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SA MEACOCK

SYNDICATE 727

REPORT AND ACCOUNTS 2015

KEY INFORMATION

RESULTS – 2013 ACCOUNT

15.9% Profit
After standard personal expenses

FORECAST – 2014 ACCOUNT

4.0% Loss to 14.0% Profit
After standard personal expenses

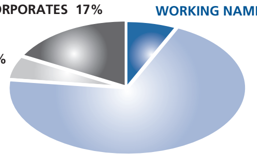
PROSPECTS

2015 Account – the difficult market did not preclude the writing of some new business – so premium will be only slightly down and still profitable

2016 Account – the competition looks ever fiercer, profits ever harder to achieve

CAPACITY

Total 2016 account £80.8 million



SYNDICATE FUNDS

	CASH, INVESTMENTS, OVERSEAS DEPOSITS AND OTHER ASSETS AT 31 DECEMBER 2015
Sterling	£18.8 million
US dollars	US$328.2 million
Canadian dollars	CAN$25.7 million
Total translated into sterling	£254.6 million

ACTIVE UNDERWRITER'S REPORT

REVIEW OF YEAR OF ACCOUNT

RESULTS AND PROSPECTS

The Closed 2013 Account

The 2013 Account has closed with a profit of £13.0 million, or 15.9% of stamp capacity after standard personal expenses but before members' agents' fees. This result has benefitted from a substantial release of reserves for prior years now available due to the continuing and increasingly favourable trends experienced during the last few years in incurred claims development on all years of account. The utilisation of the reserve for incurred but not reported claims has been exceptionally light.

The pure 2013 year saw written premium net of acquisition costs of £58.8 million against an original business plan of £67.7 million (a comparison flattered by rates of exchange movements) and a final stamp capacity of £80.1 million. The account was untroubled by any catastrophe losses of note and so the property business as a whole made a good profit. The whole account net ultimate loss ratio is forecast at 81.8%, a figure which reflects our policy of robustly reserving long tail business in particular for the ultimate claim cost.

I was disappointed that we could not justify the slightly more robust level of reserves that would have kept the result within our forecasts. Our hands are tied to some extent because Lloyd's history now officially begins on 1 January 1993, although those of us who experienced the decades before that time know only too well the appalling experiences which can arise consequent upon the rulings of the US legal system. However, with the data from those years being the property of Equitas, they seem to be out of reach and unavailable for use in our predictive models.

THE OPEN YEARS

The 2014 Account

The 2014 Account incurred (paid plus noted outstanding claims) loss ratio on net signed premiums at its second December compares well with the 2013 Account at the same stage. The only noteworthy loss events were several passenger aircraft that fell from the skies, costing the syndicate US$1.1 million and leading to the first modest deficit in the aviation reinsurance account for a number of years. These claims, together with cautious loss projections on the rest of the account, have produced an overall ultimate loss ratio forecast of 91.8%, which on the current reducing book, does not produce enough profit in pounds and pence to leave a surplus after allowing for expenses and investment returns, and in fact leads to a small negative bottom line at this stage. Putting it another way, the syndicate's expense ratio has been climbing due to the book shrinking, and the shrinkage is in the most profitable area of recent times, the property catastrophe reinsurance account. We can hope that during the next twelve months, claim development patterns will again be favourable and that some existing caution may prove to be unneeded. Obviously, this would enable a better outcome for prior years to materialise and turn the picture positive. The 2014 ultimate premium income is now assessed at £53.1 million net of acquisition costs, as compared with an original business plan of £58.6 million, a comparison also made to look slightly better than it might by movements in rates of exchange, but the effect of the global competition for insurance business is now plain to see.

The 2015 Account

The written premium net of acquisition costs at the end of December was £53.0 million, with £21.7 million being earned. £42.8 million of the written premium was developed from business renewed from the 2014 Account, and this was transacted at a rate reduction of 2.53%. This level of trading is above the original business plan, a fact which at first sight may be surprising, but it is largely explained by the acceptance of one risk with a premium of US$5.4 million. The loss ratio on this risk will quite possibly exceed 80% but contractually cannot exceed 111%. Wallop rather than fine wine!

ACTIVE UNDERWRITER'S REPORT

The net incurred (paid plus noted outstanding claims) loss ratio based on signed premium (25.5%) is a little worse than the two preceding years of account at the same stage. This is in part a result of the costs of the December storms and floods in northern England (and Scotland to some extent), events which are likely to cost the Syndicate £0.75 million. As with the 2014 Account, because of an ultimate property loss ratio of 91.9%, and a similar expense ratio, and with a further reduction in the recently profitable property catastrophe reinsurance business, the bottom line is also currently a small negative result. However, with so much of the premium unearned, the ultimate outcome is not reliably predictable.

Prospects for the 2016 Account

We retained only 76.8% of our business that renews in January at an average rate that was 1.5% down on a risk adjusted basis. Some new business continues to be shown to us, but little meets our underwriting criteria and it already seems unlikely we will achieve the 2016 business plan in terms of volume, but our goal is to achieve the underwriting profit that we have targeted.

At present, market conditions become much more competitive for each successive Underwriting Account. For property reinsurance business rate reductions across the market of between 15% and 25% were regularly on offer for renewals incepting at 1st January. For liability business, many coverages are being broadened, and reinsurance structures are being reconfigured in favour of cedants. Many contracts are being changed in areas where little hard fact is available to support an analysis of the risk-adjusted rate required to cope with the changes.

The 2016 Account of Syndicate 727 will be the 50th under my command and the soft market conditions are perhaps as inclement as I have experienced during those years, with few breaks visible in the clouds ahead. However, I look forward to the challenge as much as ever, and, as always, I am indebted to the management team and the staff for all their hard work and professionalism, and to you the Names for maintaining the continuity with your loyal support.

M J Meacock
Active Underwriter
10 March 2016

SEVEN YEAR SUMMARY OF RESULTS

31 DECEMBER 2015

	2007 £	2008 £	2009 £	2010 £	2011 £	2012 £	2013 £
Syndicate allocated capacity	73,492,472	73,681,796	73,789,097	79,814,031	79,821,684	79,587,725	80,055,342
Number of members of the syndicate	800	782	789	790	792	795	815
Aggregate net premiums	50,152,597	93,656,352	59,509,108	59,102,713	64,602,432	61,713,904	57,826,174
Results for £10,000 share							
Gross premiums	6,980	12,909	8,273	7,544	8,316	7,924	7,347
Net premiums	6,824	12,711	8,061	7,405	8,093	7,754	7,223
Premium for the reinsurance to close an earlier year of account	16,875	17,575	23,711	22,628	21,878	21,987	23,005
Net claims	(4,627)	(6,454)	(5,461)	(5,817)	(6,209)	(5,761)	(4,941)
Reinsurance to close the year of account	(18,349)	(22,876)	(24,312)	(22,783)	(22,235)	(22,280)	(22,750)
Underwriting result	723	956	1,999	1,433	1,527	1,701	2,537
Syndicate operating expenses	(481)	(519)	(550)	(560)	(613)	(583)	(556)
Balance on technical account	242	437	1,449	873	914	1,118	1,981
Profit/(Loss) on exchange	575	604	117	(151)	125	97	(45)
Investment income less investment expenses and charges and investment gains less losses	1,383	834	382	750	380	325	179
Profit before personal expenses	2,200	1,875	1,948	1,472	1,419	1,540	2,114
Illustrative profit commission	(298)	(261)	(271)	(200)	(244)	(284)	(397)
Illustrative personal expenses	(210)	(132)	(142)	(137)	(140)	(120)	(132)
Total standard personal expenses	(508)	(393)	(413)	(337)	(384)	(404)	(529)
Profit after standard personal expenses	1,692	1,482	1,535	1,135	1,035	1,136	1,586

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 2007 to 2013. 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.

3. Due to a change in accounting standards profit/(loss) on exchange is now a non-technical account item.

SYNDICATE 727

2013 YEAR OF ACCOUNT

SYNDICATE UNDERWRITING YEAR ACCOUNTS

31 DECEMBER 2015

CONTENTS

2013 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2015

MANAGING AGENT'S REPORT

2013 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2015

The Managing Agent presents its Report together with the Syndicate Underwriting Year Accounts for the 2013 Year of Account of Syndicate 727 for the three years ended 31 December 2015.

REVIEW OF THE 2013 YEAR OF ACCOUNT

ACTIVITIES

The principal activity of the syndicate is that of underwriting insurance and reinsurance risks and this is conducted wholly within the Lloyd's market. A large percentage of the risks underwritten are located in North America while significant exposures are accepted in the UK and more modest exposures in many other areas of the world. Exposures taken on through reinsurance would have a similar geographic spread with perhaps less emphasis on the UK.

The initial stamp capacity for 2013 was £80.8m which is the same as for the previous year of account. The business plan proposed total gross premium of £67.7 million. Premiums written were £58.8m, 87% of plan (a comparison flattered by rate of exchange movements). There are no significant lines of business that were discontinued or commenced for the 2013 year of account and the mix of business by type is similar to the previous year of account except for a reduction in property catastrophe reinsurance. Nevertheless, property continues to be the largest category of business at 59% of the whole, with liability, at 35% being the next largest business category.

Very little reinsurance was purchased, in line with our general philosophy of only accepting exposures if they are worth keeping. That reinsurance which was purchased was all placed with reinsurers whose security ratings were "A" rated (the same level as Lloyd's) or better.

RESULTS

The profit for the 2013 year of account was £13m equivalent to 15.9% of the final capacity. All classes except liability were profitable before expenses and investment income. The property account, with no major catastrophes, was by far the most profitable. Note 3 to the accounts provides an analysis by class of business.

Within this profit, there was a profit arising from the reinsurance to close received from 2012 year of account of £12.7m before expenses and investment return. This arose largely from a reduction in the 2012 and prior year's liability reserves as a result of favourable settlements in 2015. See page 19 for a more detailed analysis of the various sources of profit and loss.

The investment return over the three year period was slightly down due to losses arising on bonds anticipating the interest rate rises in the UK and USA. See page 30 for a more detailed investment report.

AUDITORS

PKF Littlejohn LLP has signified its willingness to continue in office as auditors.

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 Director to make himself aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Approved by the Board of S A Meacock & Company Limited and signed on its behalf by:

K W Jarvis
Director
10 March 2016

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

2013 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2015

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 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 financial statements.

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 INDEPENDENT AUDITORS

2013 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2015

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 2013 Year of Account of Syndicate 727 for the three years ended 31 December 2015 as set out on pages 10 to 24. 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 2013 Year of Account of the Syndicate, as a body, in accordance with the 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 AUDITOR

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 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 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 Syndicate Underwriting Accounts to identify material inconsistencies within 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 profit for the 2013 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

1 Westferry Circus
Canary Wharf
London E14 4HD

15 March 2016

PROFIT AND LOSS ACCOUNT AND MEMBERS' BALANCES
TECHNICAL ACCOUNT

THREE YEARS ENDED 31 DECEMBER 2015

2013 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2015

	NOTES	£'000	2013 YEAR OF ACCOUNT £'000
Syndicate allocated capacity			80,055
Earned premiums, net of reinsurance:			
Gross premiums written	3		77,158
Outward reinsurance premiums			(990)
			76,168
Reinsurance to close premium received net of reinsurance	5		184,170
			260,338
Allocated investment return transferred from the non-technical account			1,431
Claims incurred, net of reinsurance:			
Claims paid			
Gross amount		40,142	
Reinsurers' share		(584)	
		39,558	
Reinsurance to close premium payable net of reinsurance	6	182,126	
			(221,684)
Net operating expenses	7		(26,759)
Balance on the technical account – general business	8		13,326

PROFIT AND LOSS ACCOUNT AND MEMBERS' BALANCES NON-TECHNICAL ACCOUNT

THREE YEARS ENDED 31 DECEMBER 2015

2013 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2015

	NOTES	2013 YEAR OF ACCOUNT £'000
Balance on the technical account – general business		13,326
Investment income	9	8,139
Unrealised gains on investments		1,808
Investment expenses and charges	9	(7,584)
Unrealised losses on investments		(932)
Allocated investment return transferred to general business technical account	9	(1,431)
Other charges		(363)
Profit for the 2013 closed year of account		12,963

As the 2013 Year of Account following a Reinsurance to Close is no longer trading, all operations relate to ceased activities for this Year of Account.

The above profit is stated after a £362,639 exchange loss, included within the Non-technical Account other charges.

There was no Other Comprehensive Income.

	£'000
Members' Balances	
Balance at 1 January 2013	–
Profit for the 2013 closed year of account	12,963
Members' agents' fees advances	(540)
Amounts due to members at 31 December 2015	12,423

BALANCE SHEET

AT 31 DECEMBER 2015

2013 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2015

	NOTES	2013 YEAR OF ACCOUNT £'000	2013 YEAR OF ACCOUNT £'000
Assets			
Investments	10		178,281
Debtors	11		7,372
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable	6		765
Other assets			
Tangible assets			
Cash at bank and in hand		12,370	
Other *(including overseas deposits)*		7,350	
			19,720
Prepayments and accrued income			
Accrued interest			1,897
Total assets			208,035
Liabilities			
Amounts due to members			12,423
Reinsurance to close premium payable			
– gross amount	6		192,126
Creditors	12		3,486
Total liabilities			208,035

The Syndicate Underwriting Year Accounts were approved by the Board of S A Meacock & Company Limited on 10 March 2016 and were signed on its behalf by:

M J Meacock

M J Meacock
Director

K.W. Jarvis

K W Jarvis
Director

CASH FLOW STATEMENT

THREE YEARS ENDED 31 DECEMBER 2015

2013 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2015

	NOTES	2013 YEAR OF ACCOUNT £'000
Cashflow from Operating Activities:		
Profit/(loss) for the closed year account		12,963
Adjustments for:		
Increase in reinsurance to close payable		191,361
(Increase) in debtors, prepayments and accrued interest		(9,809)
Increase in creditors, accruals and deferred income		3,486
Exclude investment return		(1,431)
Net cash inflow from operating activities		196,570
Cash Flows from Investing Activities:		
Purchase of equity and debt instruments, overseas deposits and other assets		(302,410)
Sale of equity and debt instruments, overseas deposits and other assets		129,260
Investment income received		8,139
Losses on realisation of investments		(7,584)
Investment expenses and charges		876
Market value and currency changes		(12,481)
Net Cash Outflow from Investing Activities		(184,200)
Net increase in Cash and Cash Equivalents in the three years		12,370
Cash and cash equivalents at 1 January 2013		–
Effect of exchange rates on cash and cash equivalents		–
Cash and cash equivalents at 31 December 2015		12,370
Cash and cash equivalents comprise:		
Cash at bank and in hand		12,370
Other Financial Investments:		
Short-term deposits with credit institutions		–
Cash and cash equivalents		12,370

NOTES TO THE SYNDICATE UNDERWRITING YEAR ACCOUNTS

2013 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2015

1. STATEMENT OF ACCOUNTING POLICIES

GENERAL INFORMATION

1.1 GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

Syndicate 727 is a Lloyd's Syndicate domiciled in England and Wales. It is managed by S A Meacock & Company Limited a private company limited by shares that was incorporated in England and whose registered office is Hasilwood House, 60 Bishopsgate, London EC2N 4AW.

The Syndicate underwrites a diverse book of general insurance and reinsurance business from around the world as part of the Lloyd's of London insurance market. This activity is carried out primarily from a box in the Lloyd's Building in London and from nearby offices.

The Syndicate is supported by capacity from connected and third party members.

1.2 BASIS OF PREPARATION AND COMPLIANCE WITH ACCOUNTING STANDARDS

These Syndicate Underwriting Year Accounts have been prepared in accordance with United Kingdom Accounting Standards, including both FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" to the extent necessary to produce a true and fair view of the result, as well as the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Syndicate Accounting Byelaw (No. 8 of 2005).

The Syndicate Underwriting Year Accounts have been prepared on the historical cost basis, except for financial assets at fair value through the profit or loss which are measured at fair value.

The Syndicate Underwriting Year Accounts are presented in Pounds Sterling which is also the Syndicate's functional currency.

Members participate on a Syndicate by reference to a year of account and each Syndicate year of account is a separate annual venture. These Syndicate Underwriting Year Accounts relate to the 2013 year of account which has been closed by reinsurance to close into the 2014 year of account of Syndicate 727 at 31 December 2015. Consequently the balance sheet represents the assets and liabilities of the 2013 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.

1.3 CHANGE TO ACCOUNTING POLICIES

These Syndicate Underwriting Year Accounts for the year-ended 31 December 2015 are the first financial statements that comply with FRS 102 and 103. Details of changes on transition are shown at Note 15.

SIGNIFICANT ACCOUNTING POLICIES

1.4 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.

NOTES TO THE SYNDICATE UNDERWRITING YEAR ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES CONTINUED

(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 to close contract does not extinguish the primary liability of the original underwriter.

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 judgment 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. Any unearned premiums are taken into account within the calculation of the Reinsurance to Close premium.

1.5 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Classification

The accounting classification of financial assets and liabilities determines their basis of measurement and how changes in those values are presented in the profit or loss or other comprehensive income. These classifications are made at initial recognition and subsequent reclassification is only permitted in restricted circumstances.

Investments in shares and other variable yield securities and unit trusts and debt securities and other fixed income securities are classified as fair value through profit and loss as they are managed on a fair value basis. Cash at bank, deposits with credit institutions, debtors and accrued interest are classified as held at amortised cost.

(b) Recognition

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

1. STATEMENT OF ACCOUNTING POLICIES CONTINUED

(c) Initial measurement

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

(d) Subsequent measurement

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

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

Investments in shares and other debt instruments are measured at fair value through profit or loss. 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 investment disposed of in the current period.

(e) Derecognition of financial assets and liabilities

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

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

(f) Fair value measurement

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

(g) Impairment of financial instruments measured at amortised cost or cost

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

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

NOTES TO THE SYNDICATE UNDERWRITING YEAR ACCOUNTS

2013 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2015

1. STATEMENT OF ACCOUNTING POLICIES CONTINUED

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

(h) Offsetting

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

1.6 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. Investment return arising in each calendar year is allocated to years of account in proportion to the average funds available for investment attributable to those years. 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.

1.7 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.

1.8 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 the Inland Revenue.

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.

1.9 BASIS OF CURRENCY TRANSLATION

The Syndicate has Pound Sterling as its functional and presentation currency.

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. The exception to this is that the reinsurance to close receivable has been translated at the transaction rates of exchange ruling at the effective dates of the contracts. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

NOTES TO THE SYNDICATE UNDERWRITING YEAR ACCOUNTS

2013 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2015

1. STATEMENT OF ACCOUNTING POLICIES CONTINUED

Although transactions are translated as described above the monetary assets and liabilities, including any unearned premiums or deferred acquisition costs, within the balance sheet in US dollars and Canadian dollars are translated at the rates of exchange ruling on 31 December 2015. Any differences are included within the profit or loss on exchange account in the Non-technical Account. Any non-monetary assets or liabilities are retained at their original exchange rate.

Where Canadian dollars are sold or bought relating to the profit or loss of a closed underwriting account after 31 December 2015, 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.

1.10 KEY ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES

The key accounting judgements, assumptions and estimates made in the preparation of these Underwriting Year Accounts are those relating to the determination of the Reinsurance to Close to transfer all assets and liabilities from the 2013 Year of Account to the 2014 Year of Account. However as this amount has been contractually committed to since the year-end there can be no further change to the amount in respect of the 2013 Year of Account.

The accounting policy for the Reinsurance to Close is described at 1.4(e) and the related risks relating to the underlying net technical provisions that it transfers are described at Note 2.5 on pages 47 to 49 within the Syndicate Annual Accounts. The Reinsurance to Close for net technical provisions after the reinsurers' share is £182.1m. The most uncertain element within these technical provisions is the amount for claims outstanding which covers amounts where either a claim event has occurred but the Syndicate has not yet been notified or where there has been insufficient information to date to be certain regarding its ultimate cost. An analysis of the Reinsurance to Close for net technical provisions after the reinsurers' share including disclosure of the provision for Incurred But Not Reported ("IBNR") after potential related reinsurance recoveries is shown at Note 6.

2. RISK AND CAPITAL MANAGEMENT

Since 31 December 2015 a Reinsurance to Close has been completed which transferred all assets and liabilities from the 2013 year of account to the 2014 year of account. Any change in value of the assets or liabilities or further transactions after 31 December 2015 will be borne by the 2014 year of account. The 2013 year of account therefore bears no further risk and accordingly no disclosures relating to risks are disclosed in these Underwriting Year Accounts. The risks remain within the Syndicate and are borne by the 2014 and subsequent years of account and are disclosed in the Syndicate Annual Accounts on pages 45 to 53 and in particular within Note 2.5 on Risk Management on pages 47 to 49.

The basis on which capital is managed by the Syndicate in accordance with the requirements of the Society of Lloyd's and the Prudential Regulation Authority is also described within the Syndicate Annual Accounts within Note 16 on Capital Management on page 61.

NOTES TO THE SYNDICATE UNDERWRITING YEAR ACCOUNTS

2013 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2015

3. ANALYSIS BY CLASS OF BUSINESS

An analysis of the underwriting result before investment return for the three years ended 31 December 2015 is set out below:

2013 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	2,141	(1,563)	(743)	(6)	(171)
Motor (third party liability)	66	(51)	(23)	0	(8)
Motor (other classes)	1,549	(1,145)	(537)	0	(133)
Marine aviation and transport	1,006	(517)	(349)	0	140
Fire and other damage to property	23,553	(13,299)	(8,168)	(611)	1,475
Third party liability	13,591	(15,693)	(4,713)	64	(6,751)
Credit and suretyship	1,486	(523)	(516)	0	447
	43,392	(32,791)	(15,049)	(553)	(5,001)
Reinsurance Acceptance	33,766	(18,021)	(11,710)	149	4,184
	77,158	(50,812)	(26,759)	(404)	(817)
Reinsurance to Close received	185,656	(174,385)	0	1,441	12,712
Total	262,814	(225,197)	(26,759)	1,037	11,895

4. GEOGRAPHICAL ORIGIN OF GROSS DIRECT PREMIUMS WRITTEN

All contracts of insurance were concluded in the United Kingdom.

5. REINSURANCE TO CLOSE PREMIUMS RECEIVED

	REPORTED £'000	IBNR £'000	2013 YEAR OF ACCOUNT TOTAL £'000
Gross reinsurance to close premiums received:	44,525	131,370	175,895
Reinsurance recoveries anticipated	(1,486)	–	(1,486)
	43,039	131,370	174,409
Provision for internal claims administration expenses		9,761	
			184,170

NOTES TO THE SYNDICATE UNDERWRITING YEAR ACCOUNTS

2013 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2015

6. REINSURANCE TO CLOSE PREMIUMS PAYABLE

	REPORTED £'000	IBNR £'000	TOTAL £'000
Gross reinsurance to close premiums received	36,627	136,992	173,619
Reinsurance recoveries anticipated	(716)	–	(716)
	35,911	136,992	172,903
Provision for internal claims administration expenses			9,223
			182,126
Adjustments to year end rates			9,235
			191,361

The amount shown above as the Reinsurance to Close premium payable for closing the 2013 year of account into the 2014 year of account of Syndicate 727 as at 31 December 2015 was subsequently approved by the board of S A Meacock & Company Limited on 4 February 2016. As can be seen, this is made up of a gross amount of £182.9 million and anticipated recoveries from reinsurers of £0.8 million, but does not include the allowance of £0.2 million for estimated future premium which has been allowed for in arriving at the gross written premium figure of £77.2 million. Including the £9.2 million reserve against future claims handling costs and the expected future premium, it can be seen that the total value of all future liabilities of the 2013 and prior years of account has been reserved at £191.1 million after £0.2 million for estimated future premium.

The table of the development of ultimate claims over the last five years is shown within Note 4 to the Syndicate Annual Accounts on pages 55 to 57.

7. NET OPERATING EXPENSES

	20132 YEAR OF ACCOUNT £'000
Brokerage and commissions	18,342
Other acquisition costs	1,200
Acquisition costs	19,542
Administrative expenses	7,217
	26,759
Included within administrative costs above are the following:	
Auditors' remuneration – audit	130
– taxation services	5
Standard personal expenses (excluding members' agents' fees)	3,963

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

	2012 & PRIOR YEARS OF ACCOUNT £'000	2013 PURE YEAR OF ACCOUNT £'000	TOTAL 2013 £'000
Technical account balance before allocated investment return and net operating expenses	12,712	25,942	38,654
Brokerage and commission on gross premium	–	(18,342)	(18,342)
Balance after brokerage and commissions	12,712	7,600	20,312

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

Reconciliation of Reinsurance to Close received

	GROSS CLAIMS £'000	REINSURERS' SHARE £'000	TOTAL £'000
Reinsurance to Close Received at 1-1-15	185,656	(1,486)	184,170
Claims paid in relation to 2012 and prior	(18,023)	480	(17,543)
Change in provision for 2012 and prior claims	(13,537)	825	(12,712)
Effect of movements in exchange rates	10,109	(522)	9,587
Reinsurance to Close Payable for 2012 and prior at 31-12-15	164,205	(703)	163,502
Provision for claims in relation to 2013 pure	27,921	(62)	27,859
Reinsurance to Close Payable for 2013 and prior At 31-12-15	192,126	(765)	191,361

9. INVESTMENT RETURN

	2013 YEAR OF ACCOUNT £'000
Income from investments	7,876
Gains on realisation of investments	263
Investment Income	8,139
Losses on realisation of investments	(7,584)
Investment expenses and charges	(7,584)
Unrealised gains on investments	1,808
Unrealised losses on investments	(932)
Net unrealised gains/losses on investments	876
Allocated investment return transferred to the technical account	1,431
The above is comprised of:	
Interest and dividend income from financial assets at fair value	7,876
Net realised and unrealised gains and losses from financial assets at fair value	(6,445)
	1,431

10. INVESTMENTS

	2013 YEAR OF ACCOUNT MARKET VALUE £'000	COST £'000
Financial assets at fair value through profit or loss:		
Shares and other variable yield securities and unit trusts	14,056	14,115
Debt securities and other fixed income securities	164,224	167,606
	178,281	181,721

Fair value hierarchy

In accordance with FRS 102 paragraph 11.27 the above financial instruments carried at fair value have been classified by valuation method into three levels to estimate their fair values, with Level 1 being the most reliable. The definitions of these hierarchy levels are as follows:

NOTES TO THE SYNDICATE UNDERWRITING YEAR ACCOUNTS

2013 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2015

10. INVESTMENTS continued

- Level 1: Quoted prices in an active market for identical assets at the relevant date.
- Level 2: Where there is no quoted price, the price of a recent transaction of an identical asset provided that the price is considered to remain appropriate.
- Level 3: If neither of the above are applicable, by the use of a valuation technique to estimate the transaction price of an arm's length exchange under normal business considerations at the relevant date.

	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	2013 YEAR OF ACCOUNT TOTAL £'000
Shares and other variable yield securities and units in unit trusts	3,111	10,939	7	14,057
Debt securities and other fixed income securities	164,224	–	–	164,224
Loans and deposits with credit institutions	5,835	742	–	6,577
	173,170	11,681	7	184,858

Additional details about the methods and assumptions used to determine the fair value of the financial investments is given in Note 1.13 of the Syndicate Annual Accounts on pages 43 to 44.

11. DEBTORS

	2013 UNDERWRITING YEAR OF ACCOUNT £'000
Arising out of direct insurance operations:	
Intermediaries	618
Arising out of reinsurance operations	664
Other debtors	6,090
	7,372

All amounts are due within one year.

12. CREDITORS

	2013 YEAR OF ACCOUNT £'000
Creditors arising out of direct insurance operations	170
Creditors arising out of reinsurance operations	276
Other creditors	3,040
Financial liabilities at amortised cost	3,486

All amounts are payable within one year.

13. 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
2013	0.6%	480	20%	2,909

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%

13. RELATED PARTIES continued

(b) Certain expenses amounting to £3,268,931 were incurred by the company and then recharged to the syndicate.

(c) The balance due to the company at 31 December 2015 was £2,909,324.

(d) In 2006 Meacock LLP was formed to enable executive directors and staff to participate in the syndicate. Directors' participations are included in note 13(e) below. For 2013, the aggregate capacity of the Meacock LLP was £2,190,859.

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

	2013 ACCOUNT	
	£000's	% OPL
M P Bartlett	100	100
N N S Ford	300	100
K W Jarvis	450	100
D J Jones	150	100
J M Meacock	200	26
M J Meacock	4,086	51
A Taylor	886	100
Sir David Thomson Bt	1,380	28
D A Thorp	450	100
Meacock LLP (other than those shown above, both current and former staff)	265	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, executive directors of the company or Meacock LLP.

(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:

	£
2013	12,633,183

The following directors or connected persons held shares in MC:

	2013	
	ORD. 25P	% SHARE CAP
C N Jarvis (wife of K W Jarvis)	83,000	1.57
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

(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.

13. 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:

	2013 ACCOUNT £'000
C E Meacock (son)	182
J W S Meacock (son)	187
Mrs R J R Meacock (wife)	626
W T R Meacock (son)	160

(k) There were no unpaid balances due to the syndicate at 31 December 2015 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, Risk Committee and Conduct 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 participated 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 2015 the company received profit commission of £nil (2014: £98,756).

14. PENSION OBLIGATIONS

The company operates a defined contribution scheme for its employees including syndicate staff. The cost of the contributions charged to the 2013 year of account was £113,821 and there were no outstanding or prepaid contributions at 31 December 2015 in respect of the 2013 year of account. As the 2013 year of account has now been reinsured to close, no further pension contributions are chargeable to the members of this year of account.

15. TRANSITION TO FRS102

These Financial Statements for the year ended 31 December 2015 are the first financial statements that comply with FRS 102 and 103. The date of transition is 1 January 2014 and the figures from 1 January 2014 to 31 December 2015 have been prepared in accordance with FRS 102 and 103. In addition for consistency the 2013 transactions have also been presented on a consistent basis. The transition has resulted in a small number of changes in accounting policies to those used previously. The nature of these changes has not had any impact on the closing financial position and result for the three year period. The only effect has been to disclose the exchange loss of £362,639 within Other Charges within the Non-technical Account, which would previously have been disclosed as Net Operating Expenses within the Technical Account.

The analysis is as follows:

CALENDAR YEAR	2013 £'000
Transfer from Technical to Non-technical Account	(60)

SYNDICATE 727

ANNUAL REPORT 2015

31 DECEMBER 2015

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AT 31 DECEMBER 2015

DIRECTORS AND ADVISERS

31 DECEMBER 2015

MANAGING AGENT:	
Managing agent	S A Meacock & Company Limited 4th Floor, Hasilwood House 60 Bishopsgate London EC2N 4AW
Directors	Sir David Thomson Bt (Non-Executive Chairman) M P Bartlett N N S Ford K W Jarvis D J Jones J M Meacock (Non-Executive Director) M J Meacock A Taylor D A Thorp (Non-Executive Director) D K L White (Non-Executive Director)
SYNDICATE:	
Active underwriter	M J Meacock
Independent Auditors	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD

STRATEGIC REPORT

31 DECEMBER 2015

The directors of S A Meacock & Company Limited present their Strategic Report for Syndicate 727 for the year ended 31 December 2015.

Syndicate Underwriting Year Accounts

In addition to these Syndicate Annual Financial Statements there is also a separate set of Underwriting Year Accounts shown at pages 5 to 24 drawn up on the three year funded basis which have been prepared to show the cumulative result for the 2013 closed underwriting account as at 31 December 2015 which is being distributed in 2016.

REVIEW OF THE BUSINESS

Activities

The principal activity of the syndicate is that of underwriting insurance and reinsurance risks and this is conducted wholly within the Lloyd's market. A large percentage of the risks underwritten are located in North America while significant exposures are accepted in the UK and more modest exposures in many other areas of the world. Exposures taken on through reinsurance would have a similar geographic spread with perhaps less emphasis on the UK. Note 3 to the accounts provides an analysis of the business by class. There are no significant lines of business that have been discontinued or commenced during the year.

Key performance indicators

The Managing Agent considers the following to be key performance indicators of the syndicate:

Calendar year	2015	2014
Capacity (underwriting year)	£80.8m	£80.8m
Gross premiums written	£67.8m	£68.4m
Gross premium (less reinsurance) earned	£67.7m	£68.9m
Acquisition costs earned	£17.4m	£19.0m
Profit for the year earned	£7.6m	£16.5m
Claims ratio (net)	55.6%	42.3%
Combined ratio (net)	91.4%	79.6%
Cash and investments	£254.6m	£246.3m

The 2015 Account capacity was maintained at £80.8m and will be held at the same level for the 2016 Account. The gross premiums underwritten in 2015 were £67.8 million, a 1% decrease over the previous year, the reduction in property premium offset mainly by growth of the casualty book. The situation with the gross earned premium shows a similar picture. The mix of business, while similar to the previous year is significantly different due to a further material reduction in the property reinsurance line. Nevertheless, property remains the largest line of business, developing 50% of the earned premium, while liability represents 44% of the earned premium. All other business categories are quite small in comparison. Very little reinsurance has been purchased in line with the philosophy of only taking on exposures worth keeping. That reinsurance which has been purchased is placed with reinsurers with security that is "A" rated by AM Best (the same level as Lloyd's) or better.

We remain firmly convinced of the merits of writing business, both property and casualty, through binding authorities. In 2015, 60% of the £67.7 million of earned premium came from this way of doing business, a ratio likely to grow in 2016.

Results

The profit for the calendar year 2015 is lower than that achieved in calendar year 2014 by £8.9m or 13.1% of the earned premium, largely because of the reduction in profit from loss-free property catastrophe business enjoyed in the last two calendar years, but also because of an increase in the ultimate loss ratio estimated for the liability class. (Comparing claims recognised during 2015 with the premium earned during 2015 produces ratios of 50% for the property book and 135% for the liability book.) The only physical loss event of note was the series of floods and storms which befell the northern half of the UK in December, impacting the UK insurance account by £0.75 million.

Current Trading Conditions and Future Developments

The current trading conditions are showing decreases in premium rates for most lines of business and this is not expected to level off over the next 12 months. The syndicate intends to underwrite a largely similar mix of business in 2016 subject to any changes in market conditions and any opportunities that may arise. A similar level of reinsurance protection is proposed for 2016 compared to that purchased in 2015. The initial stamp capacity has been maintained at £80.8 million for 2016.

There have been no significant post balance sheet events other than the proposed distribution of profits to members detailed in note 14 to the accounts.

In addition to changes in market conditions there continue to be changes in regulatory requirements from the European Union, the Prudential Regulation Authority and Lloyd's. As managing agents we monitor these developments closely and plan our future strategy to ensure we are prepared for these changes. We are continuing to spend significant time on improving our risk modelling which we hope will have a beneficial effect on our capital requirements for the future. Solvency II requirements have come into effect within the European Union from 1 January 2016.

Analysis of Risk Management and Underwriting Analysis

The key risks for the business are related to insurance and comprise business volumes and pricing levels, claims levels from catastrophic events as well as attritional claims and reserving adequacy. Investment risks are the next largest element of risk for the business.

The Annual Accounts include further details of risks and risk management at Note 2. In addition details regarding analysis of the underwriting business written and claims development are included within Notes 3 and 4 respectively.

OTHER PERFORMANCE INDICATORS

Staff Matters

The Managing Agent considers its staff to be a key resource and seeks to provide a good working environment for its staff that is safe and complies with appropriate employee legislation. During the year there have been no significant actions taken by any regulatory bodies with regard to staff matters.

Environmental Matters

The Managing Agent does not consider that a business such as a syndicate at Lloyd's has a large adverse impact upon the environment. As a result the agent does not manage its business by reference to any environmental key performance indicators. Directors and employees of the Managing Agent are not provided with company cars and travel requisitions and expenses are subject to review as to whether the journey is necessary for the business. The Agent seeks to maintain a high proportion of its records electronically. To help achieve this the Agent is a party to the current electronic data exchange programme in the London market, which is intended to reduce the amount of paper records circulating in the market. The Agent also seeks to recycle over 80% of its paper consumption by the use of recycling bags for all business waste paper and shredding.

STRATEGIC REPORT

31 DECEMBER 2015

Investment return

	2015 £'000	2014 £'000
Income from investments	7,940	7,286
Net losses on realised investments	(7,352)	(3,213)
Net (losses)/gains on unrealised investments	798	(1,894)
Total investment return	1,386	2,179

Average amount of syndicate funds available for investment during the year

	2015	2014
Sterling	20,814	25,369
US Dollar (in Sterling)	219,306	208,702
Canadian Dollar (in Sterling)	11,797	12,897
Combined in sterling at year-end rates	251,917	246,968

Gross calendar year investment yield:

	2015	2014
Sterling	0.4%	2.2%
US Dollar	0.6%	0.8%
Canadian Dollar	0.7%	1.0%
Combined	0.6%	0.9%

The above investment returns are calculated using average funds based on the monthly balances of bank balances and investments as revalued to month-end market prices including accrued interest. The investment return was slightly down compared with 2014 and there is a general trend of decreased interest rates around the world. The return achieved was however well above the average return on short-dated government securities during the period in US$, the largest part of the portfolio. The available funds were mostly held in US dollars with much smaller amounts held in the other two currencies.

The investments are managed in-house and the custodians for investments were Hargreaves Lansdown, Citibank and Royal Bank of Canada.

Approved by the Board of S A Meacock & Company Limited:

K.W. Jarvis

K W Jarvis
Director
10 March 2016

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

31 DECEMBER 2015

The Managing Agent presents its Directors' Report for Syndicate 727 for the year ended 31 December 2015.

Strategic Report

The Managing Agent's Report should be read in conjunction with the Strategic Report as it includes information required to be disclosed in the Managing Agent's Report. This information is primarily relating to a review of the business and a description of principal risks and uncertainties, although there is more extensive disclosure of risk management in Note 2 to the Annual Accounts.

Directors Serving in the Year

The Directors of the Managing Agent, who served during the year ended 31 December 2015 and up to the date of this report were as follows:

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

Annual General Meeting

The Directors do not propose to hold an annual general meeting for the syndicate. If any members' agent or direct corporate supporter of the syndicate wishes to meet them, the Directors will be happy to do so.

Auditors

PKF Littlejohn LLP has signified its willingness to continue in office as auditors.

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 Director to make himself aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Approved by the Board of S A Meacock & Company Limited:

K W Jarvis
Director
10 March 2016

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

31 DECEMBER 2015

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 judgments 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.

INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2015

Independent Auditor's Report to the Members of Syndicate 727

We have audited the Syndicate Annual Financial Statements for the year ended 31 December 2015 as set out on pages 35 to 65. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts".

This report is made solely to the members of the Syndicate as a body, in accordance with 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 on page 32 in the Statement of Managing Agent's Responsibilities, 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 Ethical Standards for Auditors.

Scope of the audit of the Syndicate Annual Accounts

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 impact 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 2015 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.

INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2015

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 and Strategic Report 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

15 March 2016

STATEMENT OF PROFIT OR LOSS
TECHNICAL ACCOUNT – GENERAL BUSINESS

YEAR ENDED 31 DECEMBER 2015

	NOTES	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Earned premiums, net of reinsurance					
Gross premiums written	3	67,774		68,430	
Outward reinsurance premiums		(478)		(467)	
Net premium written			67,296		67,963
Change in the provision for unearned premiums					
Gross amount		492		1,138	
Reinsurer's share		(77)		(196)	
Change in the net provision for unearned premiums			415		942
Earned premiums, net of reinsurance			67,711		68,905
Allocated investment return transferred from the Non-Technical Account			1,386		2,179
Claims Incurred, Net of Reinsurance					
Claims paid					
Gross amount		(38,194)		(45,323)	
Reinsurers' share		482		487	
Net claims paid		(37,712)		(44,836)	
Change in the provision for claims					
Gross amount		1,032		16,229	
Reinsurers' share		(735)		(532)	
Change in the net provision for claims		297		15,697	
Claims incurred, net of reinsurance	4		(37,415)		(29,139)
Net Operating Expenses	5		(24,091)		(25,425)
Balance on the Technical Account – for General Business			7,591		16,520

There are no discontinued operations.

STATEMENT OF PROFIT OR LOSS AND MEMBER'S BALANCES NON-TECHNICAL ACCOUNT

YEAR ENDED 31 DECEMBER 2015

	NOTES	2015 £'000	2014 £'000
Balance on the general business technical account		7,591	16,520
Investment income	8	7,940	7,559
Unrealised gains on investments	8	1,818	370
Losses on realisation of investments	8	(7,352)	(3,486)
Unrealised losses on investments	8	(1,020)	(2,264)
Allocated investment return transferred to general business technical account	8	(1,386)	(2,179)
Other charges, including value adjustments – Profit/(loss) on exchange		531	723
Profit for the financial year		8,122	17,243

There is no Other Comprehensive Income for 2015 or 2014.

		2015 £'000	2014 £'000
Member's Balance			
Balance due to members at 1 January		2,873	(6,004)
Total comprehensive income for the financial year		8,122	17,243
Profit distributed to members – 2012 (2011) Year of Account		(8,676)	(7,837)
Advances of fees to Members' Agents on behalf of members		(556)	(529)
Balance due to members at 31 December		1,763	2,873

BALANCE SHEET – ASSETS

AT 31 DECEMBER 2015

	NOTES	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Investments					
Other financial investments	9		233,360		218,805
Reinsurers' share of technical provisions					
Provision for unearned premiums		117		187	
Claims outstanding		916		1,600	
			1,033		1,787
Debtors					
Debtors arising out of direct insurance operations	10	8,803		5,465	
Debtors arising out of reinsurance operations	11	11,895		14,931	
Other debtors	12	809		580	
			21,507		20,976
Other assets					
Cash at bank and in hand		12,370		18,432	
Other (including overseas deposits)		8,831		9,090	
			21,201		27,522
Prepayments and accrued income					
Accrued interest and rent		2,307		2,178	
Deferred acquisition costs		9,332		9,827	
Other prepayments and accrued income		2		41	
			11,641		12,046
Total assets			288,742		281,136

BALANCE SHEET – LIABILITIES

AT 31 DECEMBER 2015

		2015		2014	
	NOTES	£'000	£'000	£'000	£'000
Capital and reserves					
Members' balances			1,763		2,873
Technical provisions					
Provision for unearned premiums	2	36,507		35,927	
Claims outstanding	2	245,893		236,448	
			282,400		272,375
Creditors payable within one year					
Creditors arising out of direct insurance operations	13	363		1,674	
Creditors arising out of reinsurance operations	13	777		1,675	
Other creditors including taxation and social security	13	3,439		2,307	
			4,579		5,656
Creditors payable after one year					
Other creditors including taxation and social security			–		232
Total Liabilities			288,742		281,136

The Syndicate Annual Accounts were approved by the Board of S A Meacock & Company Limited on 10 March 2016 and signed on its behalf by:

M J Meacock
Director

K W Jarvis
Director

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2015

	NOTES	2015 £'000	2014 £'000
Cash Flow from Operating Activities:			
Profit for the financial year		8,122	17,243
Adjustments for:			
Increase/(decrease) in gross technical provisions		10,025	(5,190)
(Increase)/decrease in reinsurer's share of technical provisions		754	659
(Increase)/decrease in debtors, prepayments & accrued income		29	116
Increase/(decrease) in creditors		(1,309)	1,190
(Increase)/decrease in other assets		(556)	(528)
Exclude investment return		(1,386)	(2,179)
Net cash generated from operating activities		15,679	11,311
Cash flows from investing activities:			
Purchase of equity & debt instruments		(120,471)	(93,083)
Sale of equity & debt instruments		117,443	89,200
Investment income received		588	4,073
Other changes in value of investments		(10,625)	(7,627)
Net cash used in investing activities		(13,065)	(7,437)
Cash flows from financing activities:			
Distribution of 2012 (2011) Closed Year Profit		(8,676)	(7,837)
Net cash used in financing activities		(8,676)	(7,837)
Net increase/(decrease) in cash and cash equivalents in year		(6,062)	(3,964)
Cash and cash equivalents at beginning of the year		18,432	22,396
Cash and cash equivalents at end of the year		12,370	18,432
Cash and cash equivalents comprise:			
Cash at bank and in hand		12,370	18,432
Cash and cash equivalents		12,370	18,432

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

1 STATEMENT OF ACCOUNTING POLICIES

General Information

1.1 General Information and principal activities

Syndicate 727 is a Lloyd's Syndicate domiciled in England and Wales. It is managed by S A Meacock & Company Limited a private company limited by shares that was incorporated in England and whose registered office is Hasilwood House, 60 Bishopsgate, London, EC2N 4AW

The Syndicate underwrites a diverse book of general insurance and reinsurance business from around the world as part of the Lloyd's of London insurance market. This activity is carried out primarily from our box in the Lloyd's Building in London and our nearby offices.

The Syndicate is supported by capacity from related and third party members.

Significant Accounting Policies

1.2 Basis of Preparation and Compliance with Accounting Standards

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

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.

The Financial Statements have been prepared on the historical cost basis, except for financial assets at fair value through the profit or loss which are measured at fair value.

The Financial Statements are presented in Pounds Sterling which is also the Syndicate's functional currency.

1.3 Change to Accounting Policies

These Financial Statements for the year-ended 31 December 2015 are the first financial statements that comply with FRS 102 and 103. The date of transition is 1 January 2014 and the comparative figures have been prepared in accordance with FRS 102 and 103. The Transition has resulted in a small number of changes in accounting policies to those used previously. The nature of these changes and their impact on the opening statement of financial position and result for the comparative period are explained below and in the notes, particularly Note 19.

1.4 Going Concern Basis

These Financial statements are prepared on a going concern basis.

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 Review of Business within the Strategic Report. In addition at Note 2 below information on Risk Management is provided detailing the insurance and 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 company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

1 STATEMENT OF ACCOUNTING POLICIES continued

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 explained in Note 16) 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.

1.5 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 commission payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, including amounts due to the syndicate not yet notified.

1.6 Unearned Premiums

Written premium is earned according to the risk profile of the policy. Unearned premium reserves (UPR) 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.

1.7 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.

1.8 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 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.

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.

Reinsurance assets are assessed for impairment at the balance sheet date, based upon an assessment of the likely amount to be recovered. Any impairment will be charged to the profit or loss for the period in which it is recognised.

The methods used, and the estimates made in arriving at the amounts for technical provisions in respect of outstanding claims, are more fully described in Note 2.5.

1.9 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

1 STATEMENT OF ACCOUNTING POLICIES continued

1.10 Net Operating Expenses (including Acquisition Costs)

Net operating expenses include acquisition costs and amounts charged to members through the syndicate. Profit commission is charged by the managing agent as it is incurred but is not payable until the year of account closes, normally at 36 months.

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date, representing Deferred Acquisition Costs (DAC).

Employee costs include the cost of all employee benefits to which employees have become entitled as a result of service rendered to the entity during the reporting period, which the Managing Agent considers to be attributable to this Syndicate.

1.11 Balance due to Members and distribution of profits and collection of losses

The balance due to Members represents Syndicate profits or losses attributable to Members net of any early releases to Members or cash calls received from Members.

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.

1.12 Foreign currencies

The presentation currency of the Syndicate is Pounds Sterling.

The functional currency of the Syndicate is Pounds Sterling.

Income and expenditure in US dollars and Canadian dollars are translated 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.

Monetary assets and liabilities (which in accordance with FRS 103 are deemed to include unearned premiums and deferred acquisition costs) are translated into the Sterling functional currency at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the date of the original transaction. The profit or loss arising on the retranslation of balances to the closing rate of exchange is dealt with through the Statement of Profit or Loss - Non-technical Account.

Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the date of the original transaction. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rate of any non-monetary assets and liabilities denominated in foreign currencies are recognised in Other Comprehensive Income for those items which are required to be recognised within Other Comprehensive Income and in the Non-technical Accounts when the gain or loss is required to be recognised in the Statement of Profit or Loss.

1 STATEMENT OF ACCOUNTING POLICIES continued

1.13 Financial assets and liabilities

(a) Classification

The full provisions of FRS102 have been applied to the treatment of financial instruments. The accounting classification of financial assets and liabilities determines their basis of measurement and how changes in those values are presented in the profit or loss or other comprehensive income. These classifications are made at initial recognition and subsequent reclassification is only permitted in restricted circumstances.

Investments in shares and other variable yield securities and unit trusts and debt securities and other fixed income securities are classified as fair value through profit and loss as they are managed on a fair value basis. Cash at bank, deposits with credit institutions, debtors and accrued interest are classified as held at amortised cost.

(b) Recognition

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

(c) Initial measurement

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

(d) Subsequent measurement

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

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

Investments in shares and other debt instruments are measured at fair value through profit or loss. 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 investment disposed of in the current period.

(e) Derecognition of financial assets and liabilities

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

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

(f) Fair value measurement

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

1 STATEMENT OF ACCOUNTING POLICIES continued

(g) Impairment of financial instruments measured at amortised cost or cost

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

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

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

(h) Offsetting

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

1.14 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. Investment return arising in each calendar year is allocated to years of account in proportion to the average funds available for investment attributable to those years. Investment returns in respect of overseas deposits are allocated to the year of account which funded these deposits.

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.

Dividend income is recognised when the right to receive income is established and interest income is recognised as it accrues on the next coupon payment. For assets measured at fair value, gains and losses are the difference between the purchase price and the net sale proceeds and unrealised gains and losses are the difference between the latest valuation and purchase price. Movements in unrealised gains and losses in the period represent the change in value of investments still held from their previous period end value or purchase price if acquired in the period and the reversal of any gains or losses in previous periods in relation to investments sold in the current period. For any investments at amortised cost realised gains are the difference between the carrying value at the previous year end or purchase price if acquired in the period and the sale proceeds or carrying value at the end of the current period.

1.15 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

1 STATEMENT OF ACCOUNTING POLICIES continued

1.16 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.

1.17 Key Accounting Judgements and Estimation Uncertainties

Of the various accounting judgements, assumptions and estimates made in the preparation of these financial statements those relating to the determination of the technical provisions, premium income and investment valuations are considered to be those most critical to understanding the Syndicate's results and financial position.

Technical provisions: The net technical provisions shown in Note 4 after the reinsurers' share is £281m (2014: £271m). The most uncertain element within these technical provisions is the amount for the incurred but not reported (IBNR) element of claims outstanding which covers amounts where either the claim has not yet been notified to the Syndicate or where there has been a notification but there is insufficient information to date to be certain regarding its ultimate cost. This amounted to £196m (2014: £180m). As described in the risk note there is a thorough review process of claims notifications and reserving estimates, including detailed actuarial evaluation of past claims development. There is however a risk that past performance may not be a good indicator of the future developments. This is mitigated by a mixed spread of different types of business from a number of geographical areas across several years that should reduce the risk of a common trend of adverse development occurring. The uncertainty within technical provisions may be mitigated by the element that is reinsurer's share, although there are also uncertainties in calculating that.

Premium income: The estimation of written premium includes amounts for additional or return premiums and business that may have been underwritten through binding authorities but not yet notified. The earning of this written premium has then been calculated on a basis of time apportionment and seeking to take account of when underlying binding authority risks incepted. The directors consider that this represents a reasonable approximation of the overall earning risk profile of the policies written. As described in the risk note there is detailed evaluation of premium written estimates at the time of writing risks and these are monitored and checked as remaining valid with brokers until they are received. This risk is mitigated by a granular evaluation of estimated income from the bottom up and the income arising from a large number of policies and brokers which lessens the impact of variances in individual estimates. Certain quota share reinsurances would further mitigate the effect of any error in this estimate. The premium debtor for insurance and reinsurance business amounted to £21m (2014: £20m).

Investment valuations: Most investments are shown at their market value as described in the accounting policy at Note 1.13 and details of the risks relating to investments are disclosed at Notes 2.7 to 2.12. As the majority of investments are highly rated securities and regularly traded on major stock exchanges the risks in their valuations are reduced for most of them. As shown in Note 9 investments amount to £233m (2014: £219m). The nature of the underlying investments, their short date to maturity and the close monitoring of the Syndicate's investment committee, together with these amounts being spread across a number of investments are considered by the directors to reduce this risk.

2 RISK MANAGEMENT

2.1 Risk Background

The syndicate's activities expose it to a variety of financial and non-financial risks. The Managing Agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. Each year, the Managing Agent is required to prepare a Solvency Capital Requirement (SCR) for the syndicate, the purpose of this being to agree capital requirements with Lloyd's, based on an agreed assessment of the risks impacting the syndicate's business, and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are all reflected in the SCR; over 90% of the total assessed value of the risks concerned is attributable to Insurance Risk.

The Managing Agent sets the risk appetite annually as part of the syndicate's business planning and capital setting process. A risk management committee meets regularly to monitor performance against risk appetite using a series of key risk indicators.

The syndicate's core business is to accept significant insurance risk: the appetite for other risks is low.

2 RISK MANAGEMENT continued

2.2 Insurance Risk

The very nature of the syndicate's business exposes it to the possibility that claims will arise on business written. The risk attaching to insurance contracts is based on the fortuity that events will occur which will lead to a claim under the contract. The main insurance risks which affect the syndicate are:

- Catastrophic events: the risk that catastrophic events occur which will lead to claims at a level not anticipated by the syndicate.
- Rating levels: the risk that the expected attritional losses and anticipated catastrophic events, together with the cost of reinsurance, will result in net claims which exceed the premium income of the syndicate.
- Business volume: the risk that the syndicate will not be able to write as much business as planned.
- Reserving: the risk that the reserves established by the syndicate at the previous year-end prove to be inadequate.

2.3 Catastrophic Events

The Managing Agent has developed underwriting guidelines which express limits to the authority of the underwriters and to exposure analysed geographically and by assured entities. The syndicate has also developed Realistic Disaster Scenarios ("RDS"s) which provide an estimate of the effect on the syndicate results of an aggregation of claims arising from a number of disasters specified by Lloyd's. The syndicate uses a number of modelling tools to monitor the aggregation of exposure and to simulate catastrophe losses, in order to measure the effectiveness of the underwriting guidelines in limiting exposure to these scenarios and the effectiveness of the syndicate's reinsurance programmes.

The anticipated effect of the top three Lloyd's specified RDS on the syndicate results for 2015 are as follows:

Description of RDS	Gross loss to syndicate £'000m	Net loss to syndicate £'000m	Net loss as % of stamp
2015 (as at 01/12/15)			
Florida windstorm – Pinellas	24,796	23,720	32.01%
Gulf of Mexico windstorm	23,779	22,764	30.72%
California earthquake – S.F.	21,487	20,245	27.32%
2014 (as at 01/12/14)			
Florida windstorm – Pinellas	30,014	28,182	31.66%
Gulf of Mexico windstorm	27,032	25,332	28.46%
California earthquake – S.F.	18,143	16,503	18.54%

These levels are similar to the previous year. On the basis of the planned underwriting focus, line structure and reinsurance programme applicable for 2016, and the planned business volumes, the comparable RDS retentions for the syndicate would be expected to be slightly higher for 2016 as compared to 2015.

2.4 Business Volumes and Rating Levels

The Managing Agent produces an annual business plan for the syndicate. The plan is produced by anticipating rating levels and terms and conditions attaching to risks expected to be underwritten by the syndicate. In the context of the market in which the syndicate operates, it might be possible to underwrite the required volume of business if rating levels and terms were to be compromised, although the underlying profitability would worsen.

Performance against the plan is monitored on a regular basis through a system of underwriting committees, as well as regular review by the Board. If market conditions change significantly after the plan is produced, a revised plan is prepared and authorised by the Board. In this way, rating levels of both business written and reinsurance purchased are subject to constant review. Should risks be assessed as uneconomical, they will be declined.

2 RISK MANAGEMENT continued

If the volume of business underwritten is less than that planned by the Managing Agent, the expense ratio is likely to increase, although this risk is mitigated by the operating structure of the syndicate, in which the material element of the acquisition costs which flows through brokers is accordingly variable. Achieved business volumes may be linked to rating levels, for instance because of easier or tougher market conditions, in which case the effects of changes in both rating levels and business volumes will accumulate.

The effect of rating levels being lower than planned is, all other things being equal, to reduce income levels in respect of the risks underwritten, and hence increase both the claims ratio and the expense ratio. If profitability were maintained but only volume reduced the impact upon results would be fairly modest but if price rating reductions cause the volume of business to reduce there is likely to be a more significant impact upon the results.

	2015 £'000	2014 £'000
Premiums earned	67,711	68,905
Technical Account result (excluding investment return)	6,205	14,341
1% reduction in volume pro-rata Technical result (exc. investment return)	(62)	(143)
1% rating price reduction in profit per £1 of earned premium	(677)	(689)

2.5 Reserving risk

Reserves are established for expired risks, i.e. that part of the syndicate's business that is attributable to earned premium income, and for unexpired risk, i.e. that part of the business that is attributable to unearned premium. The reserves in relation to the former are claims reserves; in relation to the latter, there is an unearned premium reserve, and there may also be an unexpired risk provision.

In order to mitigate reserving risk, the syndicate uses a number of approaches, including actuarial techniques, to project gross and net premiums written and gross and net insurance liabilities. The results of these techniques are then subject to formal peer review to independently check the integrity of the estimates produced by the underwriting team. In addition, the syndicate commissions an external independent actuary to perform his own assessment of the syndicate's ultimate gross and net premiums and insurance liabilities. The results of the actuary's projections are then compared to the underwriting team's assessment before determining the levels of reserve to be held.

The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount included in respect of IBNR is based on statistical techniques of estimation applied by the syndicate's in-house reserving team and reviewed by external consulting actuaries. These techniques 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.

Owing to the longevity of this syndicate several senior staff have first-hand knowledge from over thirty years ago of the damage that latent claims can cause, having nearly bankrupted Lloyd's. An appropriately cautious approach to reserves helped this syndicate to survive that experience. As a syndicate that underwrites a significant book of long tail risks that are subject to the uncertainties of the US legal process this background knowledge is relevant to its judgement of reserving risk. Whilst projections of reserves can be made upon data of recent years with some small allowance for events not in data, there are risks that changing claims circumstances or legal interpretations can transform currently expected outcomes massively and that such change could impact many policies. This is particularly the case for occurrence form policies which continue to be exposed to newly reported claims for many years, thereby increasing the aggregate exposure overhang from all of these policies that have been issued to a potential future change in claims behaviour. The size of this ever-increasing potential downside is massive (occurrence form policy limits held by living US citizens and corporations are estimated to exceed US$1 billion for the syndicate's share). Against this the syndicate in the current insurance climate is writing smaller volumes of other business that can diversify these risks should they materialise. Accordingly the syndicate considers it appropriate to maintain a reserve that has a significant margin above the best estimate reserve used for Solvency II purposes, which does not include any extra allowance for claims that are latent for an extended period.

2 RISK MANAGEMENT continued

The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises within projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to 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 syndicate uses a number of statistical techniques to assist in making these estimates.

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

The level of uncertainty with regard to the estimations within these provisions generally decreases with time since the underlying contracts were exposed to new risks. In addition the short tail risks 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 many 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 syndicate's technical provisions are set according to the syndicate's reserving policy, which specifies that they should be set on a conservative basis. These technical provisions are shown in these accounts and are designed to be consistent with accounting regulations; the Syndicate Actuary provides statements of actuarial opinion on the sufficiency of these provisions. The syndicate also assesses its liabilities on a best-estimate basis, the results of which are not intended to be conservative, and which are designed to be used in certain returns to Lloyd's. These estimates are designed to comply with the technical-provisions requirements of Solvency II, which require that they correspond to the current amount that would have to be paid if the liabilities were to be transferred to another insurer. The estimated unpaid claims on the best-estimate basis are lower than those used for accounting purposes; these differences tend to be greatest in long-tailed lines of business, such as liability, and smallest in the short-tail property-related lines. The best-estimate provisions are set using a variety of standard and adapted actuarial methods. Both sets of estimates are considered by the Board, which adopts them for their particular uses.

The technical provisions on a best-estimate basis and submitted to Lloyd's also differ from the accounting provisions in that they are prepared on an underwriting-year basis rather than an earnings basis, they are discounted for the time value of money, they include certain extra expenses and they include a provision for losses arising from events not in the data. They also include a risk margin to reflect the uncertainty inherent in the run-off of claims.

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.

The syndicate has applied a similar approach to establishing the technical provision for claims outstanding and the reinsurers' share thereof to that established at the previous year-end.

2 RISK MANAGEMENT continued

	2015 £'000	2014 £'000
Gross Outstanding Claims Provision	245,893	236,448
Net Outstanding Claims Provision	244,977	234,848
Net Unearned Premium Provision	36,390	35,740
1% movement in Net Outstanding Claims	2,450	2,348

The above assumes that the reinsurers share pro-rata in any deterioration in outstanding claims which may not be the case, as excess of loss reinsurance will mitigate deteriorations in large losses more significantly than for attritional losses. Unearned premiums should not be affected by such movements in outstanding claims, however larger movements in loss ratios could trigger a need for an Unexpired Risk Provision if future expected claims rose above the level of the unearned premiums.

2.6 Reinsurance Risk

Reinsurance risks arise from two different sources. The first relates to concentration risk whereby recoveries from claims paid are due from a limited number of reinsurers. To mitigate this risk, the syndicate places its reinsurance in line with policy guidelines established by the Managing Agent and managed by reference to counterparty limits that are set each year and are subject to regular reviews.

The second source of reinsurance risks relates to credit risk. Credit risk arises where reinsurers fail to meet their financial obligations in full as they fall due. The syndicate monitors its credit exposures by reference to the ratings, which are analysed into the ratings tiers used by Lloyd's in its reporting.

2.7 Financial Instruments Risk

The syndicate has debtors, creditors, bank balances and investments in various currencies in the normal course of its business. The risks with regard to these transactions are detailed above and none of these financial instruments are considered to present any risks that are exceptional in their nature for their type of instrument. The syndicate does not actively enter into derivatives, hedging or other uses of financial instruments as part of its financial risk management.

Investment Risks

The investment of syndicate funds is managed by internal investment managers. The Managing Agent monitors the performance of the internal investment managers on a regular basis. The investment strategy to be adopted is to mitigate risks of interest rate fluctuation and credit risks and to provide appropriate liquidity.

The investment objective is to achieve a before tax return for US dollar and sterling funds, better than a twelve month Government Security issued in that currency. The principal constraints agreed are that, subject to maintaining adequate working capital in readily realisable deposits with major credit institutions, the maximum weighted portfolio duration is five years.

Market risk

Market risk arises where the value of assets and liabilities change as a result of movements in foreign exchange rates, interest rates, inflation rates and market prices. Detailed guidelines for the in-house investment managers are in place and the Managing Agent Board and its Investment Committee regularly monitor investment performance and the associated risks. Financial investments represent a significant proportion of the syndicate's assets.

Price risk

Investments are made depending on the syndicate's appetite for risk. The investments are well diversified with high quality, liquid securities. The Managing Agent has established guidelines that set out maximum investment limits, diversification requirements and concentration limits in any one company. Listed investments are recognised on the balance sheet at quoted bid price. If the market for the investment is not considered to be active, then the Managing Agent has established fair value using valuation techniques. This includes using recent arm's length market transactions, reference to current fair value of other investments that are substantially the same, discounted cash flow models and other valuation techniques that are commonly used by market participants. As at 31 December 2015 the fair value of equity securities and on the balance sheet was £nil (2014: £nil).

2 RISK MANAGEMENT continued

2.8 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 aim is to manage its liquidity position so that it can fund claims arising from significant catastrophic events, as modelled in its Lloyd's realistic disaster scenarios ("RDS").

The syndicate's approach is to maintain an adequate level of liquid assets that can be translated into cash at short notice without any significant capital loss. These funds are monitored by management on a daily basis and as a result the Managing Agent does not consider that there is a material risk of loss arising from liquidity risk.

2.9 Liquidity Risk – Maturity Profiles of future payments excluding technical provisions

No payments are contractually deferred other than the £2.909m (2014: £2,093m) profit commission due to the managing agent in respect of the closing year, which are not due for payment until 3 months after closure.

2.10 Currency Risk

The syndicate's main exposure to foreign currency risk arises from insurance business originating overseas, particularly in US dollars. The Syndicate is exposed to changes in the value of assets and liabilities due to movements in foreign exchange rates. The Syndicate deals in three main currencies, UK sterling, Canadian dollars and US dollars. Transactions also take place in other currencies, although these are immediately converted to UK sterling.

A 10% fall in the in the value of all overseas net assets would lead to a £1.713m loss (2014: £1.733m) with US$ dollar net assets being the largest element of that at £1.632m (2014: £1.711m). This would be offset by a similar fall in value of the liabilities. The Syndicate monitors these currency balances and aims to ensure excessive balances beyond accumulated profits do not accrue beyond those necessary to meet overseas trust fund requirements. The Syndicate has not taken out any transactions to hedge these balances.

Due to the US$ Trust Fund requirements a large proportion of the overall net assets are held in in US$, and there is a deficit in Sterling due to expenses. The total net assets held by the syndicate in US dollars represented 95% compared with 99% at the end of 2014.

Recent key exchange rates to Pounds Sterling have been:

	2015 Year-end Rate	2015 Average Rate	2014 Year-end Rate	2014 Average Rate
US dollar	1.47	1.53	1.56	1.65
Canadian dollar	2.05	1.95	1.81	1.82

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2 RISK MANAGEMENT continued

	£ £'000	US$ £'000	Can$ £'000	Total £'000
As at 31-12-15				
Financial investments	5,658	216,536	11,166	233,360
Reinsurers' share of technical				
Provisions	72	959	2	1,033
Insurance & reinsurance debtors	5,651	13,941	1,106	20,698
Cash at bank & overseas deposits	13,124	5,953	1,351	20,428
Other assets	7,855	7,655	(2,287)	13,223
Total assets	32,360	245,044	11,338	288,742
Technical provisions	(44,136)	(227,751)	(10,513)	(282,400)
Insurance & reinsurance creditors	(169)	(950)	(21)	(1,400)
Other creditors	(3,419)	(20)	–	(3,439)
Total liabilities	(47,724)	(228,721)	(10,534)	(286,979)
Surplus/(deficiency) of assets	(15,364)	16,323	804	1,763

	£ £'000	US$ £'000	Can$ £'000	Total £'000
As at 31-12-14				
Financial investments	5,717	201,641	11,447	218,805
Reinsurers' share of technical				
Provisions	684	1,101	2	1,787
Insurance & reinsurance debtors	4,673	14,237	1,486	20,396
Cash at bank & overseas deposits	19,074	5,939	1,581	26,594
Other assets	9,146	5,637	(1,229)	13,554
Total assets	39,294	228,555	13,287	281,136
Technical provisions	(51,330)	(208,169)	(12,876)	(272,375)
Insurance & reinsurance creditors	(59)	(3,266)	(24)	(3,349)
Other creditors	(2,457)	(6)	(76)	(2,539)
Total liabilities	(53,846)	(211,441)	(12,976)	(278,263)
Surplus/(deficiency) of assets	(14,552)	17,114	311	2,873

All other currencies are converted to Sterling and no significant balance is held.

2.11 Interest Rate Risk

The syndicate's main exposure to fluctuation in interest rates arises from its effect on the valuation of funds invested in bonds. In order to mitigate this risk, the Board, monitors the economic situation to seek to anticipate any future interest rate movement and to take appropriate action to mitigate its effect on the value of investments held.

A large element of the Syndicate's investments comprise fixed income securities. The fair value of the investment in fixed income securities is inversely correlated to the movement in market interest rates. If market rates fall, the fair value of the Syndicate's fixed interest investments would tend to rise and vice versa. Fixed income assets are predominantly invested in high quality corporate, government and supranational securities. The investments typically have relatively short durations and terms to maturity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2 RISK MANAGEMENT continued

The fair value of the Syndicate's fixed income assets as at 31 December 2015 was £198m (2014: £190m). If interest rates increase bond values will fall, although future interest earnings should increase including on balances with banks and credit institutions. The following analysis shows only the sensitivity of bond values to movements in interest rates.

	2015 £'000	2014 £'000
Impact of a 50 basis point increase in interest rates on result & net assets	1,083	1,281
Impact of a 50 basis point decrease in interest rates on result & net assets	1,047	1,278

2.12 Credit Risk

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for the Syndicate are:

- Reinsurers: reinsurers may fail to pay valid claims against a reinsurance contract held by the Syndicate.
- Brokers and Intermediaries: counterparties fail to pass on premiums collected or claims paid on behalf of the syndicate.
- Investments: issuer default results in the Syndicate losing all or part of the value of a financial instrument.

The following ratings are based upon Standard & Poors classifications or other rating agencies classifications equivalents with AAA being the highest.

	AAA £000	AA £`000	A £'000	BBB £'000	Unrated £'000	Total £'000
As at 31-12-2015						
Debt securities and other fixed income Securities	–	16,018	98,790	83,217	–	198,025
Shares and other variable yield securities	205	7,143	27,798	–	189	35,335
Overseas deposits as investments	5,821	654	1,268	303	12	8,058
Reinsurers' share of claims outstanding	–	49	411	–	456	916
Cash at bank and in hand	12,370	–	–	–	–	12,370
Total credit risk	18,396	23,864	128,267	83,520	657	254,704
As at 31-12-2014						
Debt securities and other fixed income Securities	3,255	26,559	90,128	70,058	–	190,000
Shares and other variable yield securities	135	6,633	21,913	–	124	28,805
Overseas deposits as investments	5,914	520	1,315	399	15	8,163
Reinsurers' share of claims outstanding	–	173	829	–	598	1,600
Cash at bank and in hand	18,432	–	–	–	–	18,432
Total credit risk	27,736	33,885	114,185	70,457	737	247,000

Insurance receivables are not shown above but would be categorised as 'not rated' as a majority of the balance relates to insurance broker debt which falls outside credit rating requirements.

No syndicate assets are classified as past due except for insurance debtors of £372,290 (2014: £472,306).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2 RISK MANAGEMENT continued

Assets are classified as past due when the contractual payment is in arrears. An assessment is performed on all assets, which may result in an impairment charge being recorded in the profit and loss account if the Managing Agent considers this to be appropriate.

2.13 Annual Venture Risk

Under the Lloyd's annual venture regime, the syndicate has to show annually that it has enough supporting capital to carry on underwriting. To mitigate the risk that the syndicate will not have sufficient backing to continue to trade, the Managing Agent has adopted a policy of diversifying the syndicate's capital base, including using funds supplied by related parties to support the syndicate's underwriting.

2.14 Solvency Risk

In the event of extreme adverse claims experience, it is possible that the syndicate may not be able to settle its claim liabilities out of its own funds. In that event, the capital structure underpinning the syndicate is such that any deficits can be called from the syndicate's capital providers (members) in accordance with Lloyd's rules. In the event of any member being unable to fulfil its share of such a call, Lloyd's Central Guarantee Fund may, at Lloyd's discretion, be applied to make good any deficits for the benefit of policyholders.

2.15 Regulatory Risk

The Managing Agent is regulated by the PRA and Lloyd's in respect of its management of the syndicate. Failure to comply with applicable regulations could result in a variety of sanctions, the most extreme being a withdrawal of the right to underwrite business. The Managing Agent has established a business ethos in which best practice is the required standard for all operations, both in the commercial interests of the business and to ensure regulatory compliance. Management has also put in place appropriate monitoring structures to mitigate the risk of failing to meet this standard. An internal audit function supports the monitoring process, and the Compliance Officer and Risk Manager have direct reporting lines to the Audit Committee, itself composed of non-executive directors of the Managing Agent.

2.16 Operational Risk

Much of the effect of the syndicate's exposure to operational risks is reflected in the various other risk headings above, and is mitigated and managed through the exercise of the management controls and actions described above. The main additional exposures are in relation to business continuity, i.e. the risk that the ability of the syndicate to continue in business will be affected by events not reflected under other headings, for example the impact of terrorist activity, and in the management of relationships and arrangements with key individuals. In relation to the former, the Managing Agent maintains a Business Continuity Plan (BCP) which sets out the main anticipated risks, including those relating to the robustness and sustainability of IT infrastructure and business applications, and the arrangements to mitigate those risks. The BCP is monitored and updated regularly. In relation to the latter, the Managing Agent has established arrangements designed to achieve an appropriate commonality of interest between the syndicate and the individuals concerned, and these arrangements are reviewed periodically. In addition, the Managing Agent seeks to maintain a sufficient personnel resource with appropriate experience and expertise to reduce the dependence on any one individual so far as is practicably possible.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

3. ANALYSIS BY CLASS OF BUSINESS

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

2015	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Net operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct Insurance						
Accident and health	4,851	3,623	(2,105)	(1,486)	(13)	19
Motor (third party liability)	(301)	(155)	(4)	(29)	-	(188)
Motor (other classes)	2,135	2,308	(1,158)	(784)	-	366
Marine aviation and transport	477	698	(698)	(332)	-	(332)
Fire and other damage to property	20,821	21,162	(5,816)	(8,645)	(678)	6,023
Third party liability	18,364	16,933	(24,952)	(5,846)	63	(13,803)
Credit and suretyship	320	879	237	(288)	(14)	815
Totals	46,667	45,448	(34,496)	(17,410)	(642)	(7,100)
Reinsurance	21,107	22,818	(2,666)	(6,681)	(166)	13,305
Total	67,774	68,266	(37,162)	(24,091)	(808)	6,205

2014	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Net operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct Insurance						
Accident and health	4,354	3,533	(1,279)	(1,401)	(10)	843
Motor (third party liability)	396	314	341	(91)	-	564
Motor (other classes)	3,460	3,060	(737)	(764)	1	1,560
Marine aviation and Transport	194	430	(8)	(170)	(1)	251
Energy	(537)	(194)	449	(265)	(1)	(11)
Fire and other damage to property	22,891	23,139	(10,331)	(8,644)	(265)	3,899
Third party liability	13,951	13,556	(12,016)	(4,473)	(39)	(2,972)
Miscellaneous	1,989	2,038	(172)	(389)	38	1,515
	46,698	45,876	(23,753)	(16,197)	(277)	5,649
Reinsurance	21,732	23,692	(5,341)	(9,228)	(431)	8,692
Total	68,430	69,568	(29,094)	(25,425)	(708)	14,341

Total commissions for direct insurance written in the year amounted to £9.6m (2014: £9.9m).

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

3. ANALYSIS BY CLASS OF BUSINESS continued

To provide some indication of geographic spread of risks the following is an analysis of gross premiums earned by currency, which has been used as a proxy for risk location.

	2015 £'000	2014 £'000
United Kingdom	9,898	7,794
European Union (excluding UK)	2,000	2,978
United States	48,928	52,704
Other	7,440	6,092
Total	68,266	69,568

	2015 £'000	2014 £'000
Reinsurers' share of earned premiums	(555)	(663)
Reinsurers' share of incurred claims	(253)	(45)
(Loss) / profit arising from reinsurance ceded	(808)	(708)

4. CLAIMS INCURRED NET OF REINSURERS' SHARE

	2015 £'000	2014 £'000
Gross Technical Provisions		
Provision for unearned premiums	(36,507)	(35,927)
Claims outstanding	(245,893)	(236,448)
	(282,400)	(272,375)
Reinsurers' Share of Technical Provisions		
Provision for unearned premiums	117	187
Claims outstanding	916	1,600
	1,033	1,787
Net Technical Provisions		
Provision for unearned premiums	(36,390)	(35,740)
Claims outstanding	(244,977)	(234,848)
	(281,367)	(270,588)

Reconciliation of Movements in Year

2015	At 31-12-14 £'000	Mvt in Tech Ac £'000	Exch Mvt £'000	At 31-12-15 £'000
Gross provision for claims	(236,448)	1,302	(10,747)	(245,893)
Reinsurer's share of provision	1,600	(735)	51	916
Unearned premium	(35,928)	492	(1,071)	(36,507)
Reinsurer's share of unearned premium	187	(77)	7	117
Deferred acquisition costs	9,827	(716)	221	9,332

4. CLAIMS INCURRED NET OF REINSURERS' SHARE continued

2014	At 31-12-13 £'000	Mvt in Tech Ac £'000	Exch Mvt £'000	At 31-12-14 £'000
Gross provision for claims	(241,954)	16,229	(10,723)	(236,448)
Reinsurer's share of provision	2,074	(532)	58	1,600
Unearned premium	(35,611)	1,138	(1,454)	(35,927)
Reinsurer's share of unearned premium	371	(196)	12	187
Deferred acquisition costs	8,959	500	368	9,827

Claims development triangulations

Gross Claims Development as at 31 December 2015

Pure underwriting year Incurred gross claims	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	Total £'000
At the end of the underwriting year	39,417	37,962	28,108	34,347	22,870	
After one year	68,099	63,474	49,731	48,228		
After two years	70,907	62,925	50,429			
After three years	65,129	58,916				
After four years	62,764					
Gross ultimate claims on premium earned to date	62,764	58,916	50,429	48,228	22,870	243,207
Gross ultimate claims on premium earned to date for 2010 and prior years	1,273,782					1,273,782
Less gross claims paid	(1,197,956)	(33,301)	(22,508)	(14,789)	(2,542)	(1,271,096)
Gross outstanding claims reserve	138,591	25,614	27,921	33,438	20,329	245,893

Net Claims Development as at 31 December 2015

Pure underwriting year Incurred net claims	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	Total £'000
At the end of the underwriting year	39,374	37,864	28,063	34,304	22,827	
After one year	67,921	63,227	49,549	48,120		
After two years	70,790	62,689	50,262			
After three years	65,013	58,679				
After four years	62,648					
Net ultimate claims on premium earned to date	62,648	58,679	50,262	48,120	22,827	242,536
Net ultimate claims on premium earned to date for 2010 and prior years	1,145,754					1,145,754
Less net claims paid	(1,070,507)	(33,072)	(22,403)	(14,789)	(2,542)	(1,143,313)
Net outstanding claims reserve	137,895	25,607	27,859	33,331	20,286	244,977

The table above utilises the transition provisions available on adoption to show only 5 years development history.

The above analysis is shown in Sterling. Paid claims have been accounted for at historical exchange rates for each calendar year with the reserves at each year end retranslated using the latest reporting date exchange rate so as to prevent foreign exchange fluctuations obscuring the view of the claims development.

4. CLAIMS INCURRED NET OF REINSURERS' SHARE continued

The expected cashflows of the net technical provisions for outstanding claims is as follows:

	Less than 1 Year £'000	1-2 Years £'000	3-5 Years £'000	Over 5 Years £'000	Total £'000
Net technical provisions for outstanding claims	(41,401)	(85,987)	(54,630)	(62,959)	(244,977)

Significant movements in net claims provisions created at previous year end (positive values show increases in provisions):

	2015 £'000	2014 £'000
Accident and health	(1,192)	(2,038)
Fire & other damage to property	(4,903)	(4,581)
Third party liability	8,898	(1,828)
Property Reinsurance	(4,751)	(2,391)
Liability Reinsurance	(8,547)	(10,244)

With one exception, this is what should be expected with a conservative reserving policy. The exception, the strengthening of the third party liability reserves during 2015, is a consequence of it becoming clear that changes to the policy wordings given to contractors were not producing the forecast reductions in claims.

5. NET OPERATING EXPENSES

	2015 £'000	2014 £'000
Brokerage and commissions	15,593	18,322
Other acquisition costs	1,135	1,225
Acquisition costs	16,728	19,547
Change in deferred acquisition costs	716	(500)
Administrative expenses	6,647	6,378
	24,091	25,425
Administrative expenses include:		
Members' personal expenses	3,528	3,230
Fees Payable to the Syndicate's Auditors for:		
The audit of the Syndicate's accounts	80	80
Other services pursuant to legislation (e.g. Returns to Lloyd's)	51	47
Services relating to taxation	5	5
All other services	–	2
	136	134

NOTES TO THE FINANCIAL STATEMENTS

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6. EMPLOYEES

All staff are employed by the Managing Agency. The following amounts were recharged to the syndicate in respect of salary costs (this excludes any benefits where the costs are retained elsewhere in the Managing Agency):

	2015 £'000	2014 £'000
Wages and salaries	2,467	2,428
Social security costs	285	296
Other pension costs	217	249
	2,969	2,973

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

	No.	No.
Administration and finance	19	17
Underwriting	4	4
Claims	3	3
	26	24

7. 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:

	2015 £'000	2014 £'000
Emoluments	1,408	1,384
Contributions to defined contribution pension schemes	32	87
	1,440	1,471

The above total also represents Key Management Personnel Compensation as there are no other staff who are considered key management and there is no other compensation receivable by the Directors recharged to this syndicate.

Active Underwriter's emoluments:

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

Emoluments	244	244

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

NOTES TO THE FINANCIAL STATEMENTS

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8. INVESTMENT RETURN

	2015 £'000	2014 £'000
Income from investments	7,940	7,286
Gains on the realisation of investments	260	273
Investment income	8,200	7,559
Losses on realisation of investments	(7,612)	(3,486)
Investment expenses and charges	(7,612)	(3,486)
Unrealised gains on investments	1,818	370
Unrealised losses on investments	(1,020)	(2,264)
Net unrealised gains/(losses) on investments	798	(1,894)
Allocated investment return transferred to the technical account	1,386	2,179
Total Investment Return	1,386	2,179
The above is comprised of:		
Interest and dividend income from financial assets at fair value	7,940	7,286
Net realised and unrealised gains and losses from financial assets at fair value	(6,554)	(5,107)
	1,386	2,179

9. OTHER FINANCIAL INVESTMENTS

	Valuation		Cost	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Financial assets at fair value through profit or loss:				
Shares and other variable yield securities and units in unit trusts	35,335	28,805	35,394	28,435
Debt securities and other fixed income securities	198,025	190,000	202,103	194,586
	233,360	218,805	237,497	223,021

Fair value hierarchy

In accordance with FRS 102 paragraph 11.27 the above financial instruments and deposits with credit institutions carried at fair value have been classified by valuation method into three levels to estimate their fair values, with Level 1 being the most reliable. The definitions of these hierarchy levels are as follows:

- Level 1: Quoted prices in an active market for identical assets at the relevant date.
- Level 2: Where there is no quoted price, the price of a recent transaction of an identical asset provided that the price is considered to remain appropriate.
- Level 3: If neither of the above are applicable, by the use of a valuation technique to estimate the transaction price of an arm's length exchange under normal business considerations at the relevant date.

9. OTHER FINANCIAL INVESTMENTS continued

2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	7,655	27,667	13	35,335
Debt securities and other fixed income securities	198,025	-	-	198,025
Deposits with credit institutions	7,025	1,033	-	8,058
	212,705	28,700	13	241,418
2014				
Shares and other variable yield securities and units in unit trusts	7,719	21,077	9	28,805
Debt securities and other fixed income securities	190,000	-	-	190,000
Deposits with credit institutions	7,229	934	-	8,163
	204,948	22,011	9	226,968

Level 1 includes government and corporate bonds and equities based on listed prices on active markets.

Level 2 includes government and corporate bonds based upon prices supplied by investment managers and custodians and mutual funds invested in moneymarket investments.

Level 3 includes unquoted equities and other investment funds based upon net asset values provided by fund administrators.

10. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2015 £'000	2014 £'000
Due within one year:		
Intermediaries	8,803	5,465

11. DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

Due within one year	11,895	14,931

12. OTHER DEBTORS

Other debtors	809	580

13. CREDITORS

	2015 £'000	2014 £'000
Creditors arising out of Direct Insurance Operations:		
Due within one year:		
Intermediaries	363	1,674
Creditors arising out of Reinsurance Operations		
Due within one year:		
Intermediaries	777	1,675
Financial liabilities at amortised cost	1,140	3,349

Other creditors amounting to £3.439m (2014: £2.307m) include syndicate profit commission of £2.909m (2014: £2.093m).

NOTES TO THE FINANCIAL STATEMENTS

14. POST BALANCE SHEET EVENTS

The following amounts are proposed to be transferred to members' personal reserve funds during 2016 (2015).

	2015 £'000	2014 £'000
2013 Year of account (2012 Year of account)	12,423	8,676

15. YEAR OF ACCOUNT DEVELOPMENT

	2012 £'000	2013 £'000	2014 £'000	Calendar Years 2015 £'000	Cumulative Result £'000
Year of Account					
2012	(4,971)	(1,288)	15,465		9,206
2013		(6,508)	7,435	12,036	12,963
2014			(5,657)	1,678	(3,979)
2015				(5,592)	(5,592)
Calendar Year Result			17,243	8,122	

16. REGULATORY CAPITAL REQUIREMENTS

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 determined by Lloyd's according to the nature and the amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of that business. 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 New Central Fund controlled by Lloyd's which they may utilise to meet any syndicate liabilities that are not met by a member.

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulation Authority (PRA) under the Financial Services and Markets Act 2000 and in accordance with Solvency II legislation from 1 January 2016.

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II, and beyond that to meet its own financial strength, licence and ratings objectives.

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly the capital requirement in respect of Syndicate 727 is not disclosed in these financial statements.

Lloyd's capital setting process

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

16. REGULATORY CAPITAL REQUIREMENTS continued

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2016 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's), held within and managed within a syndicate (funds in syndicate) or as the member's share of the members' balances on each syndicate on which it participates.

There are no funds in the syndicate held for this syndicate, accordingly all of the assets less liabilities of the syndicate, as represented by the members' balances reported on the balance sheet represent resources available to meet members' and Lloyd's capital requirements.

17. RELATED PARTIES

(a) Lloyd's market regulations require that a Managing Agent is responsible for employing the underwriting staff and managing the affairs of each Syndicate at Lloyd's on behalf of the Syndicate members. The Managing Agent of Syndicate 727 is S A Meacock & Company Limited.

The underwriting participations of the Directors of S A Meacock & Company Limited, both as individual Names (unlimited and Nameco) and through their share in Meacock LLP, are shown below:

Underwriting Participations in years of account (£000s):

	2016 Account		2015 Account		2014 Account		2013 Account		2012 Account	
	£000's	%OPL	£000's	%OPL	£000's	%OPL	£000's	%OPL	£000's	%OPL
M P Bartlett (appointed 1 January 2014)	130	100	130	100	130	100	100	100	100	100
N N S Ford	350	100	350	100	350	100	300	100	163	100
K W Jarvis	450	100	450	100	450	100	450	100	271	100
D J Jones	200	100	200	100	200	100	150	100	81	100
J M Meacock	193	27	193	27	193	26	200	26	175	24
M J Meacock	4,227	55	4,086	53	4,086	48	4,086	51	4,086	50
A Taylor	736	100	736	100	736	100	886	100	585	100
Sir David Thomson Bt	1,594	34	1,480	32	1,480	30	1,380	28	1,281	26
D A Thorp	450	100	450	100	450	100	450	100	388	100
D K L White	–	–	–	–	–	–	–	–	–	–
Meacock LLP (other than those shown above, both current and former staff)	285	100	285	100	285	100	265	100	217	100

17. RELATED PARTIES continued

(b) Corporate member related to the Managing Agent:

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
2016	13,088,183

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

	2012-2016 ORD. 25P	%SHARE CAP
C N Jarvis (wife of K W Jarvis)	83,000	1.57
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) Amounts due to/from members for each underwriting year for the above members are calculated and distributed in the same way as for all other members, and are included in the total of £1.763m (2014: £2.873m) shown as Members' Balances in the balance sheet as at 31 December 2015.

Directors of S A Meacock & Company Limited and related companies of S A Meacock & Company Limited entered into transactions with the syndicate as follows:-

(d) Members' expenses, being agent's fees and profit commission payable to the Managing Agent, and subscriptions and Central Fund contributions paid to Lloyd's, are charged on an underwriting year of account, rather than calendar year basis. For the 2015 underwriting year of account S A Meacock & Company Limited has charged an agent's fee of 0.6% of capacity and, when the year of account result is finalised, usually after 36 months, will charge a profit commission of 20% of the relevant profit (2014: 0.6% and profit commission 20%). Within the annual accounts for the 2015 calendar year, fees of £0.480m and profit commission of £2.678m have been reflected within net operating expenses (2014: fees £0.485m and profit commission £2.324m). At 31 December 2015 there are no unpaid fees but profit commission of £2.909m (2014: £2.324m) was unpaid.

(e) The Managing Agent incurs a large proportion of the expenses incurred in operating the Syndicate and recharges them to the Syndicate on a basis that reflects the Syndicates use of resources. The recharges are included within amounts disclosed as net operating expenses, acquisition costs, claims incurred and investment expenses and charges. Included within the recharges are amounts relating to the remuneration of Directors of S A Meacock & Company Ltd. The total amount recharged by the Managing Agent to the Syndicate during 2015 was £3,269m (2014: £3,323m) excluding agent fees and profit commission. As at 31 December 2015 an amount of £0.075m was due to the Managing Agent in relation to expenses (2014: £0.085m).

17. RELATED PARTIES continued

(f) 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.

(g) 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.

(h) 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.

(i) The following other 'close family' members of Mr M J Meacock also participated on syndicate 727, on standard terms:

	2016 ACCOUNT £000's	2015 ACCOUNT £000's	2014 ACCOUNT £000's	2013 ACCOUNT £000's	2012 ACCOUNT £000's
C E Meacock (son)	182	182	182	182	182
J W S Meacock (son)	193	193	193	187	175
Mrs R J R Meacock (wife)	626	626	626	626	626
W T R Meacock (son)	160	160	160	160	160

(j) There were no unpaid balances due to the syndicate at 31 December 2015 from any of the members detailed in notes 19(a) and 19(i) above.

(k) 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, the Risk Committee and the Conduct 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.

(l) 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 2015 the company received profit commission of £nil (2014: £98,756).

18. PENSION OBLIGATIONS

The Managing Agent operates a defined contribution scheme for its employees including syndicate staff. The cost of the contributions made for the year recharged to the syndicate was £0.12m (2014: £0.25m) and there were no outstanding or prepaid contributions at the end of this year or the previous year.

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19. TRANSITION TO FRS102

Under previous UK GAAP, the definition of a foreign branch included assets and liabilities accounted for in a foreign currency. FRS 102 requires that a foreign operation must be an entity. Hence, assets and liabilities denominated in a foreign currency no longer constitute a foreign operation and are not retranslated at the closing rate with exchange differences reported previously through the Statement of Recognised Gains and Losses (STRGL) or now Statement of Other Comprehensive Income (SOCI). Instead under FRS 102, monetary items are retranslated at the closing rate with exchange differences reported through the non-technical account and any non-monetary items are not retranslated. Previously any exchange amounts through the profit or loss account were reported through the technical account.

Any non-monetary items are translated into the functional currency using transactional rates/monthly average rate of exchange prevailing at the time of the transaction as a proxy for transactional rates. However, FRS103 states that insurance assets and liabilities (Unearned Premiums (UPR) and Deferred Acquisition Costs (DAC), that were previously considered non-monetary items, are now required to be treated as monetary items. This is a change in accounting policy from 1 January 2014. These assets and liabilities have been retranslated at period end to functional currency at the closing rate and the resulting exchange differences have been reported through the Profit and Loss – Non-technical Account.

In accordance with FRS 102 section 3.12, the applicable comparative figures in the primary statements and notes have been restated to reflect the uniform application of the new accounting policy outlined in Note 1.3.

The financial effect of restating the prior year amounts for the changes in accounting policy is as follows:

	£'000	£'000
Opening members' balances at 1 January 2014	–	(12,767)
Effect of exchange result in Statement of Recognised Gains and Losses transferred to Non-technical Account – Other Charges in 2014	(983)	
Effect of exchange result in Technical Account – Net Operating Expenses transferred to Non-technical Account – Other Charges in 2014	259	
Amount of exchange result transferred into Non-technical Account – Other Charges in 2014	724	
Change in result for the year ended 31 December 2014		
Closing members' balances at 31 December 2014		(12,767)

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