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Marketform

SYNDICATE 2468

SYNDICATE UNDERWRITING YEAR ACCOUNTS

2012 YEAR OF ACCOUNT

AS AT 31 DECEMBER 2014

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SYNDICATE 2468

DIRECTORS AND ADMINISTRATION

MANAGING AGENT:

Marketform Managing Agency Limited

Directors

V Badal

S E H Barr

A C Durkin (resigned as Director 11/09/14)

S P Lotter

J E Mumford (Non-Executive Chairman)

P V Olsen (Non-Executive)

J G F O'Neill

A S Ribaud

A J Walker (Non-Executive)

Company secretary

A C Durkin (resigned as company secretary 31/07/14)

J M Taylor (appointed 31/07/14 resigned 17/10/14)

Acting Company Secretary A Walley (appointed 18/10/14)

Registered office

20 Gracechurch Street

London EC3V 0BG

Registered in England No 03584320

SYNDICATE:

Active underwriter

S P Lotter

Bankers

Barclays Bank PLC

Principal investment managers

Lloyds Treasury

Registered auditors

Ernst & Young LLP

Solicitors

Clyde & Co LLP

Consulting Actuaries

Towers Watson

SYNDICATE 2468

MANAGING AGENT'S REPORT

The managing agent presents its report at 31 December 2014 for the 2012 year of account.

This report is prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005)

Review of the 2012 closed year of account

Underwriting capacity for 2012 was £145million (2011: £145million). The gross premium income, after acquisition costs, underwritten against this was £126million (2011: £126million).

The result for this year of account is a loss of £6.3million which represents a loss of 4.3% as a percentage of stamp capacity. The 2012 pure year of account profit (before expenses and investment return) was £14.1million; there was an underwriting loss of £3.9million (before expenses and investment return) attributable to the reinsurance to close of the 2008 to 2011 pure years of accounts.

The loss is mainly due to deteriorations in Dutch Hospital business in the Medical Malpractice class, Australian Binder in the General Liability class, sports sector in the Personal Accident class and reduction in Medical Malpractice recoverable which collectively resulted in additional losses of £22.1million.

The business written by the Syndicate is set out in note 3.

The Investment return for the year of account after fees was £6.5million.

Approved by the Board of Directors of Marketform Managing Agency Limited and signed on its behalf on 23rd March 2015.



A S Ribaudó

Director

SYNDICATE 2468

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

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

In preparing the syndicate underwriting year accounts, the managing agent is required to:

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

The managing agent is responsible for keeping proper accounting records 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 Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005). It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SYNDICATE 2468

INDEPENDENT AUDITOR'S REPORT

To the Members of Syndicate 2468 – 2012 close year of account

We have audited the syndicate underwriting year accounts for the 2012 year of account of syndicate 2468 for the three years ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, 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 syndicate's members, as a body, in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. 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's 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 the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 3, 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 the 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 legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board'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 Syndicate Underwriting Year Accounts to identify material inconsistencies with the audited underwriting year accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

SYNDICATE 2468

Opinion on syndicate underwriting year accounts

In our opinion the syndicate underwriting year accounts:

- ▶ give a true and fair view of the loss 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.



Stuart Wilson (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

23 March 2015

SYNDICATE 2468

PROFIT AND LOSS ACCOUNT: TECHNICAL ACCOUNT – GENERAL BUSINESS

For the 2012 closed year of account for the three years ended 31 December 2014

	Notes	£'000	£'000
Syndicate allocated capacity			<u>145,000</u>
Earned premiums, net of reinsurance			
Gross premiums written	3		171,407
Outward reinsurance premiums			<u>(26,285)</u>
Earned premiums, net of reinsurance			145,122
Reinsurance to close premiums received, net of reinsurance	4		174,817
Allocated investment return transferred from the non-technical account			6,484
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(70,394)	
Reinsurers' share		13,177	
		<u>(57,217)</u>	
Reinsurance to close premium received, net of reinsurance	5	<u>(207,161)</u>	
			(264,378)
Net operating expenses	6		(68,336)
Balance on the technical account – general business			<u><u>(6,291)</u></u>

The notes on pages 10 to 21 form an integral part of the accounts

SYNDICATE 2468

PROFIT AND LOSS ACCOUNT: NON-TECHNICAL ACCOUNT

For the 2012 closed year of account for the three years ended 31 December 2014

	Notes	£'000
Balance on the technical account for general business		(6,291)
Investment income	8	6,485
Unrealised gains on investments		2,232
Investment expenses and charges	8	(905)
Unrealised losses on investments		(1,328)
Allocated investment return transferred to general business technical account		(6,484)
Loss for the 2012 closed year of account		(6,291)

The notes on pages 10 to 21 form an integral part of the accounts

SYNDICATE 2468

BALANCE SHEET

For the 2012 closed year of account at 31 December 2014

ASSETS	Notes	£'000	£'000
Investments	9		177,367
Debtors	10		5,135
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	5		54,638
Other assets			
Cash at bank and in hand		3,344	
Other	11	39,066	
			42,410
TOTAL ASSETS			279,550
LIABILITIES			
Amounts due from members			(6,291)
Reinsurance to close premium payable to close the account gross amount	5		261,799
Creditors	12		23,369
Accruals and deferred income			673
TOTAL LIABILITIES			279,550

The Syndicate Annual Accounts were approved on behalf of the Board of Marketform Managing Agency Limited on 23rd March 2015 and were signed on its behalf by



A S Ribaudo
Director

The notes on pages 10 to 21 form an integral part of the accounts

SYNDICATE 2468

CASH FLOW STATEMENT

For the 2012 closed year of account for the three years ended 31 December 2014

Reconciliation of Operating Loss to Net Cash Inflow from Operating Activities	Notes	£'000
Loss for the closed year of account		(6,291)
Realised and unrealised investment losses including foreign exchange	13	(1,215)
Net amount retained to meet all known and unknown liabilities		207,161
Increase in debtors		(5,135)
Increase in creditors		23,369
Increase in accruals and deferred income		673
Net cash inflow from operating activities		218,562
Cash Flow Statement		
Net cash inflow from operating activities		218,562
	13	218,562
Cash flows were invested as follows:		
Increase in cash holdings		3,344
Increase in overseas deposits		39,066
Net portfolio investment	15	176,152
Net investment of cash flows	13	218,562

SYNDICATE 2468

NOTES TO THE ACCOUNTS

For the 2012 closed year of account at 31 December 2014

1. Basis of Preparation

These underwriting year accounts have been prepared in accordance with the Lloyd's 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 in December 2005 (as amended in December 2006) by the Association of British Insurers.

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2012 year of account which has been closed by reinsurance to close as at 31 December 2014. Consequently the balance sheet represents the assets and liabilities of the 2012 year of account at the date of closure. The profit and loss account and cash flow statement reflect the transactions for that year of account during the three year period until closure.

As each syndicate year of account is a separate annual venture, there are no comparative figures.

2. Accounting policies

a) Underwriting transactions

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account. Where it is not deemed to be possible to determine the outstanding liabilities with sufficient accuracy, the year of account will not be closed by way of reinsurance to close.

i) Premiums written

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

Premiums written are treated as fully earned.

ii) Reinsurance premium ceded

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

iii) Claims paid and related recoveries

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

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NOTES TO THE ACCOUNTS

For the 2012 closed year of account at 31 December 2014

2. Accounting policies (cont.)

iv) Reinsurance to close premium payable

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

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

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified.

The reinsurers' share is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

The two most critical assumptions as regards claims estimates are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors consider that the estimates of gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the amount retained so determined.

b) Foreign currencies

Transactions, other than reinsurance to close and amounts retained to meet all known and unknown liabilities, in US dollars, Canadian dollars, Australian dollars and Euros are translated at the average rates of exchange for the period. Reinsurance to close premiums receivable, and underwriting transactions denominated in other foreign currencies, are included at the rate of exchange ruling at the transaction date. The amounts retained to meet all known and unknown liabilities are included at the rate ruling on the date the amounts are first reflected in the accounts.

All monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date or if appropriate at the forward contract rate.

Exchange differences are included in the technical account.

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NOTES TO THE ACCOUNTS

For the 2012 closed year of account at 31 December 2014

2. Accounting policies (cont.)

c) Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments and overseas deposits are stated at bid market value. All investments are considered portfolio investments.

d) Investment return

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

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, 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. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

e) Operating expenses

Where expenses are incurred by or on behalf of the managing agent on the administration of managed syndicates, these expenses are apportioned using varying methods depending on the type of expense. Expenses which are incurred jointly for the agency company and managed syndicates are apportioned between the agency company and the syndicates on bases depending on the amount of work performed, resources used and the volume of business transacted. Syndicate operating expenses are allocated to the year of account for which they are incurred.

f) 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 are included in the technical account under the heading 'net operating expenses'.

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

g) Pension costs

Marketform Management Services Limited, on behalf of the managing agent, makes contributions to employees' individual pension plans. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

SYNDICATE 2468

NOTES TO THE ACCOUNTS

For the 2012 closed year of account at 31 December 2014

3. Segmental analysis

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

	Gross premiums written (note i) £'000	Gross claims incurred (note ii) £'000	Gross operating expenses (note iii) £'000	Reinsurance balance (note iv) £'000	Total £'000
Direct Insurance:					
Accident & Health	12,541	(6,454)	(4,876)	(2,289)	(1,078)
Marine, Aviation and Transport	15,696	(10,942)	(6,220)	(1,027)	(2,493)
Fire and other damage to property	15,695	(6,960)	(5,918)	(2,343)	474
Third Party Liability	101,767	(56,787)	(40,308)	(16,976)	(12,304)
Credit and Suretyship	8,739	(4,802)	(4,157)	(2,958)	(3,178)
Reinsurance Acceptances:	16,969	(7,154)	(6,857)	(2,121)	837
	<u>171,407</u>	<u>(93,099)</u>	<u>(68,336)</u>	<u>(27,714)</u>	<u>(17,742)</u>
Reinsurance to Close	<u>174,817</u>	<u>(239,094)</u>	<u>0</u>	<u>69,244</u>	<u>4,967</u>
	<u><u>346,224</u></u>	<u><u>(332,193)</u></u>	<u><u>(68,336)</u></u>	<u><u>41,530</u></u>	<u><u>(12,775)</u></u>

- (i) Gross premiums written are treated as fully earned.
- (ii) Gross claims incurred comprise gross claims paid and gross reinsurance to close premium payable.
- (iii) Gross operating expenses are the same as net operating expenses shown in the profit and loss account, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses.
- (iv) The reinsurance balance comprises reinsurance premiums ceded less reinsurance recoveries on claims paid and reinsurance recoveries anticipated on the reinsurance to close payable.

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

The geographical analysis of premiums is as follows:

	£'000
UK	197,735
Other EU Countries	25,002
Other	57,032
Australia	33,712
North America	32,743
	<u><u>346,224</u></u>

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NOTES TO THE ACCOUNTS

For the 2012 closed year of account at 31 December 2014

4. Reinsurance to close premium receivable

	£'000	£'000
Gross notified outstanding claims	140,363	
Reinsurance recoveries anticipated	<u>(46,302)</u>	
Net notified outstanding claims		94,061
Provision for gross claims incurred but not reported	102,082	
Reinsurance recoveries anticipated	<u>(21,326)</u>	
Provision for net claims incurred but not reported		80,756
Reinsurance to close premium receivable, net of reinsurance		<u><u>174,817</u></u>

5. Reinsurance to close premium payable

	£'000	£'000
Gross notified outstanding claims	147,847	
Reinsurance recoveries anticipated	<u>(40,542)</u>	
Net notified outstanding claims		107,305
Provision for gross claims incurred but not reported	113,952	
Reinsurance recoveries anticipated	<u>(14,096)</u>	
Provision for net claims incurred but not reported		99,856
Reinsurance to close premium payable, net of reinsurance		<u><u>207,161</u></u>

The reinsurance to close is effected to the 2013 year of account of Syndicate 2468.

SYNDICATE 2468

NOTES TO THE ACCOUNTS

For the 2012 closed year of account at 31 December 2014

6. Net operating expenses

	£'000
Acquisition costs	45,331
Administrative expenses	18,832
Profit on exchange	4,173
	<hr/>
	68,336
	<hr/> <hr/>
Administrative expenses include:	
Fees payable to the Syndicates Auditors for:	
- The audit of the Syndicate Accounts and Lloyd's returns	181
- Taxation compliance services	4
	<hr/>
	185
	<hr/> <hr/>
Members' standard personal expenses	2,075
	<hr/> <hr/>

7. Analysis of underwriting result: pure and prior years

	2008 to 2011 pure years of account	2012 pure year of account	Total 2012 year of account
	£'000	£'000	£'000
Technical account balance before allocated investment return and net operating expenses	(5,137)	60,698	55,561
Brokerage and commissions on gross premiums	1,244	(46,575)	(45,331)
	<hr/>	<hr/>	<hr/>
	(3,893)	14,123	10,230
Allocated investment return transferred from the non-technical account	493	5,991	6,484
Net operating expenses other than acquisition costs	(5,482)	(17,523)	(23,005)
	<hr/>	<hr/>	<hr/>
Balance on the technical account – general business	(8,882)	2,591	(6,291)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

SYNDICATE 2468

NOTES TO THE ACCOUNTS

For the 2012 closed year of account at 31 December 2014

8. Investment return

	£'000
Investment income	
Income from investments	5,282
Gains on the realisation of investments	1,203
	<u>6,485</u>
Investment expenses	
Investment management expenses, including interest	(192)
Losses on the realisation of investments	(713)
	<u>(905)</u>

9. Investments

	Market value 2014 £'000	Cost 2014 £'000
Shares and other variable yield securities	<u>91,221</u>	<u>89,924</u>
Debt securities and other fixed income securities		
Government securities	45,521	45,441
Guaranteed government debt	12,374	12,417
Corporate bonds	27,520	27,621
Mortgage backed instruments	-	-
Provincial and municipal debt	731	749
SupraNational	-	-
Asset-backed securities	-	-
	<u>86,146</u>	<u>86,228</u>
	<u>177,367</u>	<u>176,152</u>

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NOTES TO THE ACCOUNTS

For the 2012 closed year of account at 31 December 2014

10. Debtors

	£'000
Arising out of direct insurance operations	
Due from intermediaries	
within one year	188
after one year	18
Arising out of reinsurance operations	
Due within one year	3,560
Other Debtors	
Due within one year	1,369
	<hr/>
	5,135
	<hr/> <hr/>

Other debtors include payments in advance for Canadian income tax and amounts due in respect of premiums.

There are no debtors due after five years.

11. Other assets – other

These comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

12. Creditors

	£'000
Arising out of direct insurance operations	
Due to intermediaries	
Due within one year	438
Due after one year	4
Arising out of reinsurance operations	6,330
Other Creditors	
Due within one year	15,491
Due after one year	1,106
	<hr/>
	23,369
	<hr/> <hr/>

Other creditors include inter-year loans and accruals for underwriting profit commissions.

There are no creditors due after five years.

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NOTES TO THE ACCOUNTS

For the 2012 closed year of account at 31 December 2014

13. Movement in opening and closing portfolio investments net of financing

	£'000
Net cash inflow from the three years	3,344
Cash flow - overseas deposits	39,066
- portfolio investments	176,152
	<hr/>
Movement arising from cash flows	218,562
Changes in market value and exchange rates	1,215
	<hr/>
Total movement in portfolio investments	219,777
Portfolio at 1 January 2012	-
	<hr/>
Portfolio at 31 December 2014	<u>219,777</u>

14. 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	-	3,344	-	3,344
Overseas deposits	-	39,066	-	39,066
Portfolio investments:				
Shares and other variable yield securities	-	89,924	1,297	91,221
Debt securities and other fixed income securities	-	86,228	(82)	86,146
	<hr/>	<hr/>	<hr/>	<hr/>
Total cash, portfolio investments and financing	-	<u>218,562</u>	<u>1,215</u>	<u>219,777</u>

15. Net cash inflow on portfolio investments

	£'000
Purchase of shares and other variable yield securities	134,018
Purchase of debt securities and other fixed income securities	443,816
Sale of shares and other variable yield securities	(44,094)
Sale of debt securities and other fixed income securities	(357,588)
	<hr/>
Net cash inflow on portfolio investments	<u>176,152</u>

SYNDICATE 2468

NOTES TO THE ACCOUNTS

For the 2012 closed year of account at 31 December 2014

16. Related parties

The immediate parent undertaking of Marketform Managing Agency (MMA) is Marketform Holdings Limited ("MHL"). S P Lotter (appointed 28 August 2014), J G F O'Neill and A S Ribaldo are directors of MHL. A C Durkin resigned as a director of MHL on 28 August 2014.

At 31 December 2014 the ultimate UK parent undertaking of MMA was Marketform Group Limited ("MGL") which owns 100% of the issued share capital of MHL. As at 31 December 2014, S P Lotter, J G F O'Neill and A S Ribaldo were directors of MGL (S G Turner resigned as a director of MGL on 15 January 2014).

American Financial Group Inc (AFG), a company incorporated in Ohio, USA is the ultimate parent undertaking of MGL. Group accounts for MGL, and accounts for MHL, are available from the Company Secretary of MMA, 5th Floor, 20 Gracechurch Street, London, EC3V 0BG.

At 31 December 2014, GAI Holding Bermuda Ltd (GAIHB), which is a wholly owned subsidiary of AFG, owned 100% of the shares in MGL. On 9 June 2014, GAIHB made a cash capital contribution of £10 million to MGL. No directors of MMA have interests in the ordinary share capital of MGL.

GAIHB is the parent company of GAI Indemnity Ltd (GAIL), the capital provider of £42,050,000 for 2012 and 2013 years of account and £50,750,000 for the 2014 year of account of the Syndicate. The ultimate parent undertaking of both GAIHB and GAIL is AFG.

Great American Insurance Co., (GAIC) a wholly owned subsidiary of AFG participates as a reinsurer of the Syndicate. The premiums paid to that reinsurer in 2014 amounted to £3,732,061 (2013: £2,720,661). These represent approximately 11.94% (2013: 9.45%) of the outward reinsurance spend of the Syndicate. The Syndicate also has four inwards reinsurance agreements with GAIC which amounted to premiums of £92,671 in the calendar year 2014.

MHL owns 100% of the ordinary issued share capital of Marketform Limited (ML), a service company through which the Syndicate receives a substantial percentage of its premium income.

J G F O'Neill, A S Ribaldo and A Wakeley are directors of ML. Anne Durkin resigned as a director of ML on 11 September 2014. Prior to January 2011, the Syndicate as leader, along with other syndicates, provided a facility in respect of Medical Malpractice business, known as the Marketform Consortium (but not registered as a consortium), to ML. From 1 January 2011 ML became a Lloyd's Service Company. The percentage of total gross written premium income introduced to the Syndicate via the Service Company in 2014 amounted to 7.8% (2013: 8.0%). The Syndicate has a participation in the Marketform Consortium of 100% on the primary layer on the 2013-2015 years of account, 100% on the primary layer and 51% on the excess layer for the 2012 year of account and 89% on the primary layer and 37.5% on the excess layer for the 2007 year of account.

ML is also a provider of Professional Indemnity, General Liability, Personal Accident, Directors and Officers and Bloodstock business to the Syndicate and the percentage of total gross written premium income from this source in 2014 amounted to 0.3% (2013: 0.4%). The commission that ML received in 2014 from business introduced to the Syndicate (including the Marketform Consortium) amounted to £223,352 (2013: £1,254,000).

Lavenham Underwriting Limited (LUL), a fellow subsidiary undertaking of MMA's immediate parent undertaking MHL, has provided capacity to the underwriting years whose transactions are reflected in these accounts as follows:

2007: £15,500,000 (15.5% of allocated capacity)

2012: £22,475,000 (15.5% of allocated capacity)

2013: £29,000,000 (20.0% of allocated capacity)

2014: £35,000,000 (20.0% of allocated capacity)

SYNDICATE 2468

NOTES TO THE ACCOUNTS

For the 2012 closed year of account at 31 December 2014

16. Related Parties (cont.)

At 31 December 2014 LUL's Funds at Lloyd's to support its underwriting comprised a letter of credit provided by Barclays Bank PLC of £42,858,446, which is guaranteed by AFG, and cash of £5,274,016.

By an agreement dated 28 January 2011 between GAIC, Lavenham Underwriting Limited and MMA, GAIC agreed with effect from 1 January 2011 to reinsure Lavenham in respect of certain losses in excess of a retention arising in relation to Italian Public Hospitals business for their participation on Syndicate 2468 for the 2008 and prior years of account. The maximum aggregate limit of liability of GAIC under the agreement amounts to €8,719,000. At 31 December 2014 a recovery of £6,758,915 has been accrued by LUL, which is the aggregate limit in converted GBP. The premium paid by Lavenham to GAIC was £177,000.

SCOR Underwriting Limited is a corporate underwriting member for the 2002 to 2014 years of account. SCOR Group P&C France (a SCOR Group company) has a 7.5% line on the political risk/trade credit reinsurance. The premiums paid to that reinsurer in 2014 amounted to £124,288 (2013: £130,366). This represents approximately 0.40% (2013: 0.45%) of the outwards reinsurance spend of the Syndicate.

Sampford Underwriting Limited (SUL), a fellow subsidiary undertaking of MMA's immediate parent undertaking MHL, has provided capacity to the underwriting years whose transactions are reflected in these accounts as follows:

2007: £16,500,000 (16.5% of allocated capacity)

2012: £23,925,000 (16.5% of allocated capacity)

2013: £30,450,000 (21.0% of allocated capacity)

2014: £36,750,000 (21.0% of allocated capacity)

At 31 December 2014 SUL's Funds at Lloyd's to support its underwriting comprised a letter of credit provided by Barclays Bank PLC of £45,270,529 which is guaranteed by AFG and cash of £5,401,355.

By an agreement dated 28 January 2011 between GAIC, SUL and MMA, GAIC agreed with effect from 1 January 2011 to reinsure SUL in respect of certain losses in excess of a retention arising in relation to Italian Public Hospitals business for their participation on Syndicate 2468 for the 2008 and prior years of account. The maximum aggregate limit of liability of GAIC under the agreement amounts to €9,281,000. At 31 December 2014 a recovery of £7,194,574 has been accrued by SUL, which is the aggregate limit in converted GBP. The premium paid by Sampford to GAIC was £188,000.

In June 2014, a loan of £5,000,000 from GAIC to MGL was repaid by MGL to GAIC. Ebury Underwriting Limited (EUL) was a corporate underwriting member for the 2003 to 2007 years of account. S G Turner is a director of EUL and he owns 50% of the issued share capital. The Funds at Lloyd's were supplied by Everest Reinsurance (Bermuda) Limited who participated as a reinsurer of the Syndicate.

Hermanus Underwriting Limited (HUL) was a corporate underwriting member for the 2004 to 2007 years of account. S G Turner is a director of HUL and he owns 50% of the issued share capital. The Funds at Lloyd's were supplied by XL Re Limited who participated as a reinsurer of the Syndicate.

SYNDICATE 2468

NOTES TO THE ACCOUNTS

For the 2012 closed year of account at 31 December 2014

16. Related Parties (cont.)

The Syndicate participates in a policy providing medical malpractice protection to first-aiders employed by MMSL. The transaction was negotiated on an arm's length basis.

The standard agency terms for MMA for the 2007, 2012, 2013 and 2014 years of account are:

Agency fee	0.75% of capacity
Profit commission	15.00% of the calculated profit

Managing agency fees of £1,312,500 (2013: £1,087,000) were paid by the Syndicate to MMA. In addition, expenses incurred on behalf of the Syndicate totalling £21.8m (2013: £20.3m) were recharged to the Syndicate by the managing agent. Where expenses are incurred jointly for the agency and the Syndicate such expenses are allocated on bases that the directors consider fairly reflect the nature and usage of the expenses concerned.

There is no profit commission payable to the managing agent in respect of the result on the 2007 run-off year (2013: *£Nil in respect of the 2007 run-off year*) or on the result of the 2012 year of account (2013: *£Nil in respect of the 2011 year of account*). No profit commission has been accrued in these accounts in respect of the 2012 year of account (2013: *£Nil in respect of the 2011 year of account*) and no profit commission has been accrued in respect of the 2013 year of account (2013: *£Nil in respect of the 2012 year of account*). No profit commission has been accrued in respect of the 2014 year of account (2013: *£Nil in respect of the 2013 year of account*). Lloyd's permits interim distributions of profit commission with a final payment on closure of the year of account: the 2013 year of account will normally close at 31 December 2015 and the 2014 year of account at 31 December 2016.

SYNDICATE 2468

NOTES TO THE ACCOUNTS

For the 2012 closed year of account at 31 December 2014

SEVEN YEAR SUMMARY OF RESULTS

Year of Account	Notes	2006	2007 run-off after 8 years	2008	2009	2010	2011	2012
Syndicate allocated capacity (£'000)		100,000	100,000	100,000	120,000	145,000	145,000	145,000
Number of participating Members		5	5	4	4	4	4	4
Aggregate net premiums (£'000)	1	77,822	73,256	78,191	85,351	98,318	96,906	99,791
Results for an illustrative share of £10,000								
	2							
Gross premiums	1	9,246	8,772	9,497	9,290	8,842	8,677	8,695
Net premiums	1	7,782	7,326	7,819	7,113	6,781	6,683	6,882
Premiums for reinsurance to close earlier year of account		15,899	18,941	-	6,726	8,826	11,004	12,056
Net claims		(4,008)	(30,547)	(1,624)	(3,117)	(3,549)	(4,505)	(3,946)
Premiums for reinsurance to close the year of account		(20,840)	-	(8,072)	(10,665)	(11,004)	(12,056)	(14,287)
Amounts retained to meet all known and unknown outstanding liabilities		-	(14,444)	-	-	-	-	-
Underwriting result		(1,167)	(18,724)	(1,877)	57	1,054	1,126	705
Profit/(loss) on exchange		(134)	(3,122)	217	(121)	(198)	(364)	(288)
Syndicate operating expenses	1	(574)	(1,463)	(839)	(898)	(1,003)	(1,188)	(1,156)
Balance on technical account		(1,875)	(23,309)	(2,499)	(962)	(147)	(426)	(738)
Investment return	3	1,015	2,342	408	325	611	434	447
Profit/(Loss) before illustrative Personal expenses		(860)	(20,968)	(2,091)	(637)	464	8	(291)
Corporate Member								
Illustrative personal expenses								
Managing agent's fee		(75)	(75)	(75)	(75)	(75)	(75)	(75)
Lloyd's Central Fund contribution		(100)	(100)	(44)	(45)	(46)	(46)	(23)
Lloyd's subscription		(50)	(50)	(44)	(45)	(46)	(46)	(45)
Profit commission		-	-	-	-	-	-	-
Total illustrative personal expenses		(225)	(225)	(163)	(165)	(167)	(167)	(143)
Profit/(Loss) after illustrative Personal expenses	4	(1,085)	(21,193)	(2,254)	(802)	297	(159)	(434)
Total of syndicate operating expenses, managing agent's fee and profit commission		649	1,538	914	973	1,078	1,263	1,231
Capacity utilised %								
Gross premium/allocated capacity		92	88	95	93	88	87	87
Net capacity utilised %								
Net premiums/allocated capacity		78	73	78	71	68	67	69
Balance on technical account %								
Balance on technical account/allocated capacity		(19)	(233)	(25)	(8)	(1)	(4)	(7)

Notes:

The summary has been prepared from the audited accounts of the syndicate. However brokerage and commissions have been excluded from both gross and net premiums and syndicate operating expenses from the 2004 year of account onwards so as to make the figures comparable to earlier years.

1. The illustrative share represents a gross premium limit.
2. Investment expenses for all years of account have been deducted from investment return and are not included in syndicate operating expenses.
3. The result after illustrative personal expenses (managing agent's remuneration and standard Lloyd's charges) takes no account of any UK or overseas taxation liabilities, which are the personal responsibility of the Member.