

Important information about Syndicate Reports and Accounts

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R E P O R T A N D A C C O U N T S 2 0 1 4

KEY INFORMATION

RESULTS – 2012 ACCOUNT

11.4% Profit
 After standard personal expenses

FORECAST – 2013 ACCOUNT

3.0% Loss to 15.0% Profit
 After standard personal expenses

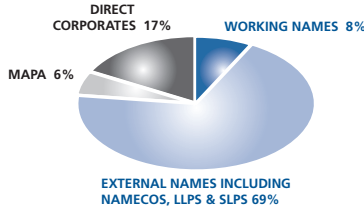
PROSPECTS

2014 Account – premium income will be down but every likelihood of a profit

2015 Account – a difficult market in which to operate

CAPACITY

Total 2015 account £80.8 million



SYNDICATE FUNDS

Sterling
 US dollars
 Canadian dollars
 Total translated into sterling

**CASH, INVESTMENTS, OVERSEAS DEPOSITS
 AND OTHER ASSETS AT 31 DECEMBER 2014**

£24.8 million
 US\$325.3 million
 CAN\$23.6 million

 £246.3 million

A C T I V E U N D E R W R I T E R ' S R E P O R T

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REVIEW OF YEAR OF ACCOUNT

RESULTS AND PROSPECTS

The closed 2012 Account

The 2012 Account has closed with a profit of £9.2 million or 11.4% of stamp capacity after standard personal expenses but before members' agents' fees. This profit arises from a substantial release of reserves for prior years now available due to the very favourable trends experienced during 2014 in incurred claims development on all the years of 2011 and prior. The utilisation of the reserve for incurred but not reported claims has been lighter than in any year of recent times.

The pure 2012 Account has developed very well during 2014, claims arising out of Superstorm Sandy are stable and as expected. The closure of the account by reinsurance to 2013 is in line with our policy of reserving robustly for the ultimate claim costs but has nevertheless resulted in a pure year profit and made a positive contribution to the overall profit.

THE OPEN YEARS

The 2013 Account

A year ago I noted that the North American property account of 2013 had "benefited from a low incidence of catastrophe losses and large risk losses during its first twelve months, and because of the highly competitive rating environment in Continental Europe our exposure to last year's hailstorms, high winds and floods is not material." A further 12 months sees the early excellent development of this account continuing free of any shocks or surprises. At this 24 month stage the incurred claim ratio compares very favourably with that of 2011 and 2012 on a final net retained premium down nearly 10% of the 2012 level.

The estimated final premium income at 31 December 2014 exchange rates is £56.5 million after reinsurance spend, 70.6% of capacity and 84.9% of business forecast.

The 2014 Account

The property account has benefited from a very low level of catastrophe and individual risk claims and because of intense competition our premium income will reduce again. However the incurred claim ratio after 12 months compares favourably with all recent years at the same stage.

The estimated final premium income at 31 December 2014 exchange rates is £50.9 million after reinsurance spend, 63.0% of capacity and 88.5% of the business forecast.

ACTIVE UNDERWRITER'S REPORT

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REVIEW OF YEAR OF ACCOUNT

Prospects for the 2015 Account

We retained 86.7% of our business that renewed in January at rates that on average were 2.6% down on a risk adjusted basis. The volume of new business shown to us has been pleasing but very little has met our underwriting criteria.

Recent years have witnessed an abnormally low incidence of claims severity and frequency which has flattered underwriters' skills and results. This has also encouraged management and capital to pursue growth and because Lloyd's wants to grow too and increase its footprint across the world I cannot foresee the application of the brakes being advocated by any in that quarter. An "all Names" business gives little thought to growth after nearly three years of relentless rate reductions and improvements in coverage. In some areas of the business rate integrity is now completely absent and if and when the claims experience returns to normal, as surely it will, the underwriting results will be most unattractive in those areas. As the underwriting cycle softens further it is preferable to be patient and trade to a lower premium volume.

If market conditions do not improve, the utilisation of the stamp capacity may reduce to less than 50% of stamp for the 2015/16 period in order to maintain the quality of our business. Of course we shall make smaller profits but with reserves approaching £200m and a balance sheet of £281m the return on a second use of our capital could still be very rewarding.

As always I owe an enormous debt of gratitude to the management team and staff for all their hard work, their ever present help and sound advice, and to you, the Names, for your much valued loyalty and support.



M J Meacock
Active Underwriter
10 March 2015

S E V E N Y E A R S U M M A R Y O F R E S U L T S

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31 DECEMBER 2014

	2006	2007	2008	2009	2010	2011	2012
	£	£	£	£	£	£	£
Syndicate allocated capacity	72,278,249	73,492,472	73,681,796	73,789,097	79,814,031	79,821,684	79,587,725
Number of members of the syndicate	817	800	782	789	790	792	795
Aggregate net premiums	51,302,698	50,152,597	93,656,352	59,509,108	59,102,713	64,602,432	61,713,904
Results for £10,000 share							
Gross premiums	7,571	6,980	12,909	8,273	7,544	8,316	7,924
Net premiums	7,098	6,824	12,711	8,061	7,405	8,093	7,754
Premium for the reinsurance to close an earlier year of account	11,973	16,875	17,575	23,711	22,628	21,878	21,987
Net claims	(4,379)	(4,627)	(6,454)	(5,461)	(5,817)	(6,209)	(5,761)
Reinsurance to close the year of account	(13,299)	(18,349)	(22,876)	(24,312)	(22,783)	(22,235)	(22,280)
Underwriting result	1,393	723	956	1,999	1,433	1,527	1,701
Profit/(loss) on exchange	360	575	604	117	(151)	125	97
Syndicate operating expenses	(399)	(481)	(519)	(550)	(560)	(613)	(583)
Balance on technical account	1,354	817	1,041	1,566	722	1,039	1,215
Investment income less investment expenses and charges and investment gains less losses	793	1,383	834	382	750	380	325
Profit before personal expenses	2,147	2,200	1,875	1,948	1,472	1,419	1,540
Illustrative profit commission	(291)	(298)	(261)	(271)	(200)	(244)	(284)
Illustrative personal expenses	(210)	(210)	(132)	(142)	(137)	(140)	(120)
Total standard personal expenses	(501)	(508)	(393)	(413)	(337)	(384)	(404)
Profit after standard personal expenses	<u>1,646</u>	<u>1,692</u>	<u>1,482</u>	<u>1,535</u>	<u>1,135</u>	<u>1,035</u>	<u>1,136</u>

Notes:

1. This seven year summary of results shows the result for a £10,000 share of the syndicate for each year of account from 2006 to 2012. Gross and net premiums exclude brokerage and commissions in all years.
2. The illustrative profit commission and personal expenses are estimates of amounts which might be charged on an illustrative share of £10,000 for an individual name.

SYNDICATE 727
2012 YEAR OF ACCOUNT

SYNDICATE UNDERWRITING
YEAR ACCOUNTS

31 DECEMBER 2014

C O N T E N T S

2012 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2014

Managing Agent's Report
..... 7

Statement of Managing Agent's Responsibilities
..... 8

Report of the Auditors
..... 9

Profit and Loss Account: Technical Account
..... 10

Profit and Loss Account: Non-Technical Account
..... 11

Balance Sheet
..... 12

Cash Flow Statement
..... 13

Accounting Policies
..... 14

Notes to the Syndicate Underwriting Year Accounts
..... 17

MANAGING AGENT'S REPORT

2012 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2014

ACTIVITIES

The syndicate underwrites insurance and reinsurance business at Lloyd's. The majority of the risks are located in North America, the Caribbean and the UK. Exposure outside of these territories will largely be on account of any retrocessional business written.

REVIEW OF THE 2012 YEAR OF ACCOUNT

A commentary on the underwriting result is given in the Active Underwriter's report on pages 2 and 3.

The return on the syndicate's cash on deposit and investments held for the 2012 year of account amounted to £2.59 million. There is an investment report for the 2014 calendar year within the report of the directors of the managing agent on page 26.

REAPPOINTMENT OF AUDITORS

PKF Littlejohn LLP have indicated their willingness to continue in office as the syndicate's auditors.

ANNUAL GENERAL MEETING

As permitted under the Syndicate Meetings (Amendment No 1) Byelaw (No. 18 of 2000) S A Meacock & Company Ltd does not propose holding a Syndicate Annual General Meeting of the members of the syndicate.

Members may object to this proposal or the intention to re-appoint auditors within 21 days of the issue of these accounts. Any such objection should be addressed to Shelley Simmonds, Company Secretary, at the registered office of S A Meacock & Company Limited.

Approved by the Board



K W Jarvis
Director
10 March 2015

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

2012 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2014

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing syndicate underwriting year accounts and an accompanying managing agent's report in accordance with applicable law, Lloyd's byelaws and United Kingdom Generally Accepted Accounting Practice.

Regulation 6 (3)(b) of the Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations") requires the managing agent to prepare syndicate underwriting year accounts for a syndicate in respect of any underwriting year which is being closed by reinsurance to close during or at the end of a financial year.

The syndicate underwriting year accounts must be prepared on an underwriting year basis which give a true and fair view of the result of the underwriting year at closure.

In preparing the syndicate underwriting year accounts, the managing agent is required by the Syndicate Accounting Byelaw (No. 8 of 2005) 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; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

The managing agent is responsible for keeping proper accounting records which 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 2008 Regulations and the Syndicate Accounting Byelaw (No. 8 of 2005). It also has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the syndicate and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS

2012 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 727 – 2012 CLOSED YEAR OF ACCOUNT

We have audited the Syndicate Underwriting Year Accounts for the 2012 Year of Account of Syndicate 727 for the three years ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, Accounting Policies and the related notes 1 to 16 and the Statement Of Managing Agent's Responsibilities. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members on the 2012 year of account of the Syndicate, as a body, in accordance with Regulation 6(4) of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Syndicate Accounting Byelaw (No. 8 of 2005). Our audit work has been undertaken so that we might state to the Syndicate's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Syndicate members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE MANAGING AGENT AND AUDITORS

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 8, the Managing Agent is responsible for the preparation of the Syndicate Underwriting Year Accounts, under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), which give a true and fair view. Our responsibility is to audit and express an opinion on the Syndicate Underwriting Year Accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE SYNDICATE UNDERWRITING YEAR ACCOUNTS

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.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements 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.

OPINION ON SYNDICATE UNDERWRITING YEAR ACCOUNTS

In our opinion the Syndicate Underwriting Year Accounts:

- give a true and fair view of the Syndicate's profit for the 2012 Closed Year of Account;
- 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 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) requires us 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.

N A Coulson

Neil Coulson (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP

Statutory Auditor

10 March 2015

1 Westferry Circus
Canary Wharf
London E14 4HD

P R O F I T A N D L O S S A C C O U N T
 T E C H N I C A L A C C O U N T

T H R E E Y E A R S E N D E D 3 1 D E C E M B E R 2 0 1 4

2012 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2014

	NOTES	£'000	2012 YEAR OF ACCOUNT £'000
Syndicate allocated capacity			<u>79,588</u>
Earned premiums, net of reinsurance:			
Gross premiums written			82,941
Outward reinsurance premiums			<u>(1,353)</u>
			81,588
Reinsurance to close premium received net of reinsurance	3		<u>174,992</u>
			256,580
Allocated investment return transferred from the non-technical account			2,587
Claims incurred, net of reinsurance:			
Claims paid			
Gross amount		46,488	
Reinsurers' share		<u>(638)</u>	
			45,850
Reinsurance to close premium payable net of reinsurance	4	<u>177,320</u>	
			(223,170)
Net operating expenses including acquisition costs	5		<u>(26,790)</u>
Balance on the technical account – general business			<u>9,207</u>

P R O F I T A N D L O S S A C C O U N T
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T H R E E Y E A R S E N D E D 3 1 D E C E M B E R 2 0 1 4

2012 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2014

	NOTES	2012 YEAR OF ACCOUNT £'000
Balance on the technical account – general business		9,207
Investment income	7	7,935
Unrealised gains on investments		395
Investment expenses and charges	8	(3,460)
Unrealised losses on investments		(2,283)
Allocated investment return transferred to general business technical account		(2,587)
Profit for the 2012 closed year of account		<u>9,207</u>

The above profit was after a £774,514 exchange profit.

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

BALANCE SHEET

AT 31 DECEMBER 2014

2012 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2014

	NOTES	2012 YEAR OF ACCOUNT	
		£'000	£'000
Assets			
Investments	9		161,781
Debtors	10		2,385
Reinsurance recoveries anticipated on gross reinsurance to close premium payable	4		1,486
Other assets			
Cash at bank and in hand		24,864	
Overseas deposits		6,000	
Other – LOC collateral		927	
			31,791
Prepayments and accrued income			
Accrued interest and rent			1,702
Total assets			199,145
Liabilities			
Amounts due to members	11		9,207
Reinsurance to close premium payable			
– gross amount	4		185,656
Other creditors	12		4,282
Total liabilities			199,145

The syndicate underwriting year accounts were approved by the board of S A Meacock & Company Limited on 10 March 2015 and were signed on its behalf by:



M J Meacock
Director



K W Jarvis
Director

C A S H F L O W S T A T E M E N T

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THREE YEARS ENDED 31 DECEMBER 2014

2012 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2014

	NOTES	2012 YEAR OF ACCOUNT £'000
Reconciliation of closed year result to net cash inflow from the operations of the closed year		
Profit for the closed year account on ordinary activities		9,207
Increase in reinsurance to close payable		184,170
(Increase) in debtors		(4,087)
Increase in creditors		4,282
Net cash inflow from operating activities		<u>193,572</u>
 Cash flows were invested as follows:		
Increase in cash holdings	13	24,864
Increase in overseas deposits	13	6,000
Increase in other assets	13	927
Net portfolio investment	13	<u>161,781</u>
Net investment of cash flows		<u>193,572</u>

A C C O U N T I N G P O L I C I E S

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2012 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2014

BASIS OF PREPARATION

The syndicate underwriting year accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations"), the Syndicate Accounting Byelaw (No. 8 of 2005) and applicable accounting standards in the United Kingdom and comply with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005 (as amended in December 2006) ("the ABI SORP"), except that exchange differences which arise from technical account transactions are dealt with in the technical account.

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These financial statements relate to the 2012 year of account which has been closed by reinsurance to close into the 2013 year of account of syndicate 727 at 31 December 2014; consequently the balance sheet represents the assets and liabilities of the 2012 year of account and the profit and loss account and cash flow statement reflect the transactions for that year of account during the 36 months period until closure.

As each syndicate year of account is a separate annual venture, comparatives do not exist and are therefore not included in these accounts.

UNDERWRITING TRANSACTIONS

Each account is normally kept open for three years and the underwriting result is ascertained at the end of the third year when the account is closed, normally by reinsurance into the following year of account. The accounts include transactions on the following bases:

- (a) Gross premiums are allocated to years of account on the basis of the policy inception date. Policies written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums and claims are allocated to the year of account to which the related premiums are allocated. Commissions or brokerage charged to the syndicate are allocated to the same year of account as the relevant policy. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.
- (b) The reinsurance premiums are allocated to a year of account in accordance with the underlying risks being protected. Any reinsurance premium adjustments are charged to a year of account according to the basis on which the adjustments concerned are calculated.
- (c) Gross claims paid include internal and external adjustment and settlement expenses. Salvages and reinsurance recoveries are allocated to the year of account to which the related claim was charged.
- (d) All underwriting transactions are recognised on the basis of transactions processed up to and including the balance sheet date plus accruals in respect of anticipated additional or return premiums, reinsurance premiums and reinsurance recoveries in respect of paid claims.
- (e) A reinsurance to close is a contract of insurance which, in return for a premium paid by the closing year of account, transfers, normally to the following year of account, all known and unknown liabilities arising out of transactions connected with insurance business underwritten by the closing year of account. However, it should be noted that a reinsurance contract does not extinguish the primary liability of the original underwriter.

ACCOUNTING POLICIES

2012 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2014

The estimate of future liabilities (including internal and external settlement costs) and the premium for the reinsurance to close are calculated by the underwriter based on the latest loss information available at the time of making such calculation. The calculation allows for the estimated net cost of claims which may have been incurred but not yet reported; such allowance is established by the underwriter exercising his judgement aided by statistical projections based on the history of past claim settlements and by reference to case by case reviews of notified losses. The calculation includes estimates for known outstanding claims, claims which may have been incurred but not reported, and potential reinsurance recoveries. The uncertainties which are inherent in the process of estimating are such that in the normal course of events, unforeseen or unexpected future developments may cause the ultimate cost of settling the outstanding liabilities to differ from that presently estimated. Credit is taken for any reinsurance recoveries that are presently estimated to be recoverable. No credit is taken for investment earnings which may be expected to arise in the future on the funds representing either the reinsurance to close or the estimate of future liabilities as applicable.

INVESTMENT RETURN

The gross investment return comprises investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges. Each investment is allocated to a particular year of account which receives the relevant investment return. Investment returns in respect of overseas deposits are allocated to the year of account which funded these deposits.

Investment return is wholly allocated to the general business technical account.

Investments are valued at market value at the balance sheet date. Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in previous calendar years in respect of the investments disposed of in the current period.

SYNDICATE OPERATING EXPENSES

Costs incurred by the managing agent in respect of the syndicate are charged to the syndicate. Where expenses do not relate to any specific year of account they are apportioned between years of account on bases which reflect the benefit obtained by each year of account from each type of expense.

Where expenses are incurred jointly by the managing agent and the syndicate, they are apportioned on bases that are considered to fairly reflect the nature and usage of the expense concerned.

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 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. It is the responsibility of members to agree and settle their individual tax liabilities with H M Revenue and Customs.

No provision has been made for any United States Federal Income Tax or any overseas tax payable on the underwriting results or investment earnings. Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

A C C O U N T I N G P O L I C I E S



2012 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2014

BASIS OF CURRENCY TRANSLATION

Income and expenditure in US dollars and Canadian dollars are translated at average rates of exchange for each calendar year as an equivalent of transaction rates.

Underwriting transactions denominated in other foreign currencies including Euros are included at the rate of exchange ruling at the date the transaction is processed.

Although transactions are translated as described above the assets and liabilities within the balance sheet in US dollars and Canadian dollars are translated at the rates of exchange ruling on 31 December 2014. Any differences are included within the profit or loss on exchange account.

Where US dollars or Canadian dollars are sold or bought relating to the profit or loss of a closed underwriting account after 31 December 2014, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured. Where United States dollars are transferred to or from members any exchange profit or loss accrues to those members.

As these accounts report the total profit or loss to be transferred to members all differences arising on translation of foreign currency amounts in the syndicate have been included in the technical account.

NOTES TO THE SYNDICATE
UNDERWRITING YEAR ACCOUNTS

2012 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2014

1. SEGMENTAL ANALYSIS

An analysis of the underwriting result before investment return for the three years ended 31 December 2014 is set out below:

2012 YEAR OF ACCOUNT	GROSS PREMIUMS WRITTEN & EARNED £'000	GROSS CLAIMS INCURRED £'000	GROSS OPERATING EXPENSES £'000	REINSURANCE BALANCE £'000	TOTAL £'000
Direct insurance:					
Accident and health	2,787	(2,257)	(900)	(7)	(377)
Motor (third party liability)	56	(52)	(18)	0	(14)
Motor (other classes)	2,730	(2,000)	(882)	0	(152)
Marine aviation and transport	584	(484)	(189)	0	(89)
Fire and other damage to property	26,779	(14,538)	(8,650)	(286)	3,305
Third party liability	14,274	(15,868)	(4,611)	(38)	(6,243)
	<u>47,210</u>	<u>(35,199)</u>	<u>(15,250)</u>	<u>(331)</u>	<u>(3,570)</u>
Reinsurance acceptances	35,731	(22,223)	(11,540)	(660)	1,308
Reinsurance to close received	177,039	(165,747)	0	(2,410)	8,882
Total	<u>259,980</u>	<u>(223,169)</u>	<u>(26,790)</u>	<u>(3,401)</u>	<u>6,620</u>

Reinsurance to close received includes premium flows on 2011 and prior years during calendar year 2014.

2. GEOGRAPHICAL ORIGIN OF GROSS DIRECT PREMIUMS WRITTEN

All contracts of insurance were concluded in the United Kingdom.

3. REINSURANCE TO CLOSE PREMIUMS RECEIVED

	2012 YEAR OF ACCOUNT £'000
Gross reinsurance to close premiums received:	
Outstanding claims	46,585
Provision for claims incurred but not reported (IBNR)	119,508
Provision for internal claims administration expenses	10,946
	<u>177,039</u>
Reinsurance recoveries anticipated:	
Reinsurers' share of outstanding claims	(2,047)
Reinsurance to close premiums received net of reinsurance	<u>174,992</u>

NOTES TO THE SYNDICATE
UNDERWRITING YEAR ACCOUNTS

2012 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2014

4. REINSURANCE TO CLOSE PREMIUMS PAYABLE

		2012 YEAR OF ACCOUNT £'000
Gross reinsurance to close premiums payable:		
Outstanding claims	42,957	
Provision for claims incurred but not reported (IBNR)	126,037	
Provision for internal claims administration expenses	9,761	
		178,755
Reinsurance recoveries anticipated:		
Reinsurers' share of outstanding claims		(1,435)
Reinsurance to close premiums payable net of reinsurance per profit and loss account		177,320
Adjustment to year end rates of exchange for 2014		6,850
Reinsurance to close premiums payable net of reinsurance*		184,170

* This amount represents a provision for the reinsurance to close the 2012 year of account into the 2013 year of account of syndicate 727 as at 31 December 2014 and was approved by the board of S A Meacock & Company Limited on 29 January 2015. This is made up of a gross amount of £185,656,039 and anticipated recoveries from reinsurers of £1,485,786 but does not include any allowance for the £1,314,388 of anticipated future return premiums which have been allowed for in arriving at the gross written premium figure of £82,940,803.

5. NET OPERATING EXPENSES

		2012 YEAR OF ACCOUNT £'000
Brokerage and commissions		19,874
Other acquisition costs		1,252
Acquisition costs		21,126
Administrative expenses		6,438
Profit on exchange		(774)
		26,790
Included within administrative expenses above are the following:		
Syndicate expenses		3,391
Auditors' remuneration (within syndicate expenses) – audit		126
– other		8
Standard personal expenses (excluding members' agent fees)		3,047

6. BALANCE ON THE TECHNICAL ACCOUNT BEFORE NET OPERATING EXPENSES AND ALLOCATED INVESTMENT RETURN

	2011 & PRIOR YEARS OF ACCOUNT £'000	2012 PURE YEAR OF ACCOUNT £'000	TOTAL 2012 £'000
Technical account balance before allocated investment return and net operating expenses	11,767	21,643	33,410
Brokerage and commission on gross premium	–	(19,874)	(19,874)
Balance after brokerage and commissions	11,767	1,769	13,536

NOTES TO THE SYNDICATE
 UNDERWRITING YEAR ACCOUNTS

.....

2012 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2014

7. INVESTMENT INCOME

	2012 YEAR OF ACCOUNT £'000
Income from investments	7,649
Gains on realisation of investments	286
	7,935

8. INVESTMENT EXPENSES AND CHARGES

	2012 YEAR OF ACCOUNT £'000
Losses on realisation of investments	3,460

9. INVESTMENTS

	MARKET VALUE £'000	COST £'000
Shares and other variable yield securities and unit trusts	13,445	13,075
Debt securities and other fixed income securities	148,336	154,037
	161,781	167,112

10. DEBTORS

	2012 YEAR OF ACCOUNT £'000
Arising out of direct insurance operations:	
Intermediaries	295
Arising out of reinsurance operations	1,363
Amounts due from members	531
Other debtors	196
	2,385

All amounts are due within one year.

11. AMOUNTS DUE TO/(FROM) MEMBERS

	2012 YEAR OF ACCOUNT £'000
Profit for the 2012 closed year of account	9,207

Amounts due from members in respect of fee advances to members' agents are included within debtors (see note 10).

NOTES TO THE SYNDICATE
UNDERWRITING YEAR ACCOUNTS

2012 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2014

12. CREDITORS

	2012 YEAR OF ACCOUNT £'000
Creditors arising out of direct insurance operations	1,569
Creditors arising out of reinsurance operations	620
Other creditors	2,093
	4,282

All amounts are payable within one year.

13. MOVEMENT IN CASH, PORTFOLIO INVESTMENTS AND FINANCING

	AT 1 JANUARY 2012 £'000	CASH FLOW £'000	CHANGES TO MARKET VALUE AND CURRENCIES £'000	AT 31 DECEMBER 2014 £'000
Cash at bank and in hand	–	24,864	–	24,864
Overseas deposits	–	5,875	125	6,000
Other assets	–	877	50	927
	–	31,616	175	31,791
Portfolio investments:				
Shares and other variable yield securities	–	13,488	(43)	13,445
Debt securities and other fixed income securities	–	155,275	(6,939)	148,336
Total portfolio investments (Note 14)	–	168,763	(6,982)	161,781
Total cash, portfolio investments and financing	–	200,379	(6,807)	193,572

14. NET CASH INFLOW ON PORTFOLIO INVESTMENTS

	2012 YEAR OF ACCOUNT £'000
Purchase of shares and other variable yield securities	13,488
Purchase of debt securities and other fixed income securities	245,168
Sale of debt securities and other fixed income securities	(89,893)
Net cash inflow on portfolio investments	168,763

15. RELATED PARTIES

(a) S A Meacock and Company Limited (the company) is a managing agent which has managed syndicate 727 since 1 January 1997 with standard agency terms as follows:

	FEE	£'000's	PROFIT COMMISSION	£'000's
2012	0.6%	478	20%	2,093

Profit commission is not charged to staff, executive directors of the company or Meacock LLP.

From the 2011 year of account onward, profit commission is calculated based on a seven year rolling average result as a percentage of capacity:

10% or greater	20%
Less than 10% but greater than 5%	17.5%
5% or less	15%

N O T E S T O T H E S Y N D I C A T E
 U N D E R W R I T I N G Y E A R A C C O U N T S

.....◆.....

2012 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2014

15. RELATED PARTIES continued

- (b) Certain expenses amounting to £3,349,185 were incurred by the company and then recharged to the syndicate.
- (c) The balance due to the company at 31 December 2014 was £2,092,627.
- (d) In 2006 Meacock LLP was formed to enable executive directors and staff to participate in the syndicate. Directors' participations are included in note 15(e) below. For 2012, the aggregate capacity of the Meacock LLP was £1,393,788.
- (e) The combined syndicate participations of the directors of the managing agent, both as individual names (unlimited and Nameco) and through the Meacock LLP, are shown below:

	2012 ACCOUNT	
	£000's	% OPL
J M Meacock (non-executive)	175	24
M J Meacock (active underwriter)	4,086	51
M P Bartlett	100	100
N N S Ford	163	100
K W Jarvis	271	100
D J Jones	81	100
A Taylor	585	100
Sir David Thomson Bt (non-executive chairman)	1,281	26
D A Thorp (non-executive)	388	100

None of these participations were through a MAPA and none has been protected by personal stop loss arrangements. Standard terms have been applied to them with the exception that profit commission has not been charged to staff or executive directors of the managing agency.

- (f) Meacock Capital plc (MC) which has a total issued share capital of 5,295,146 ordinary 25 pence shares owns 100% of Meacock Underwriting Limited (MU) which participated on syndicate 727 on standard terms and with the following capacity:

	£
2012	12,633,183

The following directors or connected persons held shares in MC:

	2012	
	ORD. 25P	% SHARE CAP
C E Meacock	529,000	9.99
J M Meacock	529,000	9.99
J W S Meacock	529,000	9.99
M J Meacock	1,125,886	21.26
W T R Meacock	529,000	9.99
Sir David Thomson Bt	156,600	2.96
D A Thorp	56,000	1.06
C N Jarvis (wife of K W Jarvis)	83,000	1.57

- (g) Mr M J Meacock is a non-executive director of Alpha Insurance Analysts Limited (Alpha), a Lloyd's members' agency. Neither Mr M J Meacock nor the company have a financial interest in Alpha.

N O T E S T O T H E S Y N D I C A T E
 U N D E R W R I T I N G Y E A R A C C O U N T S

2012 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2014

15. RELATED PARTIES continued

- (h) Mr J M Meacock, non-executive director, is a senior broker with JLT Re, a JLT Re Limited company, which does place business with syndicate 727. Mr J M Meacock is not personally involved in the placing of any business with syndicate 727 and does not receive any form of direct remuneration or commission for this business. In view of the potential conflict of interest from this activity and the fact that his father, Mr M J Meacock is the active underwriter and 67% shareholder of the company, Mr J M Meacock does not participate on any of the board sub-committees that provide oversight to operations or governance.
- (i) Mr W T R Meacock, was appointed a director of Meacock Capital plc and Meacock Underwriting Limited on 1 October 2010. He is also a director of Guy Carpenter & Company LLC, a Marsh McLennan company, which does place business with syndicate 727. Mr W T R Meacock is not personally involved in the placing of any business with syndicate 727 and does not receive any form of direct remuneration or commission for this business.
- (j) The following other 'close family' members of Mr M J Meacock also participated on syndicate 727, on standard terms:

	2012 ACCOUNT £'000
C E Meacock (son)	182
J W S Meacock (son)	175
Mrs R J R Meacock (wife)	626
W T R Meacock (son)	160
	1,143

- (k) There were no unpaid balances due to the syndicate at 31 December 2014 from any of the members detailed in notes 15(e) and 15(j) above.
- (l) Mr D K L White, non-executive director, acts in the capacity of expert reviewer on underwriting issues and chairs the Underwriting and Claims Review Committee, Reinsurance Security and Recovery Committee and the Risk Committee. Mr White was a non-executive director of Asta Managing Agency Ltd (Asta) until 31 August 2013. The company has no financial interests in, nor a material trading relationship with Asta.
- (m) The company managed the Small Business Consortium (SBC) in which syndicate 727 participates until 31 December 2012. Consortium members (participating syndicates) reimburse the company (consortium manager) for expenses of management and pay profit commission to the consortium manager on the profits of the consortium. Members' agents (on behalf of the members for whom they act) and direct participants have given their written agreement to the retention by the company of sums received under the consortium agreement. During the year ended 31 December 2014 the company received profit commission of £98,756 (2013: nil).

16. PENSION OBLIGATIONS

The company operates a defined contribution scheme for its employees including syndicate staff. The cost of the contributions charged to the 2012 year of account was £0.2 million and there were no outstanding or prepaid contributions at 31 December 2014 in respect of the 2012 year of account. As the 2012 year of account has now been reinsured to close no further pension contributions are chargeable to the members of this year of account.

SYNDICATE 727

ANNUAL REPORT 2014

31 DECEMBER 2014

C O N T E N T S

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AT 31 DECEMBER 2014

Directors and Advisers
..... 25

Managing Agent's Report
..... 26

Statement of Managing Agent's Responsibilities
..... 31

Report of the Auditors
..... 32

Profit and Loss Account: Technical Account – General Business
..... 34

Profit and Loss Account: Non-Technical Account – Statement of Recognised Gains and Losses
..... 35

Balance Sheet – Assets
..... 36

Balance Sheet – Liabilities
..... 37

Cash Flow Statement
..... 38

Accounting Policies
..... 39

Notes to the Financial Statements
..... 43

DIRECTORS AND ADVISERS



31 DECEMBER 2014

MANAGING AGENT:

Managing agent

S A Meacock & Company Limited
4th Floor, Hasilwood House
60 Bishopsgate
London EC2N 4AW

Directors

Sir David Thomson Bt (Chairman)
M P Bartlett
N N S Ford
K W Jarvis
D J Jones
J M Meacock
M J Meacock
A Taylor
D A Thorp
D K L White

SYNDICATE:

Active underwriter

M J Meacock

Bankers

HSBC Bank plc

Auditors

PKF Littlejohn LLP
Chartered Accountants and Statutory Auditors
1 Westferry Circus
Canary Wharf
London E14 4HD

R E P O R T O F T H E D I R E C T O R S O F T H E M A N A G I N G A G E N T



31 DECEMBER 2014

The directors of the managing agent present their report for the year ended 31 December 2014.

In addition to the financial statements prepared on an annual basis of accounting, separate underwriting year accounts have been prepared to show the cumulative result for the 2012 underwriting account closed at 31 December 2014 which is being distributed in 2015.

BUSINESS REVIEW

Activities

The syndicate underwrites insurance and reinsurance business at Lloyd's. Most of the risks are located in North America, the Caribbean and the UK. An analysis of business written is given in note 1 on page 43.

Key performance indicators

The directors of the managing agent consider the following to be key performance indicators of the syndicate:

	2014	2013
Capacity (underwriting year)	£80.8m	£80.8m
Gross premiums written	£68.4m	£69.6m
Net premiums earned	£68.9m	£71.2m
Profit/(loss) for the year	£16.3m	£11.9m
Claims ratio (net)	42.3%	56.5%
Combined ratio (net)	79.6%	87.0%
Cash, investments, overseas deposits and other assets	£246.3m	£241.5m

Results

A review by the active underwriter of the development of individual years of account during 2014 is given on pages 2 and 3.

The profit for the financial year is £16.26m, plus currency translation differences of £0.98m shown in the statement of total recognised gains and losses on page 35. This generates total recognised gains since the last annual report amounting to £17.24m. This is a pleasing result.

Investment return

	2014			2013	
	STERLING £	US\$	CANS	ALL IN STERLING	ALL IN STERLING
Average fund	25.4m	325.6m	23.3m	247.0m	236.8m
Investment return	0.6m	2.5m	0.2m	2.3m	2.5m
Calendar year investment yield	2.2%	0.8%	1.0%	0.9%	1.1%

The investment returns are calculated on average cash and investment balances which are revalued monthly.

The return is consistent with the investment strategy set for the syndicate and is higher than the cash on deposit and short government bond returns in both sterling and US\$.

The US government bond yield curve flattened during 2014 as the time approached for an increase in the Federal Funds rate, which is expected in 2015. While the two year US Treasury bond yield increased from 0.38% on 1 January 2014 to 0.70% on 31 December 2014, the ten year US Treasury bond yield fell from 2.99% to 2.20% over the same period. The five year US Treasury bond yield ended the year almost the same as at the start of 2014 at close to 1.70%. These movements in yield and the resulting changes to bond prices indicate that markets were expecting fairly mild interest rate increases during 2015. This market expectation does not match the rather more hawkish views of the Federal Reserve FOMC voting members.

US unemployment has improved to the point where full employment is in sight but the quality of some of the jobs is poor. Inflation has fallen to 0.7% by December 2014 and remains benign.

R E P O R T O F T H E D I R E C T O R S O F T H E M A N A G I N G A G E N T



31 DECEMBER 2014

The syndicate's US funds were invested largely in corporate bonds and moneymarket funds during the year. No mortgage backed, asset backed, structured bonds or derivatives were held by the syndicate during 2014.

The Bank of England retained the base rate at 0.5% throughout 2014 to underpin the economy and to encourage lending by banks. The syndicate's sterling funds were invested in corporate bond funds and cash on instant access deposit.

The Bank of Canada retained its bank rate at 1.0% throughout the year. The syndicate's Canadian funds were placed in a moneymarket fund throughout the year.

At 31 December the syndicate's funds were invested as follows:

	% OF TOTAL
US corporate bonds	77.1
UK corporate bond funds	2.3
Moneymarket funds and cash on deposit	17.3
Statutory deposits	3.3

RISK MANAGEMENT

The syndicate's activities expose it to a variety of financial and non-financial risks. The managing agent is responsible for ensuring that the syndicate's exposure to these risks does not exceed levels it considers appropriate. Each year, the managing agent determines its Syndicate Capital Requirement (SCR) through the use of an Internal Model, designed to meet the Solvency II requirements. To the SCR figure Lloyd's add an Economic Capital Uplift (ECU) to produce an Economic Capital Assessment (ECA) which can be then expressed as a percentage of capacity. The ECA is an assessment of the syndicate capital requirements based on the risks to the syndicate's business and the measures in place to manage and mitigate those risks. The key risks to the business are described below:

Insurance risk

Acceptance of insurance risk is the syndicate's business and the primary driver in the SCR relates to insurance risk. These are principally the risks of:

- unexpectedly high levels of claims as a result of catastrophic events;
- unforeseen increases in the frequency and severity of attritional claims; and
- unexpected deterioration in the adequacy of claims reserves.

Catastrophic events

The managing agent has set guidelines that limit the syndicate's exposure to claims arising from the realistic disaster scenarios it has identified and it regularly monitors compliance with those guidelines. Reinsurance is purchased to mitigate the effect of such catastrophes. The syndicate's peak exposures are hurricanes and earthquakes in the USA.

Attritional claims

The managing agent monitors carefully the development of claims by class of business and by individual risk against the plan prepared in the previous year and it seeks to adjust the underwriting in response to the emergence of new factors. The action taken might include non-renewal of a contract if terms are not considered adequate or, if appropriate, withdrawal from a class of business.

Business volume

If the volume of premiums written is less than planned, either as a result of action taken by the managing agent as described above, because rates obtainable are less than anticipated, or because risks are not offered to the syndicate, the expense ratio will increase, with consequent effects on profitability.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

31 DECEMBER 2014

Reserving

The assessment of reserves for outstanding claims and unexpired risks entails estimation of the ultimate cost of claims, some of which might not be finally settled for several years. A degree of under or over reserving is to be expected. The managing agent uses its judgement in setting reserves at a level which is intended to minimise the risk of material under reserving in the aggregate. The adequacy of these reserves is reviewed by an external independent actuary.

Reinsurance risk

There is a risk that one or more of the syndicate's reinsurers fail to meet their obligations in full. The managing agent has established credit rating requirements for reinsurers. Almost all the syndicate's reinsurers have 'A' ratings or have established arrangements to secure amounts that may become payable.

Investment risk

Apart from statutory deposits which are managed by Lloyd's, syndicate funds are managed and monitored in-house. The managing agent has in place a comprehensive policy on the amount of securities that may be held by reference to their liquidity and credit rating. The overriding concern is to minimise risks to syndicate funds, while aiming to achieve the best return consistent with this objective and adequate liquidity to meet claims and expenses. Funds are invested in cash on deposit, government securities and agencies, and high quality corporate bonds. The syndicate's assets are largely matched by currency with its liabilities and there are no large unhedged currency positions. Under the syndicate's investment policy the maximum average duration of any one trust fund is five years and in practice this is likely to be lower.

Liquidity risk

The syndicate is exposed to daily calls on its available cash resources, principally from claims arising from its insurance business. Liquidity risk arises where cash may not be available to pay obligations when due, or to ensure compliance with the syndicate's obligations under the various trust deeds to which it is party. The syndicate's liquidity is managed with the aim of being able to fund claims arising from significant catastrophic events without recourse to external borrowing.

Currency risk

The syndicate's main exposure to foreign currency risk arises from insurance business originating overseas, primarily denominated in US dollars. Transactions denominated in US dollars form a majority of the syndicate's operations. To mitigate this risk financial assets denominated in US dollars are held to match the syndicate's major insurance exposures in that currency.

Operational risk

Operational risk covers all the other aspects of the syndicate's operations. The principal areas of risk are as follows:

Regulatory risk

The managing agent is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). It is also monitored by the Corporation of Lloyd's. Failure to comply with regulatory requirements and standards could result in a variety of sanctions, the most extreme being a withdrawal of the authorisation to underwrite. The managing agent aims to meet all requirements and standards and has put in place internal controls to mitigate the risk of failing to do so. Three separate functions – Internal Audit, Risk Management and Compliance – form the assurance process and deliver internal control in conjunction with five board level committees, including an Audit Committee and a Risk Committee. All are chaired by non-executive directors and provide robust and independent governance and oversight.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

31 DECEMBER 2014

Business continuity risk

The risk to the syndicate's ability to trade in the event of a natural disaster or terrorist action affecting its premises and systems is mitigated by arrangements in place for the use of alternative premises and IT equipment. The robustness of these arrangements is tested regularly.

Staff risk

There is a risk of disruption of the syndicate's business if key staff leave or are otherwise unavailable. To mitigate this risk the managing agent maintains plans for short-term cover and longer term succession for all key positions.

The managing agency reviews staff competency biannually and has a proactive approach to training and development.

From 2012, an enhanced appraisal initiative was introduced whereby staff meet with their line manager on at least a quarterly basis.

Solvency II

The managing agency is managing the introduction of the European directive known as Solvency II (SII) which becomes effective on 1 January 2016. An internal model to determine capital and complementary Governance and Risk Management Frameworks has been developed to a high standard. The syndicate and board are adopting the SII directive in full to ensure that it is fully embedded and operating as 'business as usual'. During 2014 the managing agency was rated as 'green' with Lloyd's, meaning its state of readiness continues to be on schedule in relation to passing full SII tests and standards.

OTHER PERFORMANCE INDICATORS

Staff matters

The managing agent employs 24 staff, including the executive directors.

Corporate Social Responsibility

We have a CSR policy that encompasses employment diversity in all respects and accommodates flexible workplace arrangements with family commitments in mind.

Meacock is engaged with local communities. Since 2013 we have supported 'The Brokerage City Link' programme providing some work experience to graduates from Tower Hamlets. New for 2014, we support the Lloyd's Community (LCP) programme providing volunteer reader and number partners to Blue Gate Fields junior school.

Environmental accreditation has been obtained since 2007, from Paper Round BPR Group, through participation in the Recycling Achievement Award scheme.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

31 DECEMBER 2014

OTHER DISCLOSURES

Directors serving in the year

The directors of the managing agent, who served during the year ended 31 December 2014 and up to the date of this report were as follows:

Sir David Thomson Bt (Chairman)

M P Bartlett

N N S Ford

K W Jarvis

D J Jones

J M Meacock

M J Meacock

A Taylor

D A Thorp

D K L White

Directors' interests in the syndicate are shown in note 19 to the accounts.

Disclosure of information to auditors

The directors who held office at the date of the approval of this directors' report confirm that, so far as they are individually aware, there is no relevant audit information of which the syndicate's auditors are unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the syndicate's auditors are aware of that information.

Reappointment of Auditors

PKF Littlejohn LLP have indicated their willingness to continue in office as the syndicate's auditors.

Annual General Meeting

As permitted under the Syndicate Meetings (Amendment No. 1) Byelaw (No. 18 of 2000) S A Meacock & Company Limited does not propose holding a Syndicate Annual General Meeting of the members of the syndicate.

Members may object to this proposal or the intention to reappoint auditors within 21 days of the issue of these accounts. Any such objection should be addressed to Shelley Simmonds, Company Secretary, at the registered office of S A Meacock & Company Limited.

Approved by the Board



K W Jarvis

Director

10 March 2015

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES



31 DECEMBER 2014

The managing agent is responsible for preparing the annual report and the syndicate annual financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Regulation 5 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations") requires the managing agent to prepare syndicate annual financial statements at 31 December each year which give a true and fair view of the state of affairs of the syndicate and of its profit or loss for that year.

In preparing those syndicate annual financial statements, the managing agent is required to:

- select suitable accounting policies, and apply them consistently except where relevant accounting requirements change;
- 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 syndicate annual financial statements; and
- prepare the syndicate annual financial statements on a going concern basis, unless it is inappropriate to do so.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate annual financial statements comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS

31 DECEMBER 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 727

We have audited the Syndicate Annual Financial Statements for the year ended 31 December 2014 which comprise the Profit & Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, Accounting Policies and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members of the Syndicate as a body, in accordance with Regulations 10 to 14 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulation 2008. Our audit work has been undertaken so that we might state to the Syndicate's members those matters that we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Syndicate and the Syndicate's members as a body for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF THE MANAGING AGENT AND THE AUDITOR

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 31, the Managing Agent is responsible for the preparation of the Annual Financial Statements which give a true and fair view. Our responsibility is to audit and express an opinion on the Syndicate Annual Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE SYNDICATE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the Annual Financial Statements sufficient to give reasonable assurance that the Annual Financial Statements 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 Annual Financial Statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements 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.

OPINION ON SYNDICATE ANNUAL FINANCIAL STATEMENTS

In our opinion the Annual Financial Statements:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

REPORT OF THE AUDITORS

31 DECEMBER 2014

**OPINION ON OTHER MATTERS PRESCRIBED BY THE INSURANCE ACCOUNTS DIRECTIVE
(LLOYD'S SYNDICATE AND AGGREGATE ACCOUNTS) REGULATIONS 2008**

In our opinion the information given in the Report of the Directors of the Managing Agent for the financial year for which the Annual Financial Statements are prepared is consistent with the Annual Financial Statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you if, in our opinion:

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

N A Coulson

Neil Coulson (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP

Statutory Auditor

1 Westferry Circus

Canary Wharf

London E14 4HD

10 March 2015

P R O F I T A N D L O S S A C C O U N T
 T E C H N I C A L A C C O U N T – G E N E R A L B U S I N E S S

Y E A R E N D E D 3 1 D E C E M B E R 2 0 1 4

	NOTES	£'000	2014 £'000	£'000	2013 £'000
Earned premiums, net of reinsurance					
Gross premiums written					
Continuing operations	1	68,430		69,583	
Outward reinsurance premiums		<u>(467)</u>		<u>(1,076)</u>	
Net premiums written			67,963		68,507
Change in the provision for unearned premiums					
Gross amount		1,138		2,837	
Reinsurers' share		<u>(196)</u>		<u>(178)</u>	
Change in the net provision for unearned premiums			<u>942</u>		<u>2,659</u>
Earned premiums, net of reinsurance			68,905		71,166
Allocated investment return transferred from the non-technical account					
			2,179		2,679
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(45,323)		(44,599)	
Reinsurers' share		<u>487</u>		<u>1,165</u>	
Net claims paid		<u>(44,836)</u>		<u>(43,434)</u>	
Change in the provision for claims					
Gross amount		16,229		3,840	
Reinsurers' share		<u>(532)</u>		<u>(605)</u>	
Change in the net provision for claims		<u>15,697</u>		<u>3,235</u>	
Claims incurred, net of reinsurance	2		(29,139)		(40,199)
Net operating expenses including acquisition costs					
	3		<u>(25,685)</u>		<u>(21,748)</u>
Balance on the technical account – for general business					
			<u>16,260</u>		<u>11,898</u>

All operations are continuing.

P R O F I T A N D L O S S A C C O U N T
 N O N - T E C H N I C A L A C C O U N T -
 S T A T E M E N T O F R E C O G N I S E D G A I N S A N D L O S S E S

Y E A R E N D E D 3 1 D E C E M B E R 2 0 1 4

	NOTES	2014 £'000	2013 £'000
Balance on the general business technical account		16,260	11,898
Investment income	6	7,559	8,169
Unrealised gains on investments		370	805
Investment expenses and charges	7	(3,486)	(5,153)
Unrealised losses on investments		(2,264)	(1,142)
Allocated investment return transferred to general business technical account		(2,179)	(2,679)
Profit for the financial year	11	<u>16,260</u>	<u>11,898</u>
 Statement of total recognised gains and losses			
Profit for the financial year		16,260	11,898
Currency translation differences		983	(882)
Total recognised gains and losses since last annual report		<u>17,243</u>	<u>11,016</u>

The aggregate £17.243m result of the 2014 calendar year (2013: £11.016m) stated above was after a total exchange movement profit of £0.724m (2013: £0.920m profit).

B A L A N C E S H E E T – A S S E T S

AT 31 DECEMBER 2014

	NOTES	£'000	2014	£'000	2013	£'000
Investments						
Other financial investments	8		218,805		208,186	
Reinsurers' share of technical provisions						
Provision for unearned premiums		187		371		
Claims outstanding		<u>1,600</u>		<u>2,075</u>		
			1,787		2,446	
Debtors: due within one year						
Debtors arising out of direct insurance operations	9	5,465		7,453		
Debtors arising out of reinsurance operations	10	14,931		12,885		
Other debtors		<u>580</u>		<u>872</u>		
			20,976		21,210	
Other assets						
Cash at bank and in hand		18,432		22,395		
Overseas deposits		8,163		9,166		
Other		<u>927</u>		<u>1,792</u>		
			27,522		33,353	
Prepayments and accrued income						
Accrued interest and rent			2,178		2,022	
Deferred acquisition costs			9,827		8,959	
Other prepayments			<u>41</u>		<u>82</u>	
Total assets			<u>281,136</u>		<u>276,258</u>	

BALANCE SHEET – LIABILITIES

AT 31 DECEMBER 2014

	NOTES	£'000	2014 £'000	£'000	2013 £'000
Capital and reserves					
Members' balances	11		2,873		(6,004)
Technical provisions					
Provision for unearned premiums		35,927		35,611	
Claims outstanding		<u>236,448</u>		<u>241,954</u>	
			272,375		277,565
Creditors payable within one year					
Creditors arising out of direct insurance operations	12	1,674		1,500	
Creditors arising out of reinsurance operations	13	1,675		1,311	
Other creditors including taxation and social security		<u>2,307</u>		<u>1,886</u>	
			5,656		4,697
Creditors payable after one year					
Other creditors including taxation and social security			<u>232</u>		<u>–</u>
Total liabilities			<u>281,136</u>		<u>276,258</u>

Approved by the board of S A Meacock & Company Limited on 10 March 2015 and signed on its behalf by:



M J Meacock
Director



K W Jarvis
Director

C A S H F L O W S T A T E M E N T

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YEAR ENDED 31 DECEMBER 2014

	NOTES	2014 £'000	2013 £'000
Reconciliation of operating profit to net cash			
inflow from operating activities			
Operating profit on ordinary activities		16,260	11,898
Unrealised investments (gains)/losses (including currency movements)		(7,053)	10,019
Decrease in net technical provisions		(4,531)	(10,950)
Decrease/(increase) in debtors		116	10,322
Increase/(decrease) in creditors		1,191	(590)
Currency translation difference		–	–
Other movements		454	(1,425)
Net cash inflow from operating activities		<u>6,437</u>	<u>19,274</u>
Net cash inflow from operating activities		6,437	19,274
Returns on investment and servicing of finance:			
Distribution profit		(7,837)	(8,608)
		<u>(1,400)</u>	<u>10,666</u>
Cash flows were invested as follows:			
(Decrease)/increase in cash holdings	15	(3,963)	16,251
Increase/(decrease) in overseas deposits	15	(1,319)	(1,731)
Net portfolio investment	16	3,882	(3,854)
Net investment of cash flows		<u>(1,400)</u>	<u>10,666</u>

ACCOUNTING POLICIES

31 DECEMBER 2014

BASIS OF PREPARATION

These annual financial statements have been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and applicable accounting standards in the United Kingdom, and comply with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005 (as amended in December 2006) ("the ABI SORP"), except that exchange differences which arise from technical account transactions are dealt with in the technical account.

Syndicates by their nature only underwrite for single underwriting years on behalf of their supporting members, however this is within a context of not finalising results until after 36 months so that typically there are three underwriting years in progress at any given time. In addition syndicates will normally expect to continue to trade for more underwriting years into the future.

The syndicate's business activities, together with the factors likely to affect its future development are set out in the Business Review contained within the Report of the Directors of the Managing Agent. In addition the Risk Management section of the Report of the Directors of the Managing Agent provides details of the financial risks the syndicate is exposed to and how those risks are managed.

The syndicate has considerable financial resources together with long term relationships with a number of brokers and policyholders across different classes of business and geographical areas. As a consequence, the Directors believe that the syndicate is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the syndicate has adequate resources including the Funds at Lloyd's of the members supporting the syndicate (as detailed in note 18) to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

BASIS OF ACCOUNTING

The underwriting results are determined on an annual basis of accounting. Under the annual basis of accounting, the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

PREMIUMS WRITTEN

Premiums written comprise premiums on contracts of insurance incepted during the financial year and any adjustments made in the year to estimates of premiums written in prior years. Premiums are shown gross of acquisition costs and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, including amounts that will accrue to the syndicate but have not yet been notified.

UNEARNED PREMIUMS

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

REINSURANCE PREMIUM CEDED

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

A C C O U N T I N G P O L I C I E S



31 DECEMBER 2014

CLAIMS INCURRED AND REINSURERS' SHARE

Gross claims incurred comprise claims and settlement expenses (both internal and external) occurring during the year and the movement in provision for outstanding claims and settlement expenses brought forward. Allowance is made for the cost of claims incurred by the balance sheet date but not reported until after the year-end. Incurred claims outstanding are reduced by anticipated salvage and other recoveries from third parties.

The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount included in respect of IBNR is based on estimates made by the underwriter and reviewed by external consulting actuaries. This generally involves 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. The estimation is subject to a high degree of variability. The provision for claims also includes amounts in respect of internal and external claims handling costs.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to 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.

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

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

UNEXPIRED RISKS PROVISION

A provision for unexpired risks is made where claims, related expenses and deferred acquisition costs likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred. The unexpired risk provision is included within technical provisions in the balance sheet.

The provision for unexpired risks is calculated separately by reference to classes of business which are managed together.

ACCOUNTING POLICIES

31 DECEMBER 2014

NET OPERATING EXPENSES (INCLUDING ACQUISITION COSTS)

Net operating expenses include acquisition costs, profit and loss on exchange and amounts charged to members through the syndicate.

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are recognised by reference to premiums written and are deferred to the extent that they are attributable to premiums unearned at the balance sheet date. All other operating expenses are accounted for on an accruals basis.

DISTRIBUTION OF PROFITS AND COLLECTION OF LOSSES

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

FOREIGN CURRENCIES

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

Balance sheet assets and liabilities are translated into sterling at the rates of exchange at the balance sheet date.

The profit or loss arising on the retranslation of opening balances and retranslating in year movements from average rates to the closing rate of exchange, is dealt with through the statement of total recognised gains and losses.

Any other differences arising on translation of foreign currency amounts in the syndicate are included in the technical account.

INVESTMENTS

Investments are stated at current value at the balance sheet date. For this purpose listed investments and overseas deposits are stated at market value and deposits with credit institutions are stated at cost.

INVESTMENT RETURN

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

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

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

A C C O U N T I N G P O L I C I E S

31 DECEMBER 2014

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 during the year have been included in the balance sheet under the heading 'other debtors'.

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

PENSION COSTS

S A Meacock & Company Limited operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicate as incurred and included within net operating expenses.

N O T E S T O T H E F I N A N C I A L S T A T E M E N T S

31 DECEMBER 2014

1. SEGMENTAL ANALYSIS

An analysis of the underwriting result before investment return is set out below:

	GROSS PREMIUMS WRITTEN £'000	GROSS PREMIUMS EARNED £'000	CLAIMS INCURRED £'000	OPERATING EXPENSES £'000	REINSURANCE BALANCE £'000	TOTAL £'000
2014						
Direct insurance						
Accident and health	4,354	3,533	(1,279)	(1,416)	(10)	828
Motor (third party liability)	396	314	341	(92)	–	563
Motor (other classes)	3,460	3,060	(737)	(772)	1	1,552
Marine aviation and Transport	194	430	(8)	(171)	(1)	250
Energy	(537)	(194)	449	(267)	(1)	(13)
Fire and other damage to property	22,891	23,139	(10,331)	(8,732)	(265)	3,811
Third party liability	13,951	13,556	(12,016)	(4,519)	(39)	(3,018)
Miscellaneous	1,989	2,038	(172)	(393)	38	1,511
	<u>46,698</u>	<u>45,876</u>	<u>(23,753)</u>	<u>(16,362)</u>	<u>(277)</u>	<u>5,484</u>
Reinsurance	21,732	23,692	(5,341)	(9,323)	(431)	8,597
Total	<u>68,430</u>	<u>69,568</u>	<u>(29,094)</u>	<u>(25,685)</u>	<u>(708)</u>	<u>14,081</u>
2013						
Direct insurance						
Accident and health	3,385	3,134	(798)	(941)	(12)	1,383
Motor (third party liability)	(1)	(94)	(85)	(27)	–	(206)
Motor (other classes)	(441)	321	1,074	(648)	(91)	656
Marine aviation and Transport	1,957	1,456	(414)	(247)	(24)	771
Energy	2,805	2,317	(1,293)	(291)	(1)	732
Fire and other damage to property	21,921	21,745	(16,891)	(6,446)	(48)	(1,640)
Third party liability	11,150	10,845	(6,460)	(3,497)	194	1,082
Miscellaneous	(478)	300	3,045	(456)	(30)	2,859
	<u>40,298</u>	<u>40,024</u>	<u>(21,822)</u>	<u>(12,553)</u>	<u>(11)</u>	<u>5,638</u>
Reinsurance	29,285	32,396	(18,936)	(9,195)	(684)	3,581
Total	<u>69,583</u>	<u>72,420</u>	<u>(40,758)</u>	<u>(21,748)</u>	<u>(695)</u>	<u>9,219</u>

Total commissions for direct insurance accounted for in the year amounted to £9.9m (2013: £9.3m).

All premiums written are in respect of contracts concluded in the UK.

The above analysis is considered by the directors of the managing agent to provide a better analysis of the performance and risks relating to the business underwritten than analysis by location or currency. As a result the management of the syndicate is measured and monitored in detail on the basis of classes of risk and therefore other analysis of the business is not provided.

2. ULTIMATE CLAIMS EXPECTED ON PREMIUM EARNED AS AT 31 DECEMBER 2013

The provisions for these claims established at the previous year-end compared to the present estimated ultimate costs of these claims has enabled a release of reserves as at 31 December 2014 of £16.7m (2013: £10.0m release). £8.1m of this release relates to the class of business fire and other damage to property.

NOTES TO THE FINANCIAL STATEMENTS



31 DECEMBER 2014

3. NET OPERATING EXPENSES

	2014 £'000	2013 £'000
Brokerage and commissions	18,322	14,114
Other acquisition costs	1,225	1,219
	19,547	15,333
Acquisition costs	19,547	15,333
Change in deferred acquisition costs	(500)	1,734
Administrative expenses	6,378	6,483
Loss/(profit) on exchange	260	(1,802)
	25,685	21,748
Administrative expenses include:		
Members' personal expenses	3,230	2,954
Fees payable to the syndicate's auditors for:		
The audit of the syndicate's accounts	80	80
Other services pursuant to legislation (eg. returns to Lloyd's)	47	45
Services relating to taxation	5	5
All other services	2	2
	2	2

4. EMPLOYEES

All staff are employed by the managing agency. The following amounts were recharged to the syndicate in respect of salary costs (excluding any benefits where the costs are retained in the managing agency):

	2014 £'000	2013 £'000
Wages and salaries	2,498	2,305
Social security costs	296	272
Other pension costs	179	324
	2,973	2,901

The average number of employees employed by the managing agency but working for the syndicate during the year was as follows:

	NO.	NO.
Administration, finance and investments	17	15
Underwriting	4	5
Claims	3	3
	24	23

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

5. DIRECTORS' AND ACTIVE UNDERWRITER'S EMOLUMENTS

The directors of S A Meacock & Company Limited received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	2014 £'000	2013 £'000
Emoluments	1,384	1,047
Contributions to defined contribution pension schemes	87	210
	1,471	1,257

Active underwriter's emoluments:

The active underwriter received the following aggregate remuneration charged as a syndicate expense:

Emoluments	244	222
------------	-----	-----

The above amounts exclude any benefits not recharged to the syndicate.

6. INVESTMENT INCOME

	2014 £'000	2013 £'000
Income from investments	7,286	7,774
Gains on the realisation of investments	273	395
	7,559	8,169

7. INVESTMENT EXPENSES AND CHARGES

	2014 £'000	2013 £'000
Losses on realisation of investments	3,486	5,153

8. OTHER FINANCIAL INVESTMENTS

	MARKET VALUE		COST	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Shares and other variable yield securities and units in unit trusts	28,805	28,056	28,435	28,020
Debt securities and other fixed income securities	190,000	180,130	194,586	183,304
	218,805	208,186	223,021	211,324

Shares and other variable yield securities and units in unit trusts and debt securities and other fixed income securities are all listed on recognised stock exchanges.

9. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2014 £'000	2013 £'000
Due within one year:		
Intermediaries	5,465	7,453

10. DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	2014 £'000	2013 £'000
Due within one year	14,931	12,885

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

11. RECONCILIATION OF MEMBERS' BALANCES

	2014 £'000	2013 £'000
Members' balances brought forward at 1 January	(6,004)	(7,871)
Profit for the financial year	16,260	11,898
Currency translation differences	983	(882)
Distribution profit	(7,837)	(8,608)
Members' agent fees	(529)	(541)
	2,873	(6,004)
Members' balances carried forward at 31 December	2,873	(6,004)

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account.

12. CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2014 £'000	2013 £'000
Due within one year:		
Intermediaries	1,674	1,500
	1,674	1,500

13. CREDITORS ARISING OUT OF REINSURANCE OPERATIONS

	2014 £'000	2013 £'000
Due within one year:		
Intermediaries	1,675	1,311
	1,675	1,311

14. MOVEMENT IN OPENING AND CLOSING PORTFOLIO INVESTMENTS NET OF FINANCING

	2014 £'000	2013 £'000
Net cash (outflow)/inflow for the year	(3,963)	16,251
Cash flow – overseas deposits	(1,319)	(1,731)
Cash flow – portfolio investments (note 16)	3,882	(3,854)
	(1,400)	10,666
Movement arising from cash flows	(1,400)	10,666
Changes in market value and exchange rates	7,053	(10,019)
	5,653	647
Total movement in portfolio investments net of financing	5,653	647
Balance brought forward at 1 January	239,747	239,100
	245,400	239,747
Balance carried forward at 31 December	245,400	239,747

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

15. MOVEMENT IN CASH, PORTFOLIO INVESTMENTS AND FINANCING

	AT 1 JANUARY 2014 £'000	CASH FLOW £'000	CHANGES TO MARKET VALUE AND CURRENCIES £'000	AT 31 DECEMBER 2014 £'000
Cash at bank and in hand	22,395	(3,963)	–	18,432
Overseas deposits	9,166	(1,319)	316	8,163
	<u>31,561</u>	<u>(5,282)</u>	<u>316</u>	<u>26,595</u>
Portfolio investments:				
Shares and other variable yield securities and units in unit trusts	28,056	(10)	759	28,805
Debt securities and other fixed income securities	180,130	3,892	5,978	190,000
Total portfolio investments	<u>208,186</u>	<u>3,882</u>	<u>6,737</u>	<u>218,805</u>
Total cash, portfolio investments and financing	<u>239,747</u>	<u>(1,400)</u>	<u>7,053</u>	<u>245,400</u>

16. NET CASH FLOW ON PORTFOLIO INVESTMENTS

	2014 £'000	2013 £'000
Purchase of shares and other variable yield securities	(310)	(1,118)
Purchase of debt securities and other fixed income securities	(92,772)	(138,143)
Sale of shares and other variable yield securities	320	29,869
Sale of debt securities and other fixed income securities	88,880	113,246
Net cash flow on portfolio investments	<u>(3,882)</u>	<u>3,854</u>

17. POST BALANCE SHEET EVENTS

Members' Personal Reserve Funds

The following amounts are proposed to be transferred to members' personal reserve funds during 2015 (2014).

	2014 £'000	2013 £'000
2012 year of account (2011 year of account)	<u>8,676</u>	<u>7,837</u>

18. FUNDS AT LLOYD'S

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

The level of FAL that Lloyd's requires a member to maintain is based on the Economic Capital Assessments of the syndicates in which that member participates. FAL is not hypothecated to any specific syndicate participation by a member, therefore there are no specific funds available to a syndicate which can be precisely identified as its capital.

In addition to the FAL and any additional funds a member may introduce to meet losses, there is a central guarantee fund controlled by Lloyd's which it may utilise to meet any syndicate liabilities that are not met by a member.

N O T E S T O T H E F I N A N C I A L S T A T E M E N T S



31 DECEMBER 2014

19. RELATED PARTIES

(a) S A Meacock and Company Limited (the company) is a managing agent which has managed syndicate 727 since 1 January 1997 with standard agency terms as follows:

	FEE	£'000's	PROFIT COMMISSION
2012	0.6%	478	20%
2013	0.6%	485	20%
2014	0.6%	485	20%
2015	0.6%	485	20%

Profit commission is not charged to staff, executive directors of the company or Meacock LLP. Profit commission is calculated on the earned profit for each underwriting account arising in the calendar year within these financial statements.

From the 2012 year of account onward, profit commission is calculated based on a seven year rolling average result as a percentage of capacity:

10% or greater	20%
Less than 10% but greater than 5%	17.5%
5% or less	15%

The total fees and profit commission charged in these accounts is £2,809,122.

- (b) Certain expenses amounting to £3,323,082 were incurred by the company and then recharged to the syndicate.
- (c) The balance due to the company at 31 December 2014 was £2,092,627. This amount does not include accruals for profit commission in respect of the open 2013 and 2014 years of account.
- (d) In 2006 Meacock LLP was formed to enable executive directors and staff to participate in the syndicate. Directors' participations are included in note 19(e) below. For 2015, the aggregate capacity of the Meacock LLP is £2,190,859 (2014: £2,190,859).

N O T E S T O T H E F I N A N C I A L S T A T E M E N T S

31 DECEMBER 2014

19. RELATED PARTIES continued

(e) The combined syndicate participations of the directors of the managing agent, both as individual names (unlimited and Nameco) and through the Meacock LLP, are shown below:

	2015 ACCOUNT		2014 ACCOUNT		2013 ACCOUNT		2012 ACCOUNT	
	£'000's	% OPL	£'000's	% OPL	£'000's	% OPL	£'000's	% OPL
J M Meacock (non-executive)	193	27	193	26	200	26	175	24
M J Meacock (active underwriter)	4,086	58	4,086	53	4,086	52	4,086	51
M P Bartlett (appointed 1 January 2014)	130	100	130	100	100	100	100	100
N N S Ford	350	100	350	100	300	100	163	100
K W Jarvis	450	100	450	100	450	100	271	100
D J Jones	200	100	200	100	150	100	81	100
A Taylor	736	100	736	100	886	100	585	100
Sir David Thomson Bt (non-executive chairman)	1,480	32	1,480	30	1,380	28	1,281	26
D A Thorp (non-executive)	450	100	450	100	450	100	388	100
D K L White (non-executive)	–	–	–	–	–	–	–	–

None of these participations are through a MAPA and none have been protected by personal stop loss arrangements. Standard terms have been applied to them with the exception that profit commission has not been charged to staff or executive directors of the managing agency.

(f) Meacock Capital plc (MC) which has a total issued share capital of 5,295,146 ordinary 25 pence shares owns 100% of Meacock Underwriting Limited (MU) which participates on syndicate 727 on standard terms and with the following capacity:

	£
2012	12,633,183
2013	12,633,183
2014	12,633,183
2015	13,088,183

The following related parties or connected persons hold shares in MC:

	2013, 2014 & 2015		2012	
	ORD. 25P	% SHARE CAP	ORD. 25P	% SHARE CAP
C E Meacock	529,000	9.99	529,000	9.99
J M Meacock	529,000	9.99	529,000	9.99
J W S Meacock	529,000	9.99	529,000	9.99
M J Meacock	1,125,886	21.26	1,125,886	21.26
W T R Meacock	529,000	9.99	529,000	9.99
Sir David Thomson Bt	156,600	2.96	156,600	2.96
D A Thorp	56,000	1.06	56,000	1.06
C N Jarvis (wife of K W Jarvis)	83,000	1.57	83,000	1.57

(g) Mr M J Meacock is a non-executive director of Alpha Insurance Analysts Limited (Alpha), a Lloyd's members' agency. Neither Mr M J Meacock nor the company have a financial interest in Alpha.

N O T E S T O T H E F I N A N C I A L S T A T E M E N T S



31 DECEMBER 2014

19. RELATED PARTIES continued

- (h) Mr J M Meacock, a non-executive director, is a senior broker with JLT Re, a JLT Re Limited company, which does place business with syndicate 727. Mr J M Meacock is not personally involved in the placing of any business with syndicate 727 and does not receive any form of direct remuneration or commission for this business. In view of the potential conflict of interest from this activity and the fact that his father, Mr M J Meacock is the active underwriter and 67% shareholder of the company, Mr J M Meacock does not participate on any of the board sub-committees that provide oversight to operations or governance.
- (i) Mr W T R Meacock, was appointed a director of Meacock Capital plc and Meacock Underwriting Limited on 1 October 2010. He is also a director of Guy Carpenter & Company LLC, a Marsh McLennan company, which does place business with syndicate 727. Mr W T R Meacock is not personally involved in the placing of any business with syndicate 727 and does not receive any form of direct remuneration or commission for this business.
- (j) The following other 'close family' members of Mr M J Meacock also participated on syndicate 727, on standard terms:

	2015 ACCOUNT £'000's	2014 ACCOUNT £'000's	2013 ACCOUNT £'000's	2012 ACCOUNT £'000's
C E Meacock (son)	182	182	182	182
J W S Meacock (son)	193	193	187	175
Mrs R J R Meacock (wife)	626	626	626	626
W T R Meacock (son)	160	160	160	160

- (k) There were no unpaid balances due to the syndicate at 31 December 2014 from any of the members detailed in notes 19(e) and 19(j) above.
- (l) Mr D K L White, non-executive director, acts in the capacity of expert reviewer on underwriting issues and chairs the Underwriting and Claims Review Committee, Reinsurance Security and Recovery Committee and the Risk Committee. Mr White was a non-executive director of Asta Managing Agency Ltd (Asta) until 31 August 2013. The company has no financial interests in, nor a material trading relationship with Asta.
- (m) The company managed the Small Business Consortium (SBC) in which syndicate 727 participates until 31 December 2012. Consortium members (participating syndicates) reimburse the company (consortium manager) for expenses of management and pay profit commission to the consortium manager on the profits of the consortium. Members' agents (on behalf of the members for whom they act) and direct participants have given their written agreement to the retention by the company of sums received under the consortium agreement. During the year ended 31 December 2014 the company received profit commission of £98,756 (2013: £nil).

20. PENSION OBLIGATIONS

The company operates a defined contribution scheme for its employees including syndicate staff. The cost of the contributions made for the year was £0.25m (2013: £0.32m) and there were no outstanding or prepaid contributions at the end of this year or the previous year.

