Underwriting (losses) and profits not subject to current taxation	(650,673)	(762,373)
Claims Equalisation reserve	137,470	199,062
Revaluation of capacity	163,847	84,658
	<u> </u>	<u> </u>
	£(349,356)	£(478,653)
	<u> </u>	<u> </u>

The deferred tax balance is split:

Deferred tax assets (note 12)	(539,276)	(563,291)
Deferred tax liabilities	189,920	84,638
	<u> </u>	<u> </u>
	£(349,356)	£(478,653)
	<u> </u>	<u> </u>

Deferred tax has been calculated using the tax rate at which it is expected to reverse being 17% (2018 – 17%).

The deferred tax balance consists of underwriting profits and (losses), the claims equalisation reserve and the fair value revaluation of the syndicate capacity acquired and are expected to reverse:

	2019	2018
Within one year	(86,687)	196,309
Over one year	(262,669)	(674,962)
	<u> </u>	<u> </u>
	£(349,356)	£(478,653)
	<u> </u>	<u> </u>



15. Deferred Taxation (continued)

Company	2019	2018
Opening balance – Deferred tax liability	-	24,067
On acquisition of LLP subsidiaries	58,060	-
Profit and loss account (credit) for the financial year	-	(24,067)
	<hr/>	<hr/>
Closing balance – Deferred tax liability	£58,060	£-
	<hr/> <hr/>	<hr/> <hr/>
Deferred tax consists of the following items:		
Revaluation of capacity	£58,060	£-
	<hr/>	<hr/>
	£58,060	£-
	<hr/> <hr/>	<hr/> <hr/>
Deferred tax has been calculated using a tax rate of 17% (2018 – 17%).		
The deferred tax balance is expected to reverse:		
	2019	2018
Within one year	19,353	-
Over one year	38,707	-
	<hr/>	<hr/>
	£58,060	£-
	<hr/> <hr/>	<hr/> <hr/>

The deferred tax balance arises on Talisman Underwriting Plc's participation on the LLP Corporate Members.

16. Creditors arising out of Direct Insurance and Reinsurance Operations

	2019			2018		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Direct insurance operations						
Falling due within						
one year	1,109,439	-	1,109,439	899,127	-	899,127
Due after one year	7,646	-	7,646	11,303	-	11,303
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	£1,117,085	£-	£1,117,085	£910,430	£-	£910,430
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reinsurance operations						
Falling due within						
one year	4,367,045	-	4,367,045	3,207,621	-	3,207,621
Due after one year	771,906	-	771,906	765,897	-	765,897
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	£5,138,951	£-	£5,138,951	£3,973,518	£-	£3,973,518
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



17. Other Creditors

Group	2019			2018		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Corporation tax	-	46,935	46,935	-	207,092	207,092
Other	1,772,412	1,528,317	3,300,729	2,882,836	1,676,985	4,559,821
	<u>£1,772,412</u>	<u>£1,575,252</u>	<u>£3,347,664</u>	<u>£2,882,836</u>	<u>£1,884,077</u>	<u>£4,766,913</u>

Company	2019	2018
Amounts owed to group undertakings	1,160,026	1,019,752
Dividends payable	40,336	40,336
Other creditors	1,381,406	1,441,406
Corporation tax	-	-
Accruals and deferred income	71,235	70,545
	<u>£2,653,003</u>	<u>£2,572,039</u>

Other creditors of £1,381,406 (2018: £1,441,406) represents monies received from loan note holders to support the Group's underwriting. These monies are deposited as Funds at Lloyd's.

18. Movement in Cash

	At 01.01.19	Cash flow in year	At 31.12.19
Lloyd's deposit	3,652,391	199,010	3,851,401
Cash at bank	3,873,412	(19,868)	3,853,544
	<u>£7,525,803</u>	<u>£179,142</u>	<u>£7,704,945</u>



19. Related Parties

2019

2018

The following dividends were paid to the Directors:

Peter Steel	£12,738	£30,480
Robert Eaton	£1,832	£4,447
David Monksfield	£711	£924
Paul Sandilands	£9,963	£24,354

David Monksfield is also Executive Chairman of Argenta Private Capital Limited ("APCL"). Members' Agents fees and profit commission are payable to APCL under normal commercial terms. Members' Agents fees and profit commission paid to APCL totalled £221,148 in the year ended 31 December 2019 (2018: £226,809).

20. Loan Stock

In order to support the Group's underwriting activities, the Company has issued the following loan stock:

	Original Issue Nil paid	Called and Cancelled	Balance Nil Paid
	£	£	£
'B' loan stock 2000	2,037,796	1,967,804	69,992
'B' loan stock 2001	2,223,778	1,973,803	249,975
'B' loan stock 2002	2,051,795	1,812,819	238,976
'C' loan stock 2000	299,970	299,970	-
'C' loan stock 2001	170,983	170,983	-
'C' loan stock 2002	124,988	124,988	124,988
'C' loan stock 2004	235,780	195,209	40,572
'C' loan stock 2005	1,304,777	891,457	413,320
'C' loan stock 2006	436,325	215,889	220,436
'C' loan stock 2008	417,980	128,413	289,567
'C' loan stock 2009	153,256	38,139	115,117
'C' loan stock 2010	53,185	-	53,185
'C' loan stock 2011	215,011	-	215,011
'C' loan stock 2012	129,776	81,286	48,490
'C' loan stock 2013	389,935	188,267	201,669
'C' loan stock 2014	773,271	51,594	721,677
'C' loan stock 2015	50,392	-	50,392
'C' loan stock 2016	1,196,210	248,959	947,252
'C' loan stock 2017	119,984	-	119,984
'C' loan stock 2018	212,222	-	212,222
'C' loan stock 2019	75,740	-	75,740
'C' loan stock 2020	691,744	-	691,744
'C' loan stock 2021	3,555,599	-	3,555,599
'C' loan stock 2022	459,837	-	459,837

The loan stock called may be converted to 'A' shares at the choice of the stockholder if the underwriting year closes at a profit.

The loan stockholders are obliged to make funds, equivalent to the par value of the loan stock, available to Lloyd's to support the group's underwriting.



21. Syndicate Participation

The Group is or was an Underwriting Member of the following Syndicates:

No.	Managing Agent	2020 Allocated Capacity £'000	2019 Allocated Capacity £'000	2018 Allocated Capacity £'000	2017 Allocated Capacity £'000
33	Hiscox Syndicates Limited	5,773	4,506	4,288	3,082
218	ERS Syndicate Management Limited	-	1,020	1,000	1,389
318	Cincinnati Global Underwriting Agency Ltd	730	710	680	737
386	QBE Underwriting Ltd	1,739	1,580	1,504	1,504
510	Tokio Marine Kiln Syndicates Limited	5,511	4,542	4,280	4,600
609	Atrium Underwriters Limited	3,405	2,695	2,503	2,338
623	Beazley Furlonge Ltd	3,058	2,438	2,232	1,939
727	S A Meacock & Company Limited	52	-	-	353
1884	Charles Taylor Managing Agency Ltd	-	-	-	330
1969	Apollo Syndicate Management Limited	593	593	300	385
1991	Coverys Managing Agency Ltd	-	-	-	97
2010	Cathedral Underwriting Limited	1,252	1,204	1,125	1,297
2121	Argenta Syndicate Management Ltd	1,611	1,289	1,194	1,053
2525	Asta Syndicate Management Ltd	-	-	-	-
2791	Managing Agency Partners Ltd	2,138	1,998	1,769	1,769
4444	Canopus Managing Agents Ltd	1,061	1,042	1,000	1,041
5623	Beazley Furlonge Ltd	297	30	-	-
5886	Asta Managing Agency Ltd	786	540	234	195
6103	Managing Agency Partners Ltd (*)	192	126	120	40
6104	Hiscox Syndicates Limited (*)	199	199	100	225
6111	Catlin Underwriting Limited (*)	-	-	200	628
7231	MAPA 7231 (*)	606	500	-	-
		£29,003	£25,012	£22,529	£23,002

(*) On a Limited Tenancy Basis. MAPA 7231 provides limited tenancy capacity on Syndicate 5886.

22. Funds at Lloyd's

The Company's subsidiaries have entered into Lloyd's Deposit Trust Deeds which give the Corporation the right to apply these monies in settlement of any claims arising from the participation on the Syndicates. These monies can only be released from the provision of these Deeds 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 Group's liabilities in respect of its underwriting.

In addition to the funds held in the Lloyd's Deposit (see Note 13) and the Corporate investments (see Note 10) totalling £6,174,905 (2018: £6,045,911) the Group's Lloyd's underwriting is also supported by bank guarantees from the loan note holders, and inter-available funds, of £7,854,491 (2018: £8,302,202).

23. Ultimate Controlling Party

In the opinion of the Directors there is no ultimate controlling party of the Group.



24. Acquisitions

Acquisition of Nameco (No.420) Limited

On 2 December 2019 Talisman Underwriting PLC acquired 100% of the issued share capital of Nameco (No.420) Limited for a total consideration of £650,530. The total adjustment required to the book values of the assets and liabilities of Nameco (No.420) Limited in order to present the net assets at fair values and in accordance with group accounting principles was £285,712, details of which are set out below. The purchase has been accounted for as an acquisition.

Nameco (No.420) Limited contributed £Nil to the Group's profit after tax. In its last financial year, to 31 December 2018, Nameco (No.420) Limited made a loss after tax of £(11,296).

	Book and fair values		
	Book Value	Fair Value Uplift	Fair Value
	£	£	£
Syndicate Capacity	-	344,232	344,232
Debtors	26,385	-	26,385
Funds at Lloyd's - cash	468,031	-	468,031
Cash at bank	344,187	-	344,187
Underwriting losses payable to Syndicates	(91,942)	-	(91,942)
Corporation tax payable	(12,189)	-	(12,189)
Other creditors	(347,546)	-	(347,545)
Deferred tax	(9,073)	(58,519)	(67,592)
	-----	-----	-----
Net assets acquired	377,853	285,712	663,567
	-----	-----	-----
Negative goodwill (Gain on bargain purchase)			(13,037)

Consideration			£650,530
			=====
Consideration satisfied by:			
Cash			329,330
Equity issued: 440,000 Ordinary A Shares of 25p each			321,200

			£650,530
			=====

The accounting for the acquisition has been completed.

The revaluation of the capacity reflects its fair value according to the latest auction price at the time of acquisition.



24. Acquisitions (continued)

Acquisition of St. Albans Underwriting LLP

On 2 December 2019 Talisman Underwriting Plc became 100% corporate partner in St. Albans Underwriting LLP for a total consideration of £160,600. The total adjustment required to the book values of the assets and liabilities of St. Albans Underwriting LLP in order to present the net assets at fair values and in accordance with group accounting principles was £208,770, details of which are set out below. The purchase has been accounted for as an acquisition.

St. Albans Underwriting LLP contributed £Nil to the Group's profit after tax. In its last financial year, to 31 December 2018, St. Albans Underwriting LLP made a profit after tax of £3,328.

	Book and fair values		
	Book Value	Fair Value Uplift	Fair Value
	£	£	£
Syndicate Capacity	-	251,530	251,530
Debtors	17,032	-	17,032
Funds at Lloyd's - cash	11,087	-	11,087
Underwriting losses payable to Syndicates	(66,671)	-	(66,671)
Accruals and deferred income	(10,956)	-	(10,956)
Deferred tax	-	(42,760)	(42,760)
	_____	_____	_____
Net assets acquired	(49,510)	208,770	159,262
	_____	_____	_____
Goodwill			1,338

Consideration			£160,600
			=====
Consideration satisfied by:			
Equity issued: 220,000 Ordinary A Shares of 25p each			160,600

			£160,600
			=====

The accounting for the acquisition has been completed.

The revaluation of the capacity reflects its fair value according to the latest auction price at the time of acquisition.



24. Acquisitions (continued)

Acquisition of Swann Underwriting LLP

On 2 December 2019 Talisman Underwriting Plc became 100% corporate partner of Swann Underwriting LLP for a total consideration of £58,400. The total adjustment required to the book values of the assets and liabilities of Swann Underwriting LLP in order to present the net assets at fair values and in accordance with group accounting principles was £112,921, details of which are set out below. The purchase has been accounted for as an acquisition.

Swann Underwriting LLP contributed £Nil to the Group's profit after tax. In its last financial year, to 31 December 2018, Swann Underwriting LLP made a loss after tax of £(27,256).

	Book and fair values		
	Book Value	Fair Value Uplift	Fair Value
	£	£	£
Syndicate Capacity	-	136,050	136,050
Debtors	10,629	-	10,629
Underwriting losses payable to Syndicates	(63,025)	-	(63,025)
Accruals and deferred income	(7,254)	-	(7,254)
Deferred tax	-	(23,129)	(23,129)
	-----	-----	-----
Net assets acquired	(59,650)	112,921	53,271
	-----	-----	-----
Goodwill			5,129

Consideration			£58,400
			=====
Consideration satisfied by:			
Equity issued: 80,000 Ordinary A Shares of 25p each			58,400

			£58,400
			=====

The accounting for the acquisition has been completed.

The revaluation of the capacity reflects its fair value according to the latest auction price at the time of acquisition.



25. Post balance sheet events

Issue of shares

Following the year end 160,000 Ordinary A shares were issued at a price of £0.73 per Ordinary A share. Additionally 616 Ordinary B shares were issued at par.

COVID-19

The COVID-19 pandemic is a post-balance sheet event causing global economic uncertainty and the impact on the Lloyd's market from underwriting losses will be significant.

The Directors believe that the Company is well placed to meet this uncertainty and has sufficient financial resources to meet its obligations as they fall due.

The COVID-19 pandemic is also causing social restrictions which are directly impacting the Lloyd's market. Until further notice, the majority of Lloyd's and the Managing Agents' employees are working remotely, the Underwriting Room in the Lloyd's Building has been closed and emergency trading and operating protocols that Lloyd's and the Managing Agents had prepared have been successfully activated.

The Directors of the Company, Argenta Private Capital Limited (the Members' Agent), and the Lloyd's market were well prepared to work remotely, the Company is continuing to be run with minimal disruption.

