Important information about Syndicate Reports and Accounts

Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The syndicate reports and accounts set forth in this section of the Lloyd's website, which have been filed with Lloyd's in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd's, and Lloyd's has no responsibility for their accuracy or content. Access to the syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd's or membership on any syndicate of Lloyd's, and no offer to join Lloyd's or any syndicate is being made hereby. Members of Lloyd's are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate's performance in any subsequent syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the syndicate reports and accounts. You also agree that you will not provide any person with a copy of any syndicate report and accounts without also providing them with a copy of this acknowledgment and agreement, by which they will also be bound.

QBE Casualty Syndicate 386 Annual report 2015

PAGE

ANNUAL REPORT

MANAGING AGENCY – CORPORATE INFORMATION

Directors

W-F Au*
P A Dodridge
T C W Ingram*
M G McCaig*
C R O'Farrell
R V Pryce
S W Sinclair*
D J Winkett

Former directors who served during part of the year

I D Beckerson	Resigned 29 June 2015
D J Clayden	Resigned 29 June 2015
C K Curtis	Resigned 31 May 2015
J Gordon	Resigned 29 June 2015
D S Hall	Resigned 29 June 2015
J W Parry	Resigned 29 June 2015

* non-executive directors

Company secretary

E Felton Smith Appointed 29 June 2015

Registered office

Plantation Place
30 Fenchurch Street
London
EC3M 3BD

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

STRATEGIC REPORT

The directors of QBE Underwriting Limited, the Managing Agent for QBE Casualty Syndicate 386 (the Syndicate), present their Strategic report for the Syndicate for the year ended 31 December 2015.

Principal activities

The Syndicate is a specialist non-US domiciled liability syndicate, (including some US business operations of non-US domiciled parents), operating within the Lloyd's insurance market, headed by the Active Underwriter of the Syndicate, David Harries. David is supported by an experienced team of underwriters.

The Syndicate forms an integral part of QBE European Operations (QBE EO).

Business written by the Syndicate during the year can be divided into three core areas: employers' liability; professional and financial lines, and general liability (the latter encompassing, inter alia, products liability and third party liability). Risks are accepted and written on a worldwide basis. Throughout the year, the Syndicate has maintained its strong reputation for excellent service, risk and claims management.

The Syndicate, together with other underwriting entities within QBE EO, continued to provide an integrated casualty offering during 2015, leveraging enhanced distribution opportunities and economies of scale in the cost of reinsurance protection.

The Syndicate has continued the emphasis on its customer value proposition, with a focus on understanding what clients require beyond the purchase of monoline insurance.

Casualty International and Professional and Financial Lines

Casualty International

The Syndicate has an enviable reputation as a leader in International Liability business, with the Casualty International account comprising approximately 40% of overall gross written premium. The team underwrites public and products' liability as well as umbrella and excess of loss for risks including large industrial, mineral extraction, utility and transport concerns.

Professional and Financial Lines

This account, which comprises approximately 21% of overall gross written premium, encompasses risks in the construction business, technology business and miscellaneous and traditional professions. The Syndicate also writes a significant global book of solicitors' business. As leaders in this technical field, the Syndicate gives customers the peace of mind that it is able to control the structure and scope of exposure.

The account also includes pharmaceutical and medical malpractice business.

UK and Ireland Liability

This account totals approximately 39% of overall syndicate gross written premium. The team underwrites employers' liability, public and products' liability, and products' guarantee for construction and offshore accounts, as well as for more traditional industries. As a leader in the liability field, with strong broker and customer relationships, the team endeavours to offer a combined employers' liability and third party product, where possible incorporating a customer's excess layer requirements.

Claims

The Syndicate has an excellent claims team, operating within a combined QBE EO claims service, with a strong reputation for service and working closely with customers.

STRATEGIC REPORT (continued)

Business review and future developments

The table below details the Syndicate's annually accounted result as at 31 December 2015 relative to the previous year:

	2015 Total £000	Restated* 2014 Total £000
Gross written premium	335,172	332,559
Net earned premiums	323,567	359,352
Net claims	(173,751)	(205,271)
Acquisition costs	(89,184)	(93,021)
Non-technical account income/charges	(4,243)	(10,720)
Other net operating expenses	(25,713)	(29,591)
Net underwriting profit	30,676	20,749
Investment return	11,558	18,847
Total profit for the year	42,234	39,596
Claims ratio	53.7%	57.1%
Combined operating ratio	90.5%	94.2%

Other net operating expenses include standard personal expenses.

*Comparative balances have been restated following conversion to FRS 102. Refer to note 1 of the accounting policies for further information.

The Active Underwriter comments

I am pleased to report another strong result for 2015 and a combined ratio of 90.5% (2014: 94.2%).

Market conditions for the year continued to be highly competitive across all our major product lines and territories, with an actual rate experience during the year 1.0% worse than planned. Despite this our gross written premium of £335,172,000 was slightly higher than previous (2014 £332,559,000) due principally to stronger prior year writings than anticipated.

The improvement in the combined operating ratio reflected a decrease in claims ratio (2015 53.7% versus 2014 57.1%), due to better than expected prior year development from within the Employers Liability and Public Liability classes, including a separate analysis of long-tail disease claims. The overall resultant benefit was a £14,292,000 prior year contribution to the result (2014 £23,233,000 adverse) on an annual accounting basis. EY have again been engaged to provide independent projections to support the Statement of Actuarial Opinion (SAO) to be issued to Lloyd's.

On 31 December 2015, the Syndicate commuted two reinsurance treaty contracts: £9 million xs £1 million (2008-2010) and; $13 million xs $2 million (2011-2013) based on the discounted value of the reinsurance asset held on the balance sheet.
Acquisition costs as a ratio of net earned premium increased (2015 27.6% vs. 2014 25.9 %) in the year. The continued low investment return (2015 £11,558,000 versus 2014 £18,847,000) was very much a reflection of the returns available and our conservative approach to the portfolio. The Syndicate has reported a foreign exchange loss for the 2015 calendar year of £7,375,000 (2014 £11,352,000).

STRATEGIC REPORT (continued)

The Active Underwriter comments (continued)

All key underwriting areas have contributed to the insurance result. The table below illustrates net earned premiums after net claims by the key underwriting areas:

	2015 £'m	2014 £'m
UK and Ireland Liability	96.6	69.2
Professional and Financial Lines	18.0	20.4
Casualty International	35.2	64.5
	149.8	154.1

Outlook

2015 was a year in which we continued to strengthen our underwriting team and go onto the front foot and attract quality people. We significantly increased our bench strength on the International Casualty side hiring eight new underwriters including heavyweights in important leadership roles notably Mike Reid and Thomas Huber. Our already formidable UK & Ireland team under Matt Lacy also recruited David Jones to head our London Market UK & Ireland Casualty Team.

As highlighted, market conditions in 2015 were more competitive than in 2014 and those originally planned (albeit in line with our mid – year forecast). We have countered this by concentrating on our relationships with our major trading partners and continuing to strengthen this with our clients directly by enhancing our value proposition and introducing new lines of business to existing placements. This focus on product cross-selling and retention will continue throughout 2016.

If 2014 and 2015 were challenging years, the start to 2016 has been no different with continued pressure on rates and tough competition, particularly in the UK and Europe. Whilst the market presents one set of challenges, certain industry sectors like oil & gas and the fall in commodity prices, only worsen this. 2015 saw turnover and wages fall significantly in this sector and this drop may well continue in 2016.

Broker facilities have been much discussed and these are only increasing as intermediaries look to find new ways of maximising revenue from finite books of business. These pose significant threats as well as opportunities and the Syndicate is as much affected by these as our peers.

I would like to thank the underwriting, claims, actuarial, finance & admin teams for their contribution to an excellent result in difficult conditions.

STRATEGIC REPORT (continued)

Investment policy

The QBE European Operations division operates an investment committee which is responsible for developing and monitoring the syndicate's investment policy and strategy, subject to QBE Underwriting Limited's Board approval. The committee also monitors the syndicate's investment manager's performance and their compliance with the internal guidelines set by the committee and external regulations. The investment policy is designed to ensure that liquidity, credit and market risk are appropriately managed.

Syndicate investments are primarily held in fixed income bonds and money market instruments; with modest exposure to growth assets including investment funds in high yield debt and emerging market equities. The majority of fixed income portfolios have an average credit rating equivalent to or better than Standard & Poor's "AA". The minimum permitted credit quality per the guidelines is "A-" grade instruments. The performance of the investment manager is monitored against an absolute return mandate, using other reference benchmarks or peer group performance as key performance indicators.

In order to reduce volatility in investment return in each financial year, the syndicate holds investments with shorter average duration than would normally be expected if it were matching the duration of liabilities relating to long-tail classes of business.

Management of the investment portfolios for the syndicate is delegated, under an arm's length agreement, to QBE Management Services Pty Limited, (the investment manager), a wholly owned subsidiary of the QBE Insurance Group.

The Syndicate operates a policy to minimise foreign exchange risk by holding monetary assets in foreign currencies in order to match monetary liabilities in such currencies where size is deemed material. Any remaining material monetary foreign currency exposure is hedged using foreign exchange derivatives in order to minimise foreign exchange risk.

Investment performance

The total investment returns achieved for each financial year are set out below. These include income earned on funds which are not managed by the investment manager, such as short-term liquid deposits and certain regulatory overseas deposits managed directly by Lloyd's. The total currency return for the year was 1.2% (2014 2.0%).

Portfolio currency	2015 Average funds '000	2015 Average return %	2015 Target return %	2014 Average funds '000	2014 Average return %	2014 Target return %
Australian dollar	359,082	2.5	2.8	433,536	4.6	3.0
Canadian dollar	507,279	1.2	1.3	496,625	1.5	1.5
Euro	194,823	0.4	0.4	202,940	1.1	0.8
UK pound sterling	281,008	0.7	1.1	178,042	1.0	1.0
US dollar	144,783	0.6	0.6	179,269	0.7	0.8
South African rand	138,191	5.4	6.6	131,137	6.0	5.5

The benchmark target for fixed income portfolios is an absolute return yield, agreed for each currency on an annual basis by the QBE European Operations' Executive Board. Targets for each currency agreed for each financial year are shown above.

During the second half of 2015 investment markets experienced increased volatility caused by slowing growth in the Chinese economy and falling oil and commodities prices. The majority of the Syndicate's currency investment returns underperformed against their respective currency targets for the year, with other currencies in line with targets. Overall performance for the syndicate was below the annual weighted target return of 1.4% (2014 1.7%).

During 2015, the syndicate's fixed income portfolios continued to be managed conservatively with average duration of less than one year. Through the investment manager's cautious stance, the syndicate has not incurred any credit defaults or write downs in any of its fixed interest portfolios.

STRATEGIC REPORT (continued)

Corporate governance

The Syndicate is managed by QBE Underwriting Limited (QUL or the Company), a subsidiary of QBE European Operations plc, which is the holding company for the European Operations division (QBE EO) of QBE Insurance Group Limited (QBE Group). The corporate governance framework is managed at QBE EO division level.

Recognising the importance of seeking continuous improvement in the output and value of the system of corporate governance, QBE Underwriting Limited implemented several enhancements to its corporate governance structure during 2015, continuing to reflect relevant regulatory and legal requirements, including the Lloyd's governance standards. As a member of the QBE Group, the Company is not bound by the UK Corporate Governance Code. However, as a matter of best practice, the Company's Board seeks to comply with the Code, where practical and relevant.

Key areas of focus during 2015 were: (i) the changes to the structure of Boards and Committees following the Board effectiveness review undertaken at the end of 2014; and (ii) the implementation of the changes mandated by the Senior Insurance Managers Regime ('SIMR'). These resulted in: (i) a rebalancing of the Board of the Company so that the executive membership was reduced; (ii) the reset of the QBE European Operations Executive Committee as an Executive Management Board ('EMB') with an increased remit in respect of operational matters previously considered by the QBE Underwriting Limited Board; (iii) the refresh of Committee Terms of Reference and Board Charters including appropriate tailoring of matters reserved to Boards to reflect the wider role of the EMB; and (iv) the approval of requisite Governance Maps by the Company Board.

Other enhancements in 2015 included: (i) the reset of the membership of the Risk & Capital Committee to include all non-executive directors as members; (ii) the establishment of a Risk & Capital working group to enhance efficiency by allowing an executive review of matters to be considered by the Risk & Capital Committee; and (iii) the appointment of the Company's General Counsel as Company Secretary, providing enhanced support and advice to the Chairman and the Boards.

The Boards considered and approved a process for approval of Solvency II Pillar 3 regulatory submissions, which included the constitution of a Disclosure Management Group, reporting to the EMB and taking responsibility for reviewing and monitoring verification of narrative and qualitative reporting by the Company.

A Board away day was held in May, providing the opportunity for a deeper focus on strategy (with presentations from senior management). We further supported non-executive director engagement through informal meetings exclusively for non-executive directors and meetings with non-executive directors from the QBE Group Board.

The main Company's Boards and Board Committees met regularly during the year with strong attendance from all members. The Board of the Company met thirteen times during 2015.

STRATEGIC REPORT (continued)

Corporate governance (continued)

QBE Underwriting Limited

The QUL Board charter states that the role of the Board is to provide leadership; to oversee the design and implementation of the Company's strategy and to set a framework of prudent and effective controls which enable risk to be assessed and managed within it. The Board ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews the performance of management in delivering on the Company's strategic aims. The Board should set and instil the Company's values and culture in the light of those set by QBE Group and ensure that its obligations to its shareholder and other stakeholders of QBE Underwriting Limited are understood and met.

The Board comprises four executive directors and four non-executive directors, and is chaired by Tim Ingram (non-executive director).

The role of the Chairman of the Board is distinct from that of the Chief Executive Officer, and each role is clearly established. The Board considers that the experience and areas of focus which each Board member brings to the Company's results in a strong and balanced leadership team to set and monitor the strategy and values of the Company.

There were 6 changes to the Board of QBE Underwriting Limited during the year which are noted on page 2.

In conjunction with QBE Group and supported by the Remuneration and Nomination Committee, the Board undertakes succession planning in accordance with the world-class talent and leadership objective, which underpins the strategic ambitions of QBE Group.

QBE Underwriting Limited has four non-executive directors who are all members of the Audit Committee and the Risk and Capital Committee. All the non-executive directors are considered to be independent of management and free from any relationship that could materially interfere with the exercise of their independent judgment.

Board Committees

The Boards of QBE European Operations plc and the three key regulated companies in QBE EO, including QUL have jointly constituted Board Committees. The Committees all comprise appropriately skilled members and are supported by attendees as necessary.

QBE EO's key Committees comprise:

- Audit Committee
- Executive Management Board
- Investment Committee
- Remuneration and Nomination Committee
- Risk and Capital Committee

STRATEGIC REPORT (continued)

Risk management and principal risks and uncertainties

The Syndicate's risk management function is managed and co-ordinated by the Company at the QBE EO divisional level, and forms an integral part of the QBE EO risk management framework.

Risks that could affect the Syndicate's ability to achieve its objectives are identified on a continuous basis through business unit risk and control workshops and the emerging risk process.

The main risks are regularly reported and discussed at the QBE EO Risk and Capital Committee through the Own Risk and Solvency Assessment (ORSA). A summary of the main risk categories and risk mitigation techniques is outlined below.

Strategic risk

The Company defines strategic risk as the current and prospective impact on earnings and/or capital arising from strategic business decisions and responsiveness to external change.

The Company manages strategic risk using the following:

- We consider strategic options in light of the impact on return volatility and capital requirements of the syndicates; and
- We plan and monitor capital levels of the syndicates on an ongoing basis, with reference to regulatory, rating agency and economic requirements.

Credit risk

The Company defines credit risk as the risk of not recovering money owed to the Company by third parties, as well as the loss in value of assets due to deterioration in credit quality.

The Company manages credit risk using the following:

- We regularly review our exposure limits and credit quality levels for approved counterparties in relation to deposits and investments.

Group risk

The Company defines group risk as the risk to a division arising specifically from being part of a wider group, including financial impact and loss of support from the QBE Group; coupled with operating in the Lloyd's Market.

The Company manages group risk using the following:

- Independent non-executive directors on the Company Board.
- Contractual arrangements in place for material services provided by other QBE Group divisions and companies.
- The QBE Group services framework which governs the procurement, monitoring and review of services provided to the QBE Group.

Liquidity risk

The Company defines liquidity risk as the risk of insufficient liquid assets to meet liabilities as they fall due to creditors.

The Company manages liquidity risk using the following**:**

- We set minimum levels of liquid, short term money market securities;
- Stress testing of liquidity relative to major catastrophe events; and
- We match assets and liabilities in our major currency positions.

STRATEGIC REPORT (continued)

Operational risk

The Company defines operational risk as the risk of financial loss resulting from inadequate or failed internal processes, people and systems or from external events. Our exposure to operational risk arises from - internal fraud, external fraud, employment practices, improper business practice, technology and infrastructure failures and business and transaction processing.

The Company manages operational risk using the following:

- We actively monitor our key processes and systems;
- We conduct scenario reviews to identify and quantify potential exposures for mitigation; and
- We maintain effective segregation of duties, access controls, authorisation and reconciliation procedures.

Solvency II and capital allocation

The Prudential Regulation Authority (PRA) pre-approved the Society of Lloyd's Solvency II internal capital model application in December 2015.

Acting on behalf of the syndicates, the Company has defined its internal model as an integrated framework to support its objectives by managing risk and capital across the syndicates' business. The internal model has broad scope including: capital modelling; risk identification; mitigation; assessment and monitoring, and is used in the day to day operation of the Company.

We use the internal model to help assess our risk and calculate the appropriate level of risk-based capital to allocate to risks to which we are exposed. The assessment of risk-based capital enables us to make decisions that involve quantitative risk reward trade-offs. The allocation of risk-based capital helps ensure that the level of risk we take is commensurate with the required returns and is within the approved risk appetite and tolerance.

Business continuity management

A business continuity management framework ensures that the Company is resilient and able to respond effectively to incidents that threaten business continuity, including any material failures in significant outsourcing arrangements. It also ensures that the impact of any major disruption is minimised.

The framework includes a set of emergency management plans, department-level business continuity plans and technology recovery plans. It is supported by a range of activities, including staff awareness and testing.

This Strategic Report was approved by the QBE Underwriting Limited Board of directors on 14 March 2016 and signed on its behalf by:

D J Winkett

Director
QBE Underwriting Limited
London

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The directors of QBE Underwriting Limited, the Managing Agent for the Syndicate, present their report and the audited financial statements of the Syndicate for the year ended 31 December 2015.

This annual report is prepared using the annual basis of accounting as required by regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the 2008 Regulations).

Strategic report

The strategic report, which includes details of the Syndicate's principal activities, development, performance and KPI's, risk management framework and governance structure, is set out on pages 3 to 10.

Internal audit

An internal audit department provides assurance to the Audit Committee as to the effectiveness of internal systems and controls, makes recommendations for improvement and monitors progress towards completion via management action plans. Internal audit also provide feedback on the risk management process.

Relationship with Managing Agent

QUL has adopted a code of conduct which outlines a set of general business ethics that apply to all employees when conducting any activity on behalf of the Syndicate. The code of conduct requires employees to carry on business in an open and honest manner with customers, shareholders, employees, regulatory bodies, outside suppliers, intermediaries and the community at large. The code also deals with a number of other requirements including whistle-blowing, confidentiality, disclosure of information, conflicts of interest and treating customers fairly. Other policies are in place to cover areas such as health and safety, harassment, equal opportunities and financial crime.

Statement of Managing Agent's responsibilities

The Directors of the Managing Agent are responsible for preparing the strategic report, report of the directors of the Managing Agent and the annual accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (IAD) requires the Managing Agent to prepare annual accounts for each financial year. Under that law the directors are required to prepare the Syndicate annual accounts in accordance with UK generally accepted accounting practice (UK accounting standards and applicable law). The IAD requires that the Directors must not approve the annual accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit and loss of the Syndicate for that period.

In preparing these Syndicate annual accounts, the Managing Agent is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 annual accounts; and
- prepare the annual accounts on the basis that the Syndicate will continue to write business unless it is inappropriate to presume that the Syndicate will do so.

The Directors of the Managing Agent are responsible for keeping proper accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the Syndicate annual accounts comply with the IAD. They are also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors of the Managing Agent are responsible for the maintenance and integrity of the company's website and legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Statement of disclosure of information to auditors

Each person who is a director of the Managing Agent at the date of this report confirms that:

- so far as the director is aware, there is no information relevant to the audit of the Syndicate's annual accounts for the year ended 31 December 2015 of which the auditors are unaware; and
- the Director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of, and to establish that the Syndicate's auditors are aware of, any relevant audit information.

Independent auditors

The directors of the Managing Agent intend to reappoint PricewaterhouseCoopers LLP as the Syndicate's auditors.

By order of the Board of the Managing Agent,

D J Winkett

Director
QBE Underwriting Limited
London
14 March 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QBE CASUALTY SYNDICATE 386

Report on the Syndicate annual accounts

Our opinion

In our opinion the Syndicate annual accounts, defined below:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2015 and of its profit and cash flows 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 Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

What we have audited

The Syndicate annual accounts for the year ended 31 December 2015, included within the Annual Report, comprise:

- the balance sheet as at 31 December 2015;
- the profit and loss account for the year then ended;
- the statement of income and members balances;
- the statement of cash flows;
- reconciliation of operating profit to net cash inflow from operating activities;
- the accounting policies; and
- the notes to the Syndicate annual accounts, which include other explanatory information**.**

The financial reporting framework that has been applied in the preparation of the Syndicate annual accounts is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland," as modified by the requirements of Schedule 2 of The Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), and the disclosure requirements of Schedule 3 to The Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005)., and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Managing Agent has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

In our opinion the information given in the Managing Agent's Report for the financial year for which the Syndicate annual accounts are prepared is consistent with the Syndicate annual accounts.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QBE CASUALTY SYNDICATE 386 (continued)

Other matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- the Managing Agent in respect of the Syndicate has not kept adequate accounting records; or
- the Syndicate annual accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Responsibilities for the Syndicate annual accounts and the audit

Our responsibilities and those of the Managing Agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 11, the Managing Agent is responsible for the preparation of the Syndicate annual accounts and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of Syndicate annual accounts involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the Syndicate annual accounts sufficient to give reasonable assurance that the Syndicate annual accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Syndicate's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Managing Agent; and
- the overall presentation of the Syndicate annual accounts.

We primarily focus our work in these areas by assessing the Managing Agent's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the Syndicate annual accounts.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QBE CASUALTY SYNDICATE 386 (continued)

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Syndicate annual accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Andrew Moore (Senior statutory auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 March 2016

Note:
The maintenance and integrity of the QBE EO website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the syndicate annual accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of syndicate annual accounts may differ from legislation in other jurisdictions.

PROFIT AND LOSS ACCOUNT - TECHNICAL ACCOUNT - GENERAL BUSINESS

for the year ended 31 December 2015

	Note	2015 £'000	2015 £'000	Restated 2014 £'000	Restated 2014 £'000
Earned premium, net of reinsurance					
Gross premiums written	3	335,172		332,559	
Outward reinsurance premiums		(25,139)		(15,487)	
Net premiums written			310,033		317,072
Change in the gross provision for unearned premiums		17,897		69,618	
Change in the provision for unearned premiums, reinsurers' share		(4,363)		(27,338)	
Change in the net provision for unearned premiums			13,534		42,280
Earned premium, net of reinsurance			323,567		359,352
Allocated investment return transferred from the non-technical account			11,558		18,847
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(260,624)		(322,153)	
Reinsurers' share		187,423		124,038	
Net claims paid		(73,201)		(198,115)	
Change in the provision for claims					
Gross amount		39,473		87,724	
Reinsurers' share		(140,023)		(94,880)	
Change in the net provision for claims		(100,550)		(7,156)	
Claims incurred, net of reinsurance			(173,751)		(205,271)
Net operating expenses	5		(102,067)		(108,253)
Standard personal expenses			(12,830)		(14,359)
Balance on the technical account for general business			46,477		50,316

The notes set out of pages 22 to 38 form an integral part of these financial statements

PROFIT AND LOSS ACCOUNT - NON-TECHNICAL ACCOUNT

for the year ended 31 December 2015

	Note	2015 £'000	Restated 2014 £'000
Balance on the general business technical account		46,477	50,316
Investment income	8(a)	17,652	24,409
Investment expenses and charges	8(b)	(3,898)	(4,599)
Unrealised losses on investments		(2,196)	(963)
Investment return		11,558	18,847
Allocated investment return transferred to the general business technical account		(11,558)	(18,847)
Non-technical account income/charges		(4,243)	(10,720)
Profit for the financial year		42,234	39,596

The results above are derived from continuing operations.

The notes set out of pages 22 to 38 form an integral part of these financial statements

STATEMENT OF INCOME AND MEMBERS BALANCES
for the year ended 31 December 2015

	2015 £'000	Restated 2014 £'000
Members' balances as at 1 January	46,949	45,405
Profit for the financial year	42,234	39,596
Members' agent fees	(1,048)	(1,055)
Non-standard personal expenses	550	619
Distribution of profits	(17,145)	(29,724)
Open year profit release	(22,635)	(7,892)
Members' balances as at 31 December	48,905	46,949

The notes set out of pages 22 to 38 form an integral part of these financial statements

BALANCE SHEET
As at 31 December 2015

Assets	Note	2015 £'000	Restated 2014 £'000
Investments			
Other financial investments	9	836,269	828,606
Derivative financial instruments	10	3,071	8,509
		839,340	837,115
Reinsurers' share of technical provisions			
Provision for unearned premiums		12,034	16,605
Claims outstanding	15	126,281	267,811
		138,315	284,416
Debtors			
Debtors arising out of direct insurance operations	13(i)	101,826	94,509
Debtors arising out of reinsurance operations	13(ii)	117,577	15,516
Other debtors		2,078	653
		221,481	110,678
Other assets			
Cash at bank and in hand		11,203	6,812
Overseas deposits	14	142,569	177,335
		153,772	184,147
Prepayments and accrued income			
Accrued interest and rent		2,804	5,104
Deferred acquisition costs		40,714	47,487
		43,518	52,591
Total assets		1,396,426	1,468,947

The notes set out of pages 22 to 38 form an integral part of these financial statements

BALANCE SHEET
As at 31 December 2015

Liabilities	Note	2015 £'000	Restated 2014 £'000
Members' balances		48,905	46,949
Technical provisions			
Provision for unearned premiums		180,646	198,069
Claims outstanding	15	1,063,737	1,128,632
		1,244,383	1,326,701
Creditors			
Creditors arising out of direct insurance operations	19 (i)	56,241	20,233
Creditors arising out of reinsurance operations	19 (ii)	12,074	47,743
Derivative financial instrument	10	5,005	1,564
Other creditors including taxation and social security	20	22,608	18,936
		95,928	88,476
Accruals and deferred income		7,210	6,821
Total liabilities		1,396,426	1,468,947

These financial statements on pages 16 to 38 were approved by the board of QBE Underwriting Limited on 14 March 2016 and signed on its behalf by:

D J Winkett

Director

The notes set out of pages 22 to 38 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

	2015 £'000	Restated 2014 £'000
Cash flow from operating activities		
Operating profit	42,234	39,596
Increase / (decrease) in gross technical provisions	(82,318)	(157,916)
(Increase) / decrease in reinsurers' share of technical provisions	146,101	119,820
(Increase) / decrease in debtors	(101,730)	27,470
Increase / (decrease) in creditors	7,841	26,559
Investment returns	(11,558)	(18,847)
	570	36,682
Cash flows from investing activities		
Purchase of equity and debt instruments	(1,273,737)	(1,127,242)
Sale of equity and debt instruments	1,217,195	1,012,101
Purchase of derivatives	-	1
Sale of derivatives	(15)	(76)
Investment income received	9,362	17,884
	(47,195)	(97,332)
Cash flow from financing activities		
Distribution profit	(17,145)	(29,724)
Open year profit release	(22,635)	(7,892)
	(39,780)	(37,616)
Movement in cash, portfolio investments and financing		
Cash and cash equivalents at the beginning of the year	184,147	287,968
Net increase / (decrease) in cash and cash equivalents	(30,375)	(103,821)
Cash and cash equivalents at the end of the year	153,772	184,147

	2015 £'000	Restated 2014 £'000
Non-cash flow activities		
Unrealised gains/losses & MV adjustments	69,527	2,585
Members' Agents Fees	(1,048)	(1,055)
FX movement on cash and cash equivalents	(12,999)	(7,704)
Non-standard personal expenses	550	619

NOTES TO THE ANNUAL ACCOUNTS
for the year ended 31 December 2015

1. Accounting policies

The principal accounting policies adopted in the preparation of these annual accounts are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

(a) Basis of preparation

These annual accounts have been prepared in accordance with regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102'') and Financial Reporting Standard 103 "Insurance Contracts" (''FRS 103'').

This is the first set of financial statements to be prepared by the Syndicate in accordance with FRS 102 and FRS 103.

FRS 102 is based on International Financial Reporting Standards (IFRS) for Small and Medium size entities (SME), and is generally similar to previous UK GAAP, whilst FRS 103 is broadly in line with the ABI SORP previously adopted by the Syndicate.

When preparing these financial statements, management has amended certain accounting and valuation methods applied in the previous UK GAAP financial statements and the comparative figures have been restated to reflect these adjustments.

I. Under FRS 102 the cash flow statement is presented under three standard headings, operating activities, investing activities and financing activities.

II. Under FRS 103, all assets and liabilities arising from insurance contracts are treated as monetary items, and such items originating in foreign currency are therefore translated at the balance sheet exchange rate. Under the previous UK GAAP, deferred acquisition costs and unearned premium were treated as non-monetary items, and were not retranslated at the balance sheet date.

III. FRS 103 requires additional disclosures in regards to:

- "Outstanding claims, claims development tables by underwriting year";
- "Impact of changes of key variables on the outstanding claims provision";
- "Maturity profile of net outstanding claims".

Details of the transition to FRS 102 and FRS 103 are disclosed in note 22.

The accounts incorporate all transactions committed to by the 2015 year of account and prior years of account.

The directors of the Managing Agent have prepared the financial statements on the basis that the Syndicate will continue to write future business. The ability of the syndicate to meet its obligations as they fall due is underpinned by the support provided by the Lloyd's solvency process and its chain of security for any members who are unable to meet their underwriting liabilities. Members' Funds at Lloyd's are further explained in note 2.

NOTES TO THE ANNUAL ACCOUNTS (continued)
for the year ended 31 December 2015

1. Accounting policies (continued)

(b) Basis of accounting for insurance

The result is determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned portion of premiums, net of reinsurance as described below:

(i) Premiums written

Premiums written comprise premiums on contracts incepted during the financial year, together with adjustments made in the year to premiums written in prior years. Premiums are shown gross of commissions payable to intermediaries, and exclude taxes and duties levied on them. Estimates are included for premiums due but not yet received or notified, less an allowance for cancellations.

(ii) Unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns.

(iii) Outwards reinsurance

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

(iv) Claims incurred

Claims incurred comprise claims and related expenses paid in the year and changes in provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

(v) Claims provisions and related reinsurance recoveries

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the syndicate. The estimated cost of claims includes expenses to be incurred in settling claims and allows for the expected value of salvage and other recoveries.

Outstanding claims and reinsurance recoveries are estimated by reviewing individual claims and making allowance for claims incurred but not reported using past experience and trends adjusted for foreseeable events.

Case estimates are set by experienced claims technicians, applying their skill and specialist knowledge to the circumstances of individual claims. The ultimate cost of outstanding claims, including claims incurred but not reported, is estimated by the syndicate actuaries who apply recognised actuarial techniques considered appropriate for each portfolio, such as the Chain Ladder and Bornhuetter-Ferguson methods. These methods take into account, amongst other things, statistical analysis of the development of the value and frequency of past claims and the results of analyses undertaken at the point of underwriting. Techniques considered appropriate for specific portfolios include contract by contract analysis, segmentation by subclass, and stochastic analysis. Classes of business are analysed at a level of detail appropriate to their materiality. Allowance is made for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or decrease when compared with the cost of previously settled claims, for example, one-off occurrences and changes in mix of business, policy conditions or the legal environment.

The Syndicate actuaries produce an estimate of reserves, which is reviewed by an independent actuarial firm and is then assessed by QBE EO management with input from the Syndicate underwriting and claims experts.

As provisions for claims outstanding are based on information which is currently available, the eventual outcome may vary from the original assessment depending on the nature of information received or developments in future periods. For certain classes of business including liability and other long-tail classes written by the syndicate, claims may not be apparent for many years after the event giving rise to the claim has happened. These classes will typically display greater variation between initial estimates and final outcomes.

NOTES TO THE ANNUAL ACCOUNTS (continued)

for the year ended 31 December 2015

1. Accounting policies (continued)

(b) Basis of accounting for insurance (continued)

(v) Claims provisions and related reinsurance recoveries (continued)

Differences between the estimated cost and subsequent re-estimation or settlement of claims are reflected in the technical account for the year in which these claims are re-estimated or settled.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

(vi) Unexpired risks provision

Provisions are made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

Unexpired risk surpluses and deficits are offset where business classes are managed together.

(vii) Acquisition costs

A portion of acquisition costs, which represent commissions and other related expenses, is deferred in recognition that it represents a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount and are amortised over the period in which the related premiums are earned.

(viii) Foreign currency

The functional currency of the Syndicate is UK pound sterling (£). The Syndicate presents its accounts in thousands of pounds sterling.

Transactions denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the time of the transactions. Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date with the exception of non-monetary assets and liabilities, which are maintained at historic rates. Unclosed foreign exchange derivatives are marked to market at year end date. All assets and liabilities arising from insurance contracts are treated as monetary items.

Exchange gains or losses are recognised in the profit and loss non-technical account.

(ix) Financial assets

The Syndicate has chosen to adopt the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) and the disclosure requirements of FRS 102.

Financial assets are managed on a fair value basis in accordance with the Syndicate’s investment strategy. The Syndicate has therefore elected to measure all financial assets at fair value through the profit and loss non-technical account.

Listed investments are stated at fair value using current or recent bid prices where available. In the absence of an active market, current or recent bid prices for similar instruments may be used to estimate fair value. Unlisted investments are carried at the directors’ estimate of the current fair value, except as stated below.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently stated at fair value obtained from quoted market prices in active markets.

Financial assets are derecognised when the right to receive future cash flows from the assets has expired, or has been transferred, and the Syndicate has transferred substantially all the risks and rewards of ownership.

(x) Investment income

Investment income is taken into account in the profit and loss non-technical account on an accruals basis, except for dividends which are taken into account when quoted ex dividend. Investment income includes realised gains or losses on the disposal of financial assets.

A transfer is made from the non-technical account to the technical account of the return on investments supporting the insurance technical provisions.

NOTES TO THE ANNUAL ACCOUNTS (continued)

for the year ended 31 December 2015

1. Accounting policies (continued)

(c) Basis of accounting

(i) Taxation

Under Schedule 19 of the Finance Act 1993 Managing Agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by Managing Agents and consequently the distribution made to the member is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate on behalf of the members during the year are included in the balance sheet under the heading "members' balance".

No provision has been made for any overseas tax payable by members on underwriting results.

(ii) Administrative expenses

Administrative expenses are taken into account on an accrual basis. These recharged expenses include the costs of staff, who are employed by QBE Management Services (UK) Limited. QBE Management Services (UK) Limited operates both defined benefit and defined contribution pension schemes, the expense of which is included in the recharges. The recharged expenses also include the costs of various service and claims handling companies. These companies are wholly owned by QUL.

(iii) Profit commission

Profit commission is charged by the Managing Agent at a rate of 20% of profit subject to the operation of a deficit clause. Profit commission is recognised on the basis of the annual accounting result for each year of account. It is charged to the syndicate as incurred.

2. Capital

Each syndicate in Lloyd's is required to carry out a self-assessment of the capital it requires, the Individual Capital Assessment (ICA). This is required to reflect the level of capital needed to ensure that the syndicate will remain solvent for the next 12 months in 99.5% of future foreseeable scenarios.

QBE EO has developed a sophisticated stochastic risk-based capital model over the past five years, which incorporates the key risks being faced. The output from this model, which is tailored to QBE's risk profile, is reported to the Risk and Capital Committee, which in turn recommends it to the relevant QBE Boards for adoption. The ICAs have been reviewed by Lloyd's, and form the basis of the minimum capital required by the Syndicate.

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these annual accounts by way of such capital resources. However, the Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

All externally imposed capital requirements have been complied with during the year.

NOTES TO THE ANNUAL ACCOUNTS (continued)
for the year ended 31 December 2015

3. Segmental information

2015

	Gross premium written £'000	Gross premium earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
Third party liability	296,941	314,824	(195,459)	(102,196)	19,227	36,396
Reinsurance acceptances	38,231	38,245	(25,692)	(12,701)	(1,329)	(1,477)
Total	335,172	353,069	(221,151)	(114,897)	17,898	34,919

2014

	Gross premium written £'000	Gross premium earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
Third party liability	285,293	353,489	(207,171)	(106,915)	(8,262)	31,141
Reinsurance acceptances	47,266	48,688	(27,258)	(15,697)	(5,405)	328
Total	332,559	402,177	(234,429)	(122,612)	(13,667)	31,469

Operating expenses includes standard personal expenses and reinsurance related expenses.

All premiums are concluded in the UK.

Gross premium by destination

	2015 £'000	2014 £'000
United Kingdom	187,886	174,069
Other EU member states	31,740	28,640
North America excluding USA	44,762	47,087
Other	70,784	82,763
	335,172	332,559

NOTES TO THE ANNUAL ACCOUNTS (continued)

for the year ended 31 December 2015

4. Reconciliation of movement in net outstanding claims provision

	2015			2014		
	Gross £'000	Reinsurance £'000	Net £'000	Gross £'000	Reinsurance £'000	Net £'000
At 1 January	1,128,632	(267,811)	860,821	1,227,401	(361,023)	866,378
Incurred claims recognised in the statement of comprehensive income	221,151	(47,399)	173,752	234,429	(29,158)	205,271
Claims payments	(260,624)	187,422	(73,202)	(322,153)	124,038	(198,115)
Foreign exchange	(25,422)	1,507	(23,915)	(11,045)	(1,668)	(12,713)
At 31 December	1,063,737	(126,281)	937,456	1,128,632	(267,811)	860,821

5. Net operating expenses

		2015 £'000	2014 £'000
Acquisition costs:	direct commission	48,779	49,940
	other	33,582	32,910
Change in deferred acquisition costs		6,823	10,171
Administrative expenses		12,883	15,232
Net operating expenses		102,067	108,253

Administrative expenses include auditors' remuneration:

Fees payable to the Syndicate's auditor for the audit of the Syndicate's annual accounts	192	183
Other services pursuant to legislation	128	130

6. Employees

All staff are employed by QBE Management Services (UK) Limited, a wholly owned subsidiary of QBE Insurance Group Limited. Total employee costs for the year were:

	2015 £'000	2014 £'000
Wages and salaries	13,390	13,671
Social security costs	1,986	1,530
Pension costs	1,383	1,491
	16,759	16,692

The average number of staff represented by the above recharge for the period was:

	2015 Number	2014 Number
Underwriting	73	75
Claims	55	64
Administration	95	117
	223	256

NOTES TO THE ANNUAL ACCOUNTS (continued)
for the year ended 31 December 2015

7. Directors' emoluments

The directors of QUL and the Active Underwriter received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2015 £'000	2014 £'000
Directors of the Managing Agent	481	417
Active Underwriter	72	70

Further information in respect of the directors of QUL is provided in that company's financial statements.

8. Investment income, expenses and charges

(a) Investment income

	2015 £'000	2014 £'000
Income from investments	17,652	24,409
	17,652	24,409

(b) Investment expenses and charges

	2015 £'000	2014 £'000
Net losses on the realisation of investments	3,564	3,711
Investment management expenses	334	888
	3,898	4,599

9. Other financial investments

Designated at fair value through profit and loss

	2015		2014	
	Cost £'000	Fair value £'000	Cost £'000	Fair value £'000
Shares and other variable yield securities and units in unit trusts	23,815	23,376	4,927	4,927
Debt securities and other fixed income securities	815,809	812,861	814,325	813,131
Deposits with credit institutions	32	32	10,548	10,548
	839,656	836,269	829,800	828,606

The debt securities and other fixed income securities are listed on recognised exchanges. £10,759,279 of the shares and other variable yield securities and units in unit trusts are listed on recognised exchanges (2014 £4,926,710).

NOTES TO THE ANNUAL ACCOUNTS (continued)

for the year ended 31 December 2015

10. Derivative financial instrument

	2015 £'000	2014 £'000
Foreign currency derivatives		
Derivative financial instrument – assets	3,071	8,509
Derivative financial instrument – liabilities	(5,005)	(1,564)

Foreign currency derivatives

The Syndicate uses forward foreign exchange derivatives in order to hedge its exposure to foreign currencies. These are valued using the underlying foreign exchange rates at the year end. Contractual amounts for foreign currency exchange derivatives outstanding at the balance sheet date include foreign exchange contracts to buy the net equivalent of £237,433,438 (2014 £349,567,000).

The forward foreign exchange derivatives outstanding at year end expired by 29 January 2016 (2014: 30 January 2015).

During the year a gain of £24,922,000 (2014 gain £3,774,000) relating to such contracts was recognised. This is included in the net foreign exchange loss of £4,705,000 (2014 loss £2,793,000) in the profit and loss technical account.

Fixed income derivatives

The Syndicate entered into fixed income derivative future contacts to provide a partial hedge for the fixed income portfolios within the Syndicate against a rise in short term interest rates.

During the year, a loss of £13,000 (2014 £111,000 loss) was included in the profit and loss non-technical account relating to these derivatives.

Contractual amounts for fixed income derivatives outstanding at the balance sheet date were £49,891,000 (2014 £12,763,000). These are due to expire by September 2016 (2014; March 2015).

11. Valuation hierarchy

The table below shows the financial instruments carried at fair value by valuation method.

2015	Level 1 £'000	Level 3 £'000	Total £'000
Overseas deposits	108,571	33,998	142,569
Deposits with credit institutions	32	-	32
Variable yield securities and units in unit trusts	10,759	12,617	23,376
Debt securities and other fixed income securities	22,164	790,697	812,861
Derivative financial instrument – assets	-	3,071	3,071
	141,526	840,383	981,909

2014	Level 1 £'000	Level 3 £'000	Total £'000
Overseas deposits	140,057	37,278	177,335
Deposits with credit institutions	10,548	-	10,548
Variable yield securities and units in unit trusts	4,927	-	4,927
Debt securities and other fixed income securities	64,041	749,090	813,131
Derivative financial instrument – assets	-	8,509	8,509
	219,573	794,877	1,014,450

NOTES TO THE ANNUAL ACCOUNTS (continued)
for the year ended 31 December 2015

11. Valuation hierarchy (continued)

Level 1 Valuation is based on quoted prices in active markets for the same instruments.

Level 3 Valuation techniques are applied in situations where any one or more significant valuation input is not based on observable market data.

Movements in level 3 investments	2015 £'000	2014 £'000
At 1 January	794,877	678,002
Acquisitions	988,812	820,009
Disposals	(902,878)	(688,500)
Foreign exchange on realised gains	(25,575)	(20,689)
Unrealised gains recognised in profit or loss	(14,853)	6,055
At 31 December	840,383	794,877

12. Financial risk

The activities of the Syndicate expose it to financial risks such as market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Syndicate's risk management framework recognises the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Syndicate.

The key objectives of the Syndicate's asset and liability management strategy are to ensure sufficient liquidity is maintained at all times to meet the Syndicate's obligations, including its settlement of insurance liabilities and, within these parameters, to optimise investment returns for the Syndicate.

(i) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk comprises three types of risk: currency risk (due to fluctuations in foreign exchange rates), interest rate risk (due to fluctuations in market interest rates) and price risk (due to fluctuations in market prices).

Currency risk

The Syndicate is exposed to foreign currency risk in respect of its foreign currency exposures and forward foreign exchange derivatives are used to protect the currency positions.

The risk management process covering forward foreign exchange derivatives involves close senior management scrutiny, including regular board and other management reporting. All forward foreign exchange derivatives are subject to delegated authority levels provided to management, and levels of exposure are reviewed on an ongoing basis.

The table below shows the impact on profit and loss and equity as a result of movements in foreign exchange rates.

		2015		2014	
	Movement in variable %	Profit / (loss) £'000	Equity £'000	Profit / (loss) £'000	Equity £'000
US dollar	+10	122	122	(146)	(146)
	–10	(122)	(122)	146	146
Canadian dollar	+10	281	281	119	119
	–10	(281)	(281)	(119)	(119)
Australian dollar	+10	462	462	(539)	(539)
	–10	(462)	(462)	539	539
Euro	+10	95	95	168	168
	–10	(95)	(95)	(168)	(168)

NOTES TO THE ANNUAL ACCOUNTS (continued)

for the year ended 31 December 2015

12. Financial risk (continued)

(i) Market risk (continued)

The Syndicate manages its exposure to foreign currencies based on the balance sheet by currency which also includes insurance assets and liabilities.

Interest rate risk

The Syndicate is exposed to interest rate risk arising on interest bearing assets. Assets with floating interest rates expose the Syndicate to cash flow interest rate risk. Fixed interest rate assets expose the Syndicate to fair value interest rate risk. The Syndicate's strategy is to invest in high quality, liquid fixed interest securities and cash and to actively manage duration. The investment portfolios are actively managed to achieve a balance between cash flow interest rate risk and fair value interest rate risk bearing in mind the need to meet the liquidity requirements of the business.

The Syndicate's exposure to interest rate risk for each significant class of interest bearing financial assets and liabilities is as follows:

	Floating interest rate £'000	Fixed interest rate maturing in: 1 year or less £'000	1 to 2 years £'000	2 to 3 years £'000	3 years over £'000	Total £'000
Interest bearing assets	354,169	316,060	40,232	176,434	96,922	983,817

2014	Floating interest rate £'000	Fixed interest rate maturing in: 1 year or less £'000	1 to 2 years £'000	2 to 3 years £'000	3 years over £'000	Total £'000
Interest bearing assets	304,053	393,533	68,546	218,854	27,767	1,012,753

The Syndicate's sensitivity to movements in interest rates in relation to the value of fixed interest securities is shown in the table below.

		2015		2014	
	Movement in variable %	Profit / (loss) £'000	Equity £'000	Profit / (loss) £'000	Equity £'000
Interest rate movement – fixed interest securities	+0.5	(3,755)	(3,755)	(3,181)	(3,181)
	-0.5	3,389	3,389	2,929	2,929

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded on the market.

The Syndicate holds no equity investments and so has a low exposure to price risk.

NOTES TO THE ANNUAL ACCOUNTS (continued)
for the year ended 31 December 2015

12. Financial risk (continued)

(i) Market risk (continued)

Equity price risk

Equity price risk is the risk that the fair value of an equity instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual equity instrument or its issuer, or factors affecting all similar equity instruments traded on the market.

The potential impact of movements in the market value of equities on the profit and loss account and balance sheet is shown in the sensitivity analysis below.

The impact has been shown on the basis that equity funds are fully exposed to market price fluctuations. Equity portfolios are from time to time hedged in order to manage this exposure.

		Financial impact	
		2015	2014
	Movement in variable %	Profit / (loss) and equity £'000	Profit / (loss) and equity £'000
Emerging market equities	+20	993	-
	-20	(993)	-

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation.

Credit risk exposures are calculated regularly and compared with authorised credit limits before further transactions are undertaken with counterparties.

99.15% (2014 99.2%) of total fixed interest and cash investments are with counterparties having a Standard & Poors's rating of A or better. The Syndicate does not expect any investment counterparties to fail to meet their obligations given their strong credit ratings. The Syndicate only uses derivatives in highly liquid markets.

The reinsurers' share of claims outstanding is also exposed to credit risk. 99.42% (2014 98.8%) of the balance is with reinsurers with an S&P rating of "A-"or greater.

The Syndicate holds letters of credit as security to mitigate credit risk exposure to reinsurers. At the balance sheet date the Syndicate held £11,439,000 as collateral against credit risk.

The following table provides information regarding the carrying value of the Syndicate's financial assets, excluding amounts in respect of insurance contracts.

	2015 £'000	2014 £'000
Other interest bearing investments	983,817	1,012,753
Other financial investments	6,224	-
Derivative financial instrument – assets	3,071	8,509
Other debtors	2,078	653
Debtors arising out of direct insurance operations	101,826	94,509
Debtors arising out of reinsurance operations	117,577	15,516
	1,214,593	1,131,940

NOTES TO THE ANNUAL ACCOUNTS (continued)

for the year ended 31 December 2015

12. Financial risk (continued

(iii) Liquidity risk

In addition to the treasury cash held for working capital requirements, a minimum percentage of the Syndicate's total financial assets is held in liquid, short term money market securities to ensure there are sufficient liquid funds available to meet current obligations.

At 31 December 2015, the average duration of cash and fixed interest securities was 0.9 years (2014 0.7 years).

The table below summarises the maturity profile of all financial liabilities based on the remaining contractual obligations.

	2015		2014	
	Within 1 year £'000	Over 1 year £'000	Within 1 year £'000	Over 1 year £'000
Trade and other payables	90,923	-	86,912	-
Derivative financial instrument – liabilities	5,005	-	1,564	-
	95,928	-	88,476	-

The Syndicate has no significant concentration of liquidity risk.

13. Debtors

(i) Debtors arising out of direct insurance operations

	2015 £'000	2014 £'000
Due within one year		
Due from intermediaries	101,826	94,509

(ii) Debtors arising out of reinsurance operations

	2015 £'000	2014 £'000
Due within one year	117,577	15,516

14. Overseas deposits

	2015 £'000	2014 £'000
Additional Securities Limited (ASL) overseas deposits	4,512	8,284
Australian Trust Funds	92,115	114,657
Canadian Margin Funds	31,424	34,375
Joint Asset Trust Funds	7,227	12,386
South African Trust Funds	7,291	7,633
	142,569	177,335

NOTES TO THE ANNUAL ACCOUNTS (continued)
for the year ended 31 December 2015

15. Outstanding claims – claims development

2015	2010 and prior £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	Total £'000
At end of year		94,660	97,609	84,090	89,501	79,132	
One year later		189,063	195,025	166,575	186,992	-	
Two years later		200,339	206,230	170,918	-	-	
Three years later		196,280	196,368	-	-	-	
Four years later		194,602	-	-	-	-	
Current estimate of net cumulative claims cost		194,602	196,368	170,918	186,992	79,132	
Cumulative net claims payments to date		(79,587)	(63,107)	(20,433)	(12,734)	(2,415)	
Net outstanding claims	287,720	115,015	133,261	150,485	174,258	76,717	937,456

The claims development tables express the development on an underwriting year basis. At the end of the opening year, the underwriting year has not yet fully earned. One year after the opening year, the underwriting year has substantially earned, and the development of that underwriting year becomes evident. The development is only developments in actuarial assumptions.

The Syndicate writes business in currencies other than Pound Sterling. The translation of outstanding claims denominated in foreign currencies gives rise to foreign exchange movements which have no direct bearing on the development of the underlying claims. To eliminate this distortion, claims liabilities have been retranslated to the Pound Sterling at constant rate of exchange for each reporting year. All estimates of net cumulative claims cost and cumulative claims payments for the 5 most recent reporting years reported in functional currencies other than Pound Sterling have been retranslated to Pound Sterling using the exchange rate at the end of the reporting year.

16. Concentration of insurance risk

The Syndicate's exposure to concentrations of insurance risk is mitigated by a portfolio diversified across countries and classes of business. Product diversification is achieved through a strategy of developing strong underwriting skills in a wide variety of classes of business. A combination of core and speciality products under the control of employees skilled in underwriting such products allows the Syndicate to lead underwrite in many of the markets in which they operate.

The segmental and geographical analysis at note 3 demonstrates the diversity of the Syndicate's operations.

The Syndicate has potential exposure to catastrophe losses. Each year, the Syndicate sets its tolerance to concentration risk. Realistic Disaster Scenarios (RDSs), using industry standard and the Syndicate determined probable maximum losses and various catastrophe models, are calculated for each portfolio as part of the business planning process. These RDSs are aggregated across all portfolios to determine the Syndicate's maximum event retention (MER) which is the estimated maximum net claim from a one in 250 year natural catastrophe event. The MER must be less than the Syndicate's concentration risk tolerance, otherwise steps such as the purchase of additional reinsurance are taken to limit the exposure.

NOTES TO THE ANNUAL ACCOUNTS (continued)

for the year ended 31 December 2015

17. Impact of changes of key variables on the outstanding claims provision

The impact of changes in key variables used in the calculation of the outstanding claims provision is summarised in the table below. Each change has been calculated in isolation from the other changes and each change shows the after tax impact on profit assuming that there is no change to any of the other variables.

	Sensitivity %	Profit / (Loss) 2015 £'m	Profit / (Loss) 2014 £'m
Net claims outstanding	+5	37,381	33,787
	-5	(37,381)	(33,787)
Sterling to US dollar exchange rate	+10	5,351	3,760
	-10	(5,351)	(3,760)
Sterling to Australian dollar exchange rate	+10	8,531	7,644
	-10	(8,531)	(7,644)
Sterling to Euro exchange rate	+10	8,633	7,952
	-10	(8,633)	(7,952)
Sterling to Canadian dollar exchange rate	+10	5,742	5,199
	-10	(5,742)	(5,199)

18. Maturity profile of net outstanding claims

	1 year or less £'m	1 to 2 years £'m	2 to 3 years £'m	3 to 4 years £'m	4 to 5 years £'m	Over 5 years £'m	Total £'m
2015	210,334	175,014	144,483	113,282	83,286	211,057	937,456
2014	188,648	162,834	134,776	104,429	76,037	194,097	860,821

19. Creditors

(i) Creditors arising out of direct insurance operations

	2015 £'000	2014 £'000
Due within one year		
Due to intermediaries	56,241	20,233

(ii) Creditors arising out of reinsurance operations

	2015 £'000	2014 £'000
Due within one year	12,074	47,743

NOTES TO THE ANNUAL ACCOUNTS (continued)
for the year ended 31 December 2015

20. Other creditors including taxation and social security

	2015 £'000	2014 £'000
Due within one year		
Unsettled investment trade creditors	4,719	-
Amounts due to group undertakings	2,701	4,619
Taxation and social security	1,836	1,475
Other creditors	13,352	12,842
	22,608	18,936

21. Related parties

The Managing Agent QUL, and the corporate member QBE Corporate Limited (QCORP), are wholly owned subsidiaries of the ultimate parent company QBE Insurance Group Limited.

The Syndicate is managed at the QBE EO group level, which is headed by QBE European Operations plc. The immediate parent company of QUL and QCORP is QBE Holdings (EO) Limited (QHEO). QHEO is a wholly owned subsidiary of QBE European Operations plc. QBE European Operations plc, QUL, QCORP and QHEO are incorporated in the United Kingdom.

All transactions between the syndicate and companies within the Group are conducted on normal market terms on an arm's length basis.

The consolidated financial statements of the QBE EO group are available from QUL's registered office.

Directors' interests

All of the executive directors listed on page 2 hold, or held in the year, executive directorships of companies within the QBE European Operations division. In addition, W-F Au, T C W Ingram, M G McCaig and S W Sinclair are, or were in the year, non-executive directors of related companies within QBE EO.

Inter syndicate transactions

In certain instances the Syndicate has underwritten reinsurances of QBE's other managed syndicate. The premiums paid are not material in the context of that syndicate's overall reinsurance costs, nor are they a material part of this Syndicate's income. All contracts are written on normal market terms on an arm's length basis.

Inwards reinsurance contracts with related QBE companies

In certain instances the syndicate has underwritten inwards reinsurance business from companies within the Group during the year. Inwards premiums totalling £477,321 (2014 £365,000) were written in the year with related QBE companies. All such contracts are written on normal market terms on an arm's length basis. At the year end there was a balance of £5,700 (2014 £58,000) in respect of technical provisions arising from these transactions.

Outwards reinsurance contracts with related QBE companies

The syndicate has purchased reinsurance with companies within the QBE Group during the year. Outward premiums totalling £24,861,000 (2014 £3,294,000) were placed with Equator Reinsurances Limited (Equator Re), and £nil (2014 £ nil) with other Group companies. All such contracts are written on normal market terms on an arm's length basis.

Balances received in respect of reinsurance recoverable from Equator Re amounted to £112,125,400 (2014 £7,313,000) and £38,500 (2014 £nil) with other Group companies. At the year end, balances due from Equator Re in respect of the reinsurers' share of technical provisions was £12,800,100 (2014 £108,735,000) and £27,750 (2014 £nil) with other Group companies.

NOTES TO THE ANNUAL ACCOUNTS (continued)

for the year ended 31 December 2015

21. Related parties (continued)

Outwards reinsurance contracts with related QBE companies (continued)

On 31 December 2015, the Managing Agent signed a commutation agreement in respect of two significant reinsurance contracts, covering a proportion of business written between 2008 and 2013. The contracts were commuted at the discounted value of the reinsurance asset held on the balance sheet. The consideration of £98,619,000 was received on 4 February 2016.

Profit commission

Profit commission is payable to the Managing Agent as per note 1(b) (xiii). During the year £10,717,000 was charged (2014 £11,881,000). At the year-end £13,352,000 (2014 £12,842,000) was outstanding. This is shown within other creditors.

Managing agent

Total fees payable to QUL in respect of services provided to the syndicate in the year amounted to £2,113,000 (2014 £2,478,000). No balance is outstanding at the year end.

Administrative expenses

Total expenses recharged from QBE Partner Services (Europe) LLP in respect of services provided to the syndicate amounted to £39,891,000 (2014 £36,415,000), during 2014 expenses were recharged by QBE Management Services (UK) Limited. The balance outstanding at year end with QBE Partner Services (Europe) LLP is £1,941,000 (2014 £4,619,000). There are no other transactions or arrangements to be disclosed.

Service companies

Certain QBE EO owned service companies provided insurance business to the syndicate and charged fees equal to the costs they incurred in placing the business with the syndicate. These service companies are not operated to make a profit. The risks placed with the syndicate are under normal market conditions and are in the interests of all the Names on the syndicate.

NOTES TO THE ANNUAL ACCOUNTS (continued)
for the year ended 31 December 2015

22. Transition to FRS 102 and FRS 103

This is the first year that the Syndicate has presented its results under FRS 102. The date of transition to FRS 102 was 1 January 2014. Under FRS 102, the Syndicate is also required to apply FRS 103 "Insurance Contracts".

On adoption of FRS 102 the Syndicate has changed the presentation of the cash flow statement, the new format presents cash flow under three main subheadings, operating activities, investing activities and financing activities. The prior year comparative has also been restated to conform with this new presentation.

On adoption of FRS 102 the Syndicate has classified the forward foreign exchange contracts as derivative financial asset / liabilities and present them on a separate line within the balance sheet. In prior years the derivatives financial asset / liabilities were presented within other financial investments / other creditors. There has been no impact to the profit and loss account or the value of net assets from this change in presentation.

Under FRS 103, all assets and liabilities arising from insurance contracts are treated as monetary items, and such items originating in foreign currency are therefore translated at the balance sheet exchange rate. Under previous UK GAAP, deferred acquisition costs and unearned premium were treated as non-monetary items, and not retranslated at the balance sheet date. This affects their carrying value, and therefore the balance sheet total. The resulting difference is treated as a foreign exchange difference.

Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the members' balances as at 1 January 2014 and 31 December 2014 between the previous UK GAAP and FRS 102.

(a) Reconciliation of profit for the year ended 31 December 2014 under previous UK GAAP to that under FRS 102 and FRS 103

Profit for the financial year	**2014** **£'000**
UK GAAP as previous reported	47,525
Non – technical income / (charge)	(10,720)
Reversal of loss on exchange	2,791
FRS 102	39,596

(b) Reconciliation of members' balances under previous UK GAAP to that under FRS 102 and FRS 103

Members' balances	**1 Jan 2014** **£'000**	**31 Dec 2014** **£'000**
UK GAAP as previous reported	36,844	46,317
Foreign exchange restatement	8,561	8,561
Non – technical income / (charge)	-	(10,720)
Reversal of loss on exchange	-	2,791
FRS 102	45,405	46,949

There are no tax effects in these Syndicate accounts.

2013 UNDERWRITING YEAR ACCOUNTS

UNDERWRITING YEAR - REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Managing Agent presents its report at 31 December 2015 for the 2013 closed year of account.

The report is prepared in accordance with the Lloyd’s Syndicate Accounting Byelaw (No. 8 of 2005). It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008.

The reinsurance to close for the 2013 underwriting year was approved by the board of Directors on 5 February 2016.

Principal activity

The Syndicate is a specialist non-US domiciled liability syndicate, (including some US business operations of non-US domiciled parents), operating within the Lloyd’s insurance market, headed by the Active Underwriter of the Syndicate, David Harries. David is supported by an experienced team of underwriters.

The Syndicate forms an integral part of QBE EO.

Business written by the Syndicate during the year can be divided into three core areas: employers’ liability; professional and financial lines, and general liability (the latter encompassing, inter alia, products liability and third party liability). Risks are accepted and written on a worldwide basis. Throughout the year, the Syndicate has maintained its strong reputation for excellent service, risk and claims management.

The Syndicate, together with other underwriting entities within QBE EO, continued to provide an integrated casualty offering during 2015, leveraging enhanced distribution opportunities and economies of scale in the cost of reinsurance protection.

The Syndicate has continued the emphasis on its customer value proposition, with a focus on understanding what clients require beyond the purchase of monoline insurance.

UNDERWRITING YEAR – REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

2013 closed year of account

We are delighted to report a total profit to Names of 15.8% of capacity after standard personal expenses.

Due to the difficult trading environment, gross written premium for the year was down on original plan at £409,068,000, equating to £347,715,000 (less brokerage and commissions), or 84.3% utilisation of the Syndicate's £412,592,000 stamp capacity.

The 2013 pure underwriting year performed well, producing a net ultimate loss ratio of 57.0% and resultant 2013 pure year profit (before expenses) of £120,400,000.

All classes of business contributed significantly to the 2013 pure year profit (before expenses) as follows:

	£'m
UK and Ireland Liability	55.2
Professional and Financial Lines	20.5
Casualty International	44.7
	120.4

The 2012 and prior years produced a net profit of £13,801,000, the largest component of which was a profit from the Employer's Liability and Public Liability classes, where claims activity was better than expected.

This, coupled with investment return and after deducting a loss on foreign exchange and other syndicate expenses, has resulted in an excellent total profit to Names of £64,120,000.

2014 and 2015 open years of account

Projected gross written premium of £347,000,000 for the 2014 pure year is significantly down on the 2013 closed year, reflecting the continuing competitive market conditions, particularly with regards securing new business. Despite this the year continues to perform broadly in line with plan, with a projected net ultimate loss ratio of 74.2% relative to 71.6% planned, producing a mid-range profit of 6.3% of capacity to Names.

Whilst pricing and market pressures continued into 2015, placing further stress on top line, early loss ratio predictions remain in line with plan.

Directors

Details of the directors of the Managing Agent that served during the year and up to the date of signing of the syndicate annual accounts are shown on page 2.

UNDERWRITING YEAR – REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Statement of Managing Agent's responsibilities

The directors of the Managing Agent are responsible for preparing the Managing Agent's report and the syndicate underwriting year accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare syndicate underwriting year accounts at 31 December in respect of any underwriting year which is being closed by reinsurance to close which give a true and fair view of the result of the underwriting year at closure. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

In preparing the syndicate underwriting year accounts, the Managing Agent is required to:

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the underwriting year accounts.

The Managing Agent is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate underwriting year accounts comply with the Regulations. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board of the Managing Agent

D J Winkett

Director
QBE Underwriting Limited
London
14 March 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QBE CASUALTY SYNDICATE 386 – 2013 CLOSED YEAR OF ACCOUNT

Report on the Syndicate underwriting year accounts

Our Opinion

In our opinion, the Syndicate's underwriting year accounts for the 2013 year of account for the 3 years ended 31 December 2015 (the "syndicate underwriting year accounts"):

- give a true and fair view of the state of the Syndicate's profit for the 2013 closed year of account; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

What we have audited

The Syndicate underwriting year accounts, included within describe the "Annual Report", comprise:

- the Balance Sheet as at 31 December 2015;
- the Profit and Loss account for the 3 years then ended;
- the accounting policies; and
- the notes to the Syndicate underwriting year accounts, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the Syndicate underwriting year accounts is applicable law and United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

In applying the financial reporting framework, the Managing Agent has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Other matters on which we are required to report by exception

Under the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) we are required to report to you if, in our opinion:

- the Managing Agent in respect of the Syndicate has not kept proper accounting records; or
- the Syndicate underwriting year accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Responsibilities for the Syndicate underwriting year accounts and the audit

Our responsibilities and those of the Managing Agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 39, the Managing Agent is responsible for the preparation of the Syndicate underwriting year accounts in accordance with the financial reporting framework described above and for being satisfied that they give a true and fair view of the result for the 2013 closed year of account.

Our responsibility is to audit and express an opinion on the Syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QBE CASUALTY SYNDICATE 386 – 2013 CLOSED YEAR OF ACCOUNT (continued)

What an audit of Syndicate underwriting year accounts involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the Syndicate underwriting year accounts sufficient to give reasonable assurance that the Syndicate underwriting year accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Syndicate's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Managing Agent; and
- the overall presentation of the Syndicate underwriting year accounts.

We primarily focus our work in these areas by assessing the Managing Agent's judgements against available evidence, forming our own judgements, and evaluating disclosures in the Syndicate underwriting year accounts.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Syndicate underwriting year accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Andrew Moore (Senior statutory auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 March 2016

Note:

- The maintenance and integrity of the QBE EO website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PROFIT AND LOSS ACCOUNT -
2013 UNDERWRITING YEAR TECHNICAL ACCOUNT - GENERAL BUSINESS
for the 36 months ended 31 December 2015

	Note	£'000	£'000
Syndicate allotted capacity			412,592
Earned premium, net of reinsurance			
Gross premiums written	2	414,211	
Outward reinsurance premiums		(81,362)	
Earned premium, net of reinsurance			332,849
Reinsurance to close premium received, net	3		618,037
Allocated investment return transferred from the non-technical account			13,256
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(259,965)	
Reinsurers' share		187,389	
Net claims paid		(72,576)	
Reinsurance to close premium payable, net of reinsurance	4	(680,043)	
Claims incurred, net of reinsurance			(752,619)
Net operating expenses	5		(107,192)
Standard personal expenses			(23,272)
Balance on the technical account - general business			81,059

The underwriting year has closed: all items therefore relate to discontinued operations.

The notes set out of pages 47 to 53 form an integral part of these financial statements

PROFIT AND LOSS ACCOUNT - 2013 UNDERWRITING YEAR NON - TECHNICAL ACCOUNT

for the 36 months ended 31 December 2015

	Note	£'000
Balance on the technical account - general business		81,059
Investment income	6(a)	18,971
Unrealised losses on investments		(1,705)
Investment expenses and charges	6(b)	(4,010)
Investment return		13,256
Allocated investment return transferred to the technical account - general business		(13,256)
Non – technical account income / (charges)		(16,939)
Profit for the underwriting year	11	64,120

There are no recognised gains or losses in the accounting period other than those included within the technical and non-technical accounts.

The underwriting year has closed: all items therefore relate to discontinued operations.

The notes set out of pages 47 to 53 form an integral part of these financial statements

2013 UNDERWRITING YEAR - BALANCE SHEET

For the closed year of account as at 31 December 2015

	Note	£'000
Assets		
Investments		
Other financial investments	8	553,352
Debtors		
Debtors arising out of direct insurance operations	9	214,463
Reinsurance recoveries anticipated on gross reinsurance to close premium payable	4	123,478
Other assets		
Cash at bank and in hand		9,866
Overseas deposits	10	111,246
Prepayments and other accrued income		2,096
Total assets		1,014,501

	Note	£'000
Liabilities		
Amounts due to members	11	46,758
Reinsurance to close premium payable – gross amount		803,521
Creditors	12	159,703
Accruals and deferred income		4,519
Total liabilities		1,014,501

These underwriting year accounts on pages 44 to 53 were approved by the board of QBE Underwriting Limited on 14 March 2016 and signed on its behalf by:

D J Winkett

Director

The notes set out of pages 47 to 53 form an integral part of these financial statements

NOTES TO THE UNDERWRITING YEAR ACCOUNTS
Forming part of the underwriting year accounts

1. Accounting policies

(a) Basis of preparation

These accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, comprising Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

Members participate on a Syndicate by reference to a year of account and each Syndicate year of account is a separate annual venture. These accounts relate to the 2013 year of account which has been closed by reinsurance to close as at 31 December 2015. Consequently the balance sheet represents the assets and liabilities of the 2013 year of account at the date of closure. The underwriting account reflects the transactions for that year of account during the three-year period until closure. These accounts cover the three years from the date of inception of the 2013 year of account to the date of closure. Accordingly, this is the only reporting period and so corresponding amounts are not shown.

(b) Insurance

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

(i) Premiums written

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Premiums in respect of insurance contracts underwritten under a binding authority, line slip or consortium arrangement are allocated to the year of account corresponding to the calendar year of inception of the arrangement. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

(ii) Reinsurance premium ceded

Initial reinsurance premiums paid to purchase policies which give excess of loss protection are charged to the year of account in which the protection commences. Premiums for other reinsurances are charged to the same year of account as the risks being protected.

(iii) Claims paid and related recoveries

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy. Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

(iv) Reinsurance to close premium payable

The net reinsurance to close premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported), net of estimated collectible reinsurance recoveries, relating to the closed year of account and all previous years of account reinsured therein.

The estimate of claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date. It also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of 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. 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.

NOTES TO THE UNDERWRITING YEAR ACCOUNTS (continued)

Forming part of the underwriting year accounts

1. Accounting policies (continued)

(b) Insurance (continued)

(iv) Reinsurance to close premium payable (continued)

The reinsurers' share is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the 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. A number of statistical methods are used to assist in making these estimates.

A critical assumption as regards claims estimates is that the past is a reasonable predictor of the likely level of claims development.

(c) Foreign currency transactions

Transactions in foreign currencies other than the reinsurance to close are translated at the rates of exchange prevailing at the time of the transaction. Reinsurance to close premiums receivable and payable, and underwriting transactions denominated in other foreign currencies, are included at the rate of exchange ruling at the closing date.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

Exchange differences are included in the technical account.

Where currencies are sold or bought relating to the profit or loss of the closed underwriting account after 31 December, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured.

(d) Investments

Investments are stated at fair value at the balance sheet date. For this purpose listed investments are stated at market values, and deposits with credit institutions and overseas deposits are stated at market value. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently stated at fair value obtained from quoted market prices in active markets.

(e) Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. The returns on the overseas deposit funds are allocated to the year of account as notified by Lloyd's. The returns on other assets arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

Realised gains and losses on investments carried at fair value through profit and loss are calculated as the difference between sale proceeds and purchase price or where forming consideration for reinsurance to close (RITC) receivable the fair value at the date of transfer. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at transfer as consideration for RITC receivable, together with the reversal of unrealised gains and losses recognised in the accounting period in respect of investment disposals.

Investment return on general business is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

NOTES TO THE UNDERWRITING YEAR ACCOUNTS (continued)

Forming part of the underwriting year accounts

1. Accounting policies (continued)

(f) Administrative expenses

Administrative expenses are taken into account on an accruals basis. These recharged expenses include the costs of staff, who are employed by QBE Management Services (UK) Limited. QBE Management Services (UK) Limited operates both defined benefit and defined contribution pension schemes, the expense of which is included in the recharges. The recharged expenses also include the costs of various service and claims handling companies. These companies are wholly owned by QUL.

Syndicate operating expenses are allocated to the year of account for which they are incurred. Commission and brokerage are charged to the year of account to which the relevant policy is allocated.

(g) Taxation

Under Schedule 19 of the Finance Act 1993 Managing Agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by Managing Agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate on behalf of the members during the year are included in the balance sheet under the heading "other debtors".

No provision has been made for any overseas tax payable by members on underwriting results.

(h) Profit commission

Profit commission is charged by the Managing Agent at a rate of 20% of profit for the closed year of account, subject to the operation of a deficit clause. Where profit commission is charged, it is included within standard personal expenses within the profit and loss - technical account.

2. Segmental Information

An analysis of the underwriting result for the 2013 underwriting year, before investment return, is set out below:

	Gross premium written £'000	Gross claims incurred (note a) £'000	Gross operating expenses £'000	Reinsurance balance (note b) £'000	Total £'000
Third party liability	362,408	(192,017)	(93,427)	(10,202)	66,762
Reinsurance acceptances	46,660	(25,239)	(11,612)	705	10,514
	409,068	(217,256)	(105,039)	(9,497)	77,276
Reinsurance to close	623,181	(846,230)	(2,153)	239,003	13,801
Total	1,032,249	(1,063,486)	(107,192)	229,506	91,077

a) Gross claims incurred comprise gross claims paid and gross reinsurance to close premium payable.

b) The reinsurance balance comprises reinsurance premiums ceded less reinsurance recoveries on claims paid and reinsurance recoveries anticipated on reinsurance to close payable.

c) All premiums are concluded in the UK.

d) Operating expenses includes standard personal expenses and reinsurance related expenses.

e) Gross premium written equals gross premium earned.

f) The underwriting year accounts include £5,144,000 gross premium written, and £2,153,000 gross operating expenses relating to 2012 and prior underwriting years.

NOTES TO THE UNDERWRITING YEAR ACCOUNTS (continued)

Forming part of the underwriting year accounts

3. Reinsurance to close premium received

	£'000
Gross reinsurance to close premium received	822,785
Reinsurance recoveries anticipated	(204,748)
Reinsurance to close premium receivable, net of reinsurance	618,037

4. Reinsurance to close premium payable

	Reported £'000	IBNR £'000	Future premiums £'000	Total £'000
Gross reinsurance to close premium payable	548,939	254,836	(254)	803,521
Reinsurance recoveries anticipated	(94,696)	(22,598)	(6,184)	(123,478)
Reinsurance to close premium payable, net of reinsurance	454,243	232,238	(6,438)	680,043

5. Net operating expenses

	£'000
Acquisition costs – brokerage	(63,505)
Acquisition costs – other	(30,756)
Administrative expenses	(12,931)
	(107,192)

Administrative expenses include:

Auditors' remuneration	
Fees payable to the syndicate auditor for the audit of the 2013 accounts	179
Other services pursuant to legislation	128

6. Investment income, expenses and charges

(a) Investment income

	£'000
Income from investments	18,971

(b) Investment expenses and charges

	£'000
Losses on the realisation of investments	(3,536)
Investment management expenses	(474)
	(4,010)

NOTES TO THE UNDERWRITING YEAR ACCOUNTS (continued)
Forming part of the underwriting year accounts

7. Analysis of result by year of account

	2012 and prior years of account £'000	2013 pure year of account £'000	Total £'000
Balance excluding investment return and operating expenses	15,953	182,315	198,268
Brokerage and commission on gross premium	(2,153)	(61,353)	(63,506)
	13,800	120,962	134,762
Allocated investment return transferred from the non-technical account			13,256
Net operating expenses excluding brokerage and commission			(43,687)
Standard personal expenses			(23,272)
Non – technical account income / (charge)			(16,939)
			64,120

8. Other financial investments

	Cost £'000	Market value £'000
Shares and other variable yield securities and units in unit trusts	10,692	10,501
Debt securities and other fixed income securities	544,287	542,191
Deposits with credit institutions	14	14
Other investments	-	646
	554,993	553,352

9. Debtors arising out of insurance operations

	£'000
Due within one year	
Due from intermediaries	10,630
Inter-year loan	84,723
Reinsurance recoveries	116,770
Other	2,340
	214,463

10. Overseas deposits

These are lodged as a condition of conducting underwriting business in certain countries.

	£'000
Additional Securities Limited (ASL)	3,478
Australian Trust Funds	71,422
Canadian Margin Fund	23,662
Joint Asset Trust Funds	6,770
South African Trust Funds	5,914
	111,246

NOTES TO THE UNDERWRITING YEAR ACCOUNTS (continued)

Forming part of the underwriting year accounts

11. Amounts due to members

	£'000
2013 Underwriting year distributions made up to 31 December 2015	(17,362)
Profit for the closed year of account	64,120
Due to members	46,758

12. Creditors

	£'000
Due within one year	
Arising out of direct insurance operations:	
Due to intermediaries	(127,749)
Arising out of reinsurance operations	(15,237)
Other	(16,717)
	(159,703)

13. Related parties

The Managing Agent of the syndicate, QUL, and a corporate Name that provides capital to the syndicate, are wholly owned subsidiaries of QBE Insurance Group Limited (Group).

All transactions between the syndicate and companies within the Group are conducted on normal market terms on an arm's length basis.

Directors' interests

All of the executive directors listed on page 2 hold, or held in the year, executive directorships of companies within the QBE EO. In addition, W-F Au, T C W Ingram, M G McCaig, P V Olsen, B W Pomeroy, and S W Sinclair are, or were during the underwriting year, non-executive directors of related companies within the QBE European Operations division.

T C W Ingram participated on the 2013 underwriting year of the Syndicate. He had an interest in £165,253 of the Syndicate's capacity. He disposed of this interest during 2014.

Inter-syndicate transactions

In certain instances the syndicate has underwritten reinsurances of other managed syndicates. The premiums paid are not material either in the context of those syndicates' overall reinsurance costs nor are they a material part of this syndicate's income. All contracts are written on normal market terms at arm's length.

Inwards reinsurance contracts with related QBE companies

In certain instances the syndicate has underwritten inwards reinsurance business from companies within the Group during the year. Inwards premiums totalling £706,871 (2012: £683,191) were written for the 2013 account, all with QBE Insurance (Europe) Limited. All such contracts are written on normal market terms on an arm's length basis.

Outwards reinsurance contracts with related QBE companies

The syndicate has placed outwards reinsurance business with companies within the Group during the period, premiums ceded in respect of the 2013 year of account were £46,168,282 (2012: £43,201,000).

Profit commission

Profit commission is payable to the Managing Agent as per note 1(h). During the period £16,295,000 was charged in respect of the 2013 year of account. At the end of the period, £10,636,000 (2012: £4,548,000) was outstanding. This is shown within other creditors.

NOTES TO THE UNDERWRITING YEAR ACCOUNTS (continued)

Forming part of the underwriting year accounts

13. Related parties (continued)

Managing Agent

Total fees payable to QBE Underwriting Limited in respect of services provided to the syndicate in respect of the 2013 year of account amounted to £2,476,000. No balance is outstanding at the year end.

Administrative expenses

Total expenses recharged from QBE Underwriting Limited, QBE Management Services (UK) Limited and QBE Partner Services (Europe) LLP in respect of services provided to the syndicate in the 2013 year of account amounted to £40,690,000. No balance is outstanding at the year end.

There are no other transactions or arrangements to be disclosed.

SEVEN YEAR SUMMARY

The results for the last seven years on an annual accounting basis are as follows:

	2009 £'000	2010 £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000
Gross premium written	417,121	458,066	442,678	443,771	449,256	332,559	**335,172**
Net earned premiums	374,916	355,389	377,265	378,701	375,663	359,352	**323,567**
Net claims	(85,813)	(123,339)	(102,746)	(165,493)	(177,152)	(205,271)	**(173,751)**
Acquisition costs	(83,946)	(76,534)	(87,049)	(89,228)	(97,381)	(93,021)	**(89,184)**
	205,157	155,516	187,470	123,980	101,130	61,060	**60,632**
Profit/(loss) on exchange	20,708	44,071	(4,540)	(12,316)	(45,451)	(2,791)	**(4,243)**
Other net operating expenses	(67,717)	(59,571)	(59,609)	(46,057)	(34,786)	(29,591)	**(25,713)**
Investment return	62,518	35,068	36,317	36,280	17,812	18,847	**11,558**
Profit for the financial year	220,666	175,084	159,638	101,887	38,705	47,525	**42,234**

The results for the last seven underwriting years to close are as follows:

	2007	2008	2009	2010	2011	2012	2013
Syndicate allocated capacity	£339.3m	£339.7m	£339.8m	£364.9m	£364.7m	£412.4m	**£412.6m**
Capacity utilised	125.6%	123.2%	127.1%	122.0%	123.9%	113.1%	**100.4%**
Number of underwriting members	1,156	1,130	1,123	1,147	1,155	1,193	**1,215**
Aggregate net premiums	£377.9m	£381.8m	£390.7m	£378.2m	£383.6m	£400.7m	**£332.8m**
Net capacity utilised	111.4%	112.4%	115.0%	103.7%	105.2%	97.2%	**80.7%**
Technical account ratio	51.8%	46.7%	35.1%	23.5%	17.7%	7.7%	**22.0%**

Result for an illustrative share of £10,000

	2007 £	2008 £	2009 £	2010 £	2011 £	2012 £	2013 £
Gross premiums	12,559	12,316	12,711	12,197	12,395	11,308	**10,039**
Net premiums	11,136	11,242	11,499	10,366	10,517	9,718	**8,067**
Reinsurance to close from earlier account	22,394	21,914	21,281	18,592	17,342	14,902	**14,979**
Net claims	(5,015)	(5,042)	(5,433)	(5,129)	(4,994)	(4,884)	**(1,759)**
Reinsurance to close	(20,881)	(21,615)	(20,370)	(18,131)	(17,152)	(15,443)	**(16,482)**
Profit/(loss) on exchange	1,383	1,763	418	(129)	(735)	(513)	**-**
Syndicate operating expenses	(2,515)	(2,506)	(2,939)	(2,699)	(2,788)	(2,912)	**(2,598)**
Balance on technical account	6,502	5,756	4,456	2,870	2,190	868	**2,207**
Investment income and gains less losses, less expenses and charges	2,021	1,204	1,097	917	615	469	**(90)**
	8,523	6,960	5,553	3,787	2,805	1,337	**2,117**
Illustrative personal expenses for a traditional Name							
Managing agent's fee	(60)	(60)	(60)	(60)	(60)	(60)	**(60)**
Contribution to Lloyd's Central Fund	(100)	(53)	(54)	(55)	(53)	(24)	**(42)**
Profit commissions	(1,662)	(1,359)	(1,077)	(723)	(528)	(241)	**(395)**
Lloyd's subscription	(50)	(53)	(54)	(55)	(53)	(47)	**(42)**
	(1,872)	(1,525)	(1,245)	(893)	(694)	(372)	**(539)**
Profit after illustrative profit commission and personal expenses	6,651	5,435	4,308	2,894	2,110	965	**1,578**

Note:

1 The seven year summary has been prepared from the audited accounts of the syndicate.

QBE Casualty Syndicate 386
Plantation Place, 30 Fenchurch Street, London EC3M 3BD

tel +44 (0)20 7105 4000
QBEeurope.com