Important information about Syndicate Reports and Accounts

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

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

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

Marketform

2007 Underwriting year Accounts

Marketform Managing Agency Limited
Syndicate 2468

At 31 December 2015

Table of contents

Directors and administration

Managing agent
Marketform Managing Agency Limited

Directors

J E Mumford	Non-executive Chairman
M R D Reith	Chief Executive Officer
P V Olsen	Non-executive
A J Walker	Non-executive

Syndicate secretary
A G C McKay

Managing agent's registered number
03584320

Managing agent's address
20 Gracechurch Street
London
EC3V 0BG

Active underwriter
Darren Lednor

Auditors
Ernst & Young LLP, London

Bankers
Barclays Bank plc
One Churchill Place
London
E14 5HP

Solicitors
Clyde & Co

Consulting actuaries
Towers Watson

Registered office
20 Gracechurch Street
London
EC3V 0BG

Managing agent's report

The directors of Marketform Managing Agency Limited ("the Managing Agent") present their report at 31 December 2015 for the 2007 year of account in run-off, of Syndicate 2468 ("the Syndicate").

The syndicate underwriting year accounts have been prepared under the 2008 Regulations and in accordance with the Syndicate Accounting Byelaw (No.8 of 2005) and applicable accounting standards in the United Kingdom. Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103) have been applied to the extent that they are relevant for a proper understanding of the underwriting year accounts.

Review of the 2007 run-off year of account

The Syndicate's allocated stamp capacity for the 2007 underwriting year was £100m. The balance on the technical account at 31 December 2015 is a deficit of £200.8m which represents an improvement in the year of £11.1m.

Due to the continuing uncertainty on the Italian Public Hospital Medical Malpractice reserves the Board of the Managing Agent has resolved to leave the 2007 year of account open. The Syndicate ceased underwriting this business from the 2008 year of account. The board of the Managing Agent has elected to keep the year open at this time because the book has not developed to the level of maturity necessary to close the year. As at Q4 2015, the net outstanding claims and net IBNR for Italian Public Hospitals amount to £65.5m. A segmental analysis, showing the underwriting result by class of business, is presented in note 2 to the accounts.

Managing agent's report (continued)

Directors

The current directors of the managing agent are shown on page 2. Changes to directors since 1 January 2015 are as follows:

Name	**Date of appointment**
A G C McKay	1 April 2015
M R D Reith	3 December 2015

Name	**Date of resignation**
V Badal	5 February 2016
S Barr	29 October 2015
S P Lotter	3 December 2015
J G F O'Neill	12 February 2016
A S Ribaudo	5 February 2016

Disclosure of information to the auditors

In the case of each of the persons who are directors of the Managing Agent at the time the report is approved:

- So far as the director is aware, there is no relevant audit information, being information needed by the Syndicate auditor in connection with the auditors' report, of which the auditor is unaware; and
- Having made enquiries of fellow directors of the agency and the syndicate's auditor, each director has taken all the steps that he or she ought to have taken as director to become aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Reappointment of auditors

Ernst & Young LLP have indicated their willingness to continue in office as the Syndicate's auditors.

On behalf of the Board

M. Reith

M R D Reith
Chief Executive Officer

22 March 2016

Statement of managing agent's responsibilities

The Lloyd's Syndicate Accounting Byelaw (No 8 of 2005) requires the Managing Agent to prepare run-off underwriting year accounts at 31 December in respect of any syndicate year that is in run-off.

In preparing the run-off underwriting year accounts, the managing agent is required to:

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

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

The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Independent auditors' report to the members of Syndicate 2468

We have audited the syndicate underwriting year accounts for the 2007 run-off year of account of syndicate 2468 ('the syndicate') for the nine years ended 31 December 2015, which comprise the Income Statement, the Statement of Members' Balances, the Statement of Financial Position, the Statement of Cash Flows, the related notes 1 to 23 and the Statement of Managing Agent's Responsibilities. The financial reporting framework that has been applied in their preparation is applicable law, the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'.

This report is made solely to the syndicate's members, as a body, in accordance with the Lloyd's 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the managing agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 5, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with the financial reporting framework described above. Our responsibility is to audit and express an opinion on the syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate underwriting year accounts

An audit involves obtaining evidence about the amounts and disclosures in the syndicate underwriting year accounts sufficient to give reasonable assurance that the syndicate underwriting year accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the syndicate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the managing agent; and the overall presentation of the syndicate underwriting year accounts. In addition, we read all the financial and non-financial information in the Underwriting Year Accounts to identify material inconsistencies with the audited syndicate underwriting year accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on syndicate underwriting year accounts

In our opinion the syndicate underwriting year accounts for the 2007 run-off year of account have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Independent auditors' report to the members of Syndicate 2468 (continued)

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.

Emphasis of matter – quantification of insurance contract liabilities

In forming our opinion on the underwriting year accounts, which is not modified, we have considered the adequacy of the disclosures made by the managing agent in the managing agent's report, relating to the uncertainty regarding the ultimate cost of a reinsurance to close which has resulted in the managing agent deciding to not close the 2007 run-off year of account. The ultimate estimate of the reinsurance to close is subject to significant uncertainty and may differ materially from the estimate that is currently provided in the underwriting year accounts.

Ernst & Young LLP

Stuart Wilson (Senior statutory auditor)

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

London

22 March 2016

Income Statement
Technical account – General business
For the year ended 31 December 2015

	Notes	Calendar year 2015 £000	Cumulative balance to 31 December 2015 £000
Gross premiums written	2	(5,009)	117,439
Outward reinsurance premium		538	(13,925)
Net written premiums		(4,471)	103,514
Reinsurance to close premium received Net of reinsurance	3	-	198,087
		(4,471)	301,601
The amount retained to meet all known and unknown outstanding liabilities, net of reinsurance, brought forward		144,445	-
Allocated investment return transferred from the non-technical account		(435)	22,980
Claims paid			
- Gross amount		(11,266)	(417,327)
- Reinsurers' share		5,821	106,413
Claims incurred, net of reinsurance		(5,445)	(310,914)
The amount retained to meet all known and unknown outstanding liabilities, net of reinsurance, carried forward	4	(104,850)	(104,850)
Net operating expenses	5	798	(77,839)
Balance on technical account - general business		30,042	(169,022)

Income Statement
Non-technical account – General business
For the year ended 31 December 2015

	Notes	*Calendar Year*	*Cumulative balance to 31 December*
		2015	*2015*
		£000	*£000*
Balance on technical account - general business		30,042	(169,022)
Investment return	10	(411)	26,101
Unrealised gains on investments		(234)	9,104
Investment expenses and charges	10	309	(6,776)
Unrealised losses on investments		(99)	(5,449)
Allocated investment return transferred to the general business technical account		435	(22,980)
Foreign exchange gains and losses		(18,906)	(31,778)
Result for the year ended 31 December 2015 for the 2007 run-off year		11,136	(200,800)

As a result of transition to FRS 102 and FRS 103 on 1 January 2015, foreign exchange losses are no longer shown in the technical account and are instead shown within the non-technical account. This change does not affect the members' balance.

Other than the items reported in the income statement the Syndicate has no items of other comprehensive income in any of the periods for which the financial statements are presented. In accordance with FRS 102.3.19 the Syndicate only presents an income statement and does not present a statement of comprehensive income.

Statement of changes in members' balances
For the year ended 31 December 2015

	£000
Loss for the 2007 run-off year of account	(200,800)
Cash calls made	165,000
Interim transfers to members' personal reserve funds	(3,525)
Amounts due from members at 31 December 2015	(39,325)

Statement of financial position
As at 31 December 2015

	Notes	2015 £000
ASSETS		
Investments		
Financial investments	11	40,144
Reinsurers' share of technical provisions		
Claims outstanding		24,635
		24,635
Debtors		
Debtors arising out of direct insurance operations		1
Debtors arising out of reinsurance operations		2,443
Other debtors		15,335
	12	17,779
Cash and other assets		
Cash at bank and in hand		3,189
Other assets	14	4,865
		8,054
Total assets		90,612

In accordance with the Syndicate Accounting Byelaw, headings and sub-headings have been omitted where there is no amount to be shown.

Statement of financial position (continued)
As at 31 December 2015

	Notes	2015 £000
MEMBERS' BALANCE AND LIABILITIES		
Members' balances	13	(39,325)
Technical provisions		
Provision for unearned premiums		-
Claims outstanding		129,472
		129,472
Creditors		
Creditors arising out of direct insurance operations		-
Creditors arising out of reinsurance operations	15	39
Other creditors	15	278
		317
Accruals and deferred income		148
Total liabilities		129,937
Total members' balances and liabilities		90,612

The financial statements and the notes on pages 14 to 31 were approved by the board of directors on 22 March 2016 and were signed on its behalf by:

M. Reith

M R D Reith
Chief Executive Officer

Statement of cash flows
For the year ended 31 December 2015

	Notes	2015
		£000
Reconciliation of Operating loss to net cash inflow from operating activities		
Loss on ordinary activities		(200,800)
Net amount retained to meet all known and unknown liabilities	4	104,850
Increase in debtors / creditors		(17,475)
Increase in net derivative balance		(2,180)
Increase in accruals and deferred income		148
Changes in market value and exchange rates		115
Net cash inflow from operating activities		(115,342)
Financing activities		
Transfer to members in respect of underwriting participations		(3,525)
Cash calls		165,000
Net cash inflow from financing activities		161,475
Increase in cash and cash equivalents	17	46,133
Cash flows were invested as follows:		
Cash and cash equivalents		3,189
Overseas deposits		4,865
Net portfolio investments	18	38,079
Net investment of cash flows		46,133

The increase in cash holdings of £3,189k is the figure shown on the statement of financial position as cash at bank and in hand. The net cash inflow of £46,133k represents the cumulative inflow of cash and cash equivalents relating to the 2007 underwriting year, as at 31 December 2015.

Notes to the financial statements
For the 2007 year of account at 31 December 2015

1. Accounting policies
1.1. Statement of compliance

The syndicate underwriting year accounts have been prepared under the 2008 Regulations and in accordance with the Syndicate Accounting Byelaw (No.8 of 2005) and applicable accounting standards in the United Kingdom. Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103) have been applied to the extent that they are relevant for a proper understanding of the underwriting year accounts.

As permitted by FRS 103 the Syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

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

1.2. Basis of preparation

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2007 run-off year of account. Consequently the balance sheet represents the assets and liabilities of the 2007 run-off year of account and the profit and loss account and cash flow statement reflect the transactions for that year of account during the eight year period from inception to the reference date.

1.3. Significant accounting policies

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

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

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

1.3. Significant accounting policies (continued)

Claims paid and related recoveries

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

Amount retained to meet all known and unknown outstanding liabilities

The net amount retained to meet all known and unknown outstanding liabilities is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported), net of estimated collectible reinsurance recoveries, relating to the run-off year of account and all previous years of account reinsured therein.

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

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

The two most critical assumptions as regards claims estimates are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The directors consider that the estimates of gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the amount retained so determined.

Foreign currencies

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

All monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date or if appropriate at the forward contract rate. Exchange differences are recorded in the non-technical account.

1.3. Significant accounting policies (continued)

Investments

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

Investment return

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

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price.

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

Operating expenses

Expenses are incurred by the Managing Agent in the administration of managed syndicates. These expenses are incurred jointly for the Managing Agent and the Syndicate and are apportioned according to the amount of work performed, resources used and the volume of business transacted. Syndicate expenses are allocated to the year of account for which they are incurred, regardless of when they are actually paid.

Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year are included in the technical account under the heading 'net operating expenses'. No provision has been made for any other overseas tax payable by Members on underwriting results.

Pension costs

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

1.4 Judgements and key sources of estimation uncertainty

Management makes judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for cumulative revenues and expenses. Actual outcomes could differ from those estimates. Key sources of estimation uncertainty are:

Insurance contract technical provisions
Estimates are made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty.

Actuarial projection techniques are used to calculate the ultimate cost of outstanding claims. The main assumption underlying these techniques is that past claims development experience can be used to project future claim development and hence ultimate claims cost. The provision for claims outstanding is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. Provision also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date based on statistical methods.

Estimates of future premiums
For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. The main assumption underlying these estimates is that past premium development can be used to project future premium development.

2. Segmental analysis

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

	Gross premiums written £000	*Gross claims incurred £000*	*Gross operating expenses £000*	*Reinsurance balance £000*	*Total £000*
Third party liability	108,571	(123,841)	(44,879)	23,672	(36,477)
Accident & Health	5,292	(2,436)	(746)	257	2,367
Reinsurance acceptances	3,576	(3,958)	(5,181)	(131)	(5,694)
	117,439	(130,235)	(50,806)	23,798	(39,804)
RITC brought forward	198,087	(416,579)	(27,033)	93,327	(152,198)
Total	315,526	(546,814)	(77,839)	117,125	(192,002)

Gross premiums written are treated as fully earned. Gross claims incurred comprise gross claims paid and gross reinsurance to close premium payable. Gross operating expenses are the same as net operating expenses shown in the income statements, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses.

The reinsurance balance comprises reinsurance premiums ceded less reinsurance recoveries on claims paid and reinsurance recoveries anticipated on the reinsurance to close payable. All premiums written are in respect of contracts concluded in the UK.

The geographical analysis of the premiums is as follows:

	£000
UK	222,773
EU	32,178
Other	60,575
	315,526

3. Reinsurance To Close premium receivable

At 31 December 2015	*£000*
Gross notified outstanding claims	190,566
Reinsurance recoveries anticipated	(54,516)
Net notified outstanding claims	136,050
Provision for gross claims incurred but not reported	96,320
Reinsurance recoveries anticipated	(34,283)
Provision for net claims incurred but not reported	62,037
Reinsurance premium to close the 2006 year of account	198,087

4. Amounts retained to meet all known and unknown liabilities

At 31 December 2015	*£000*
Gross notified outstanding claims	96,535
Reinsurance recoveries anticipated	(19,034)
Net notified outstanding claims	77,501
Provision for gross claims incurred but not reported	32,952
Reinsurance recoveries anticipated	(5,603)
	27,349
	104,850

There has been continued incurred movement in 2015 on Italian Public Hospitals within the medical malpractice class. The ultimate amounts of these claims (both gross and net of reinsurance) are subject to uncertainty; this uncertainty has reduced and now stabilised. Given the historical uncertainty, and a change of capital providers between the 2007 and 2008 years of account, the board considered it appropriate to leave the 2007 year of account open at 31 December 2009. The board has elected to keep the year open at 31 December 2015.

The settlement of these claims continues to be managed ,net claims provisions for Italian Public Hospitals on the 2007 & prior years of account amount to £65.5 million as at 31 December 2014 (2007 & prior years at 31 December 2014 £104.6 million).

5. Net operating expenses

	Calendar year 2015 £000	*Cumulative to 31 December 2015 £000*
Administrative expenses		
- Audit of Syndicate accounts and Lloyd's returns	11	304
- Taxation compliance services	4	23
- Other administrative expenses	1,322	15,634
Total administrative expenses	1,337	15,961
Members' standard personal expenses	-	2,250
Acquisition costs	(2,135)	32,595
	(798)	50,806
RITC balance brought forward	-	27,033
Net operating expenses	(798)	77,839

Within the audit fee above, £67,000 was paid to previous auditors of the Syndicate.

6. Auditors' remuneration

	Cumulative to 31 December 2015 £000
Audit of the Syndicate annual accounts	304
Tax compliance services	23
	327

7. Staff costs

All staff are employed by the Managing Agent. The following amounts were recharged to the 2007 year of account:

	Calendar Year 2015 £000	*Cumulative to 31 December 2015 £000*
Wages and salaries	1,139	13,639
Social security costs	4	490
Other pension costs	106	1,229
	1,249	15,358

The average number of employees employed by the Managing Agent, working for the Syndicate during the nine years was:

	Calendar Year Number	*Nine years Number*
Administration and Finance	79	50
Underwriting	61	38
Claims	23	17
	163	105

8. Directors' emoluments

The directors of the Managing Agent received the following aggregate remuneration charged to the Syndicate and included within net operating expenses.

	Calendar Year 2015 £000	*Cumulative to 31 December 2015 £000*
Aggregate remuneration in respect of qualifying services	-	1,908

The active underwriter received the following remuneration charged as a Syndicate expense:	*Calendar Year 2015 £000*	*Cumulative to 31 December 2015 £000*
Aggregate remuneration in respect of qualifying services	-	324

9. Balance on Technical Account

	Calendar Year 2015 £000	*Cumulative to 31 December 2015 £000*
Balance excluding investment return and operating expenses, including acquisition costs:		
Profit /(loss) attributable to the 2007 pure year of account	4,919	(41,873)
Profit/(loss) attributable to business reinsured into the 2007 year of account	26,894	(131,918)
	31,813	(173,791)
Allocated investment return transferred from the non-technical account	(435)	22,980
Net operating expenses excluding acquisition costs	(1,336)	(18,211)
	(1,771)	4,769
Balance on technical account – general business	30,042	(169,022)

As a result of transition to FRS 102 and FRS 103 on 1 January 2015, foreign exchange losses are no longer shown in the technical account and are instead shown within the non-technical account. This change does not affect the members' balance.

10. Investment return

	Calendar year	*Cumulative balance to 31 December 2015*
	£000	*£000*
Investment income		
Income from investments	(302)	20,003
Gains on realisation of investments	(109)	6,098
	(411)	26,101
Investment expenses and charges		
Investment management expenses, including interest	17	(1,647)
Losses on the realisation of investments	(326)	(5,129)
	309	(6,776)

11. Investments

	Market value at 31 December 2015	*Purchase price*
	£000	*£000*
Shares and other variable yield securities	28,184	28,246
Debt and other fixed income securities	9,780	9,833
	37,964	38,079
Derivatives	2,180	-
	40,144	38,079

12. Debtors arising out of direct insurance operations

	£000
Arising out of direct insurance operations, due from intermediaries	1
Arising out of reinsurance operations, due from intermediaries	2,443
Other debtors	15,335
	17,779

All debtors are due within one year.

13. Amounts due from Members

	£000
Loss for the 2007 run-off year of account	200,800
Cash calls made	(165,000)
Interim transfer to members' personal reserve funds	3,525
	39,325

14. Other assets

Other assets of £4,865k comprise of overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

15. Creditors due within one year

	£000
Arising out of direct insurance operations, due to intermediaries	-
Arising out of reinsurance operations	39
Other Creditors	278
	317

16. Movement in opening and closing portfolio investments, net of financing

	Cumulative to 31 December 2015 £000
Net cash inflow from the nine years	3,189
Cash flow from overseas deposits	4,865
Cash flow from portfolio investments	38,079
Movement arising from cash flows	46,133
Changes in market value and exchange rates	(115)
Portfolio at 31 December 2015	46,018

17. Movement in cash, portfolio investments and financing

	Cash flow £000	*Changes to market value and currency £000*	*At 31 December 2015 £000*
Shares and other variable yield securities	28,246	(61)	28,185
Debt and other fixed income securities	9,833	(54)	9,779
	38,079	(115)	37,964
Cash at bank and in hand	3,189	-	3,189
Overseas deposits	4,865	-	4,865
	46,133	(115)	46,018

18. Net cash flow on portfolio investments

	Cumulative to 31 December 2015 £000
Purchase of shares and other variable yield securities	229,413
Purchase of debt securities and other fixed income securities	1,237,922
Sale of shares and other variable yield securities	(201,167)
Sale of debt securities and other fixed income securities	(1,228,089)
Net cash inflow on portfolio investments	38,079

19. Risk management

(a) Governance framework

The Managing Agent has established a risk management function for the Syndicate with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. A Syndicate policy framework which sets out the risk profiles for the Syndicate, risk management, control and business conduct standards for the Syndicate's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Syndicate.

(b) Capital management objectives, policies and approach

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000. Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's meets its own financial strength, licence and ratings objectives. The Lloyd's capital setting processes uses a capital requirement set at Syndicate level as a starting point and a capital uplift is applied at member level.

Provision of capital by members of Syndicate 2468

The Syndicate is comprised of a number of underwriting members of Lloyd's. Each member is only liable for its own share of underwriting liabilities on the Syndicate on which it participates. All of the assets required by the members of Syndicate 2468 (over and above their net assets) are held as funds at Lloyds. The Syndicate also benefits from mutualised capital within the Lloyd's Central Fund.

Participation on the 2007 underwriting year was as follows:

	2007 Participation	*2007 Premium limit £000*
Lavenham Underwriting Limited	15.5%	15,500
Sampford Underwriting Limited	16.5%	16,500
SCOR Underwriting Limited	39%	39,000
Hermanus Underwriting Limited	15%	15,000
Ebury Underwriting Limited	14%	14,000
Total	100%	100,000

(c) Insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the riming thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefit paid and subsequent development of long-term claims. Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities. Risk exposure is mitigated by diversification across a large portfolio of insurance contracts.

19. Risk Management (continued)

Claims development table

The following table shows the estimate of cumulative incurred claims, including both notified and IBNR for the 2007 underwriting year at each reporting date, together with cumulative payments to date. All of the amounts shown in the tables are in converted sterling amounts.

The Syndicate gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. Uncertainty associated with the ultimate claims experience in an underwriting year is greatest when the underwriting year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

	2007	*2007*
	Gross	*Net*
	£000	*£000*
Estimate of cumulative claims incurred		
At end of underwriting year	24,838	21,698
12 months later	62,399	54,343
24 months later	405,602	312,935
36 months later	494,616	369,362
48 months later	547,263	414,620
60 months later	560,777	401,009
72 months later	557,603	431,987
84 months later	554,229	431,809
96 months later	546,799	422,618
Current estimate of cumulative claims incurred	546,799	422,618
Cumulative paid claims		
At end of underwriting year	(531)	(531)
12 months later	(3,433)	(3,433)
24 months later	(58,097)	(57,912)
36 months later	(117,304)	(105,964)
48 months later	(200,409)	(160,486)
60 months later	(272,171)	(216,367)
72 months later	(344,678)	(265,114)
84 months later	(386,027)	(295,015)
96 months later	(417,327)	(317,781)
Cumulative payments to date	(417,327)	(317,781)
Total outstanding claims provision per the statement of financial position	129,472	104,837

19. Risk Management (continued)

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The tables below show the maximum exposure to credit risk for the components of the statement of financial position.

31 December 2015	*Neither past due nor impaired*	*Impaired*	*Past due*	*Total*
	£000	*£000*	*£000*	*£000*
Shares and other variable yield securities	28,185	-	-	28,185
Other financial investments				
- Debt securities	9,780	-	-	9,780
- Derivative assets	2,180	-	-	2,180
Overseas deposits	4,865	-	-	4,865
Reinsurers' share of claims outstanding	24,635	-	-	24,635
Debtors arising out of direct insurance operations	1	-	-	1
Debtors arising out of reinsurance operations	1,837	-	4	1,841
Other debtors	1	-	-	1
Cash at bank and in hand	3,189	-	-	3,189
	74,673	-	4	74,677

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2015 by classifying assets according to Standard & Poor's credit ratings of the counterparties. AAA is the highest possible rating. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

31 December 2015	*AAA*	*AA*	*A*	*BBB*	*Less than BBB*	*Not rated*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Shares and other variable yield securities	-	-	-	-	-	28,185	28,185
Other financial investments							
- Debt securities	5,332	2,036	1,638	774	-	-	9,780
- Derivative assets	-	-	2,179	-	-	-	2,179
Overseas deposits	2,970	1,081	454	353	-	7	4,865
Reinsurers' share of claims outstanding	-	1,957	22,259	-	-	419	24,635
Debtors arising out of reinsurance operations	-	146	1,663	-	-	31	1,840
Cash at bank and in hand	-	-	3,189	-	-		3,189
	8,302	5,220	31,382	1,127	-	28,642	74,673

19. Risk Management (continued)

(e) Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations associated with the financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out flows and expected reinsurance recoveries. The table below summarises the maturity profile of the Syndicate's financial liabilities based on remaining undiscounted contractual obligations, including interest payable, and outstanding claim liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities.

31 December 2015	*Carrying amount £000*	*Up to one year £000*	*1-3 years £000*	*3-5 years £000*	*5-10 years £000*	*Over 10 years £000*
Outstanding claim liabilities	129,472	34,235	44,956	24,634	22,664	2,983
Creditors arising out of direct insurance	-	-	-	-	-	-
Creditors arising out of reinsurance	39	39	-	-	-	-
Other creditors	24	22	2	-	-	-

(f) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk, and equity price risk. These risks are discussed below:

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Syndicate's functional currency is Sterling and its exposure to foreign exchange risk arises primarily with respect to transactions in Euro, US dollars, Australian dollars, and Canadian dollars.

The table below summarises the exposure of the financial assets and liabilities to foreign exchange risk at the reporting date (as converted Sterling amounts), as follows:

Converted £000	UK £	US $	EUR €	CAD $	AUD $	Total
As at 31 December 2015						
Total assets	16,218	2,338	41,973	11,627	3,123	75,279
Total liabilities	111,942	(542)	(209,029)	(29,443)	(2,865)	(129,937)
Net assets	128,160	1,796	(167,056)	(17,816)	258	(54,658)

The difference between the total assets shown above of £75,279k and the figure shown in the statement of financial position of £90,612k is the net inter-year loan balance of £15,333k. This balance corresponds to investment held in other years of account within the Syndicate and does not present any currency risk to the 2007 year of account.

The Syndicate employs a hedging strategy of purchasing currency forward contracts to protect against currency fluctuations in the members' balance.

19. Risk Management (continued)

(ii) Interest rate risk

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit and members' balance of the effects of changes in interest rates on:

Changes in variables	*Impact on profit*	*Impact on members' balance*
	£000	*£000*
31 December 2015		
+50 basis points	(214)	(214)
-50 basis points	214	214

(iii) Equity price risk

The analysis below is performed for reasonable possible movements in market indices on financial instruments, insurance assets and liabilities with all other variables held constant, showing the impact on profit before tax due to changes in fair value of financial assets and liabilities.

Changes in stock market prices	*Impact on profit*	*Impact on members' balance*
	£000	*£000*
31 December 2015		
5% increase	1,409	1,409
5% decrease	(1,409)	(1,409)

20. Related Parties

The Managing Agent's immediate parent company is Marketform Holdings Limited. The Managing Agent's ultimate UK holding company is Marketform Group Limited. Both the immediate and ultimate UK parent company are registered in England and Wales at 20 Gracechurch Street, London, EC3V 0BG, United Kingdom. The ultimate parent company is American Financial Group Inc, a company incorporated in Ohio, USA. Copies of their Financial Statements may be obtained from 301 E 4th Street, Cincinnati, Ohio.

Managing agency fees of £750k were charged to the Syndicate by the Managing Agent. These fees are calculated as 0.75% of the Syndicate's approved stamp capacity of the 2007 underwriting year. The approved stamp capacity of the Syndicate for the 2007 underwriting year was £100 million.

Key management personnel are working for the Syndicate are employed by the Managing Agent. The cost of such personnel has been allocated to the 2007 underwriting year in proportion to the time spent on Syndicate activities relating to the 2007 underwriting year. These costs are presented in note 8.

There are no other transactions or arrangements to disclose.

21. Transition to FRS 102 and FRS 103

The Syndicate transitioned from previously extant UK GAAP to FRS 102 and FRS 103 as at 1 January 2014. There has been no impact on the members' balance as a result of this transition.

Presentation changes resulting from transition to FRS 102 and FRS 103 have been explained within the accounts where necessary. The most significant presentational change has been that foreign exchange gains and losses previously shown within the technical account are now included within the non-technical account, this has no net impact on the result or on the members' balance.

22. Funds at Lloyd's

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

The level of FAL that Lloyd's requires a Member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the Member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these financial statements by way of such capital resources. However, the Managing Agent is able to make a call on the Members' FAL to meet liquidity requirements or to settle losses suffered by the Syndicate. In the event that a Members FAL is exhausted the application can be made for any shortfall to be met from the Lloyd's Central Fund.

23. Off-balance sheet items

The Syndicate has not been party to an arrangement, which is not reflected in its statement of financial position, where material risks and benefits arise for the Syndicate.

Seven year summary

Year of Account		*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007* run-off after 9 years
Syndicate allocated capacity (£'000)		20,000	53,800	91,000	99,400	100,000	100,000	100,000
Number of participating Members		1	3	5	5	5	5	5
Aggregate net premiums (£'000)	1	13,048	32,355	60,577	61,428	58,558	77,822	70,919
Results for an Illustrative share of £10,000	2							
Gross premiums	1	12,875	10,565	8,035	7,535	7,125	9,246	8,484
Net premiums	1	6,524	6,014	6,657	6,180	5,856	7,782	7,092
Premiums for reinsurance to close earlier year of account		6,692	4,749	4,881	7,261	10,578	15,899	17,105
Net claims		(3,425)	(1,730)	(2,171)	(1,645)	(2,158)	(4,008)	(31,091)
Premiums for reinsurance to close the year of account		(12,821)	(8,111)	(8,128)	(10,076)	(13,570)	(20,840)	-
Amounts retained to meet all known and unknown outstanding liabilities		-	-	-	-	-	-	(10,485)
Underwriting result		**(3,030)**	**922**	**1,239**	**1,720**	**706**	**(1,167)**	**(17,379)**
Profit/(loss) on exchange		591	186	122	(211)	345	(134)	(3,178)
Syndicate operating expenses		(1,099)	(693)	(542)	(503)	(528)	(574)	(1,596)
Balance on technical account		**(3,538)**	**415**	**819**	**1,006**	**523**	**(1,875)**	**(22,153)**
Investment return	3	682	642	478	433	725	1,015	2,298
(Loss)/Profit before illustrative personal expenses	4	**(2,856)**	**1,057**	**1,297**	**1,439**	**1,248**	**(860)**	**(19,855)**
Corporate Member illustrative personal expenses								
Managing agent's fee		(75)	(75)	(75)	(75)	(75)	(75)	(75)
Lloyd's Central Fund contribution		(75)	(100)	(100)	(125)	(50)	(100)	(100)
Lloyd's subscription		(25)	(25)	(18)	(50)	(50)	(50)	(50)
Profit commission		-	(129)	(166)	(178)	(161)	-	-
Total illustrative personal expenses		(175)	(329)	(359)	(428)	(336)	(225)	(225)
(Loss)/Profit after illustrative personal expenses		**(3,031)**	**728**	**938**	**1,011**	**912**	**(1,085)**	**(20,080)**
Total of syndicate operating expenses, managing agent's fee and profit commission		(1,174)	(897)	(783)	(756)	(764)	(649)	(1,671)
Capacity utilised % Gross premium/allocated capacity		129	106	80	75	71	92	88
Net capacity utilised % Net premiums/allocated capacity		65	60	67	62	59	78	71
Balance on technical account % Balance on technical account / allocated capacity		(35)	4	8	10	5	(19)	(222)

1. The summary has been prepared from the audited accounts of the syndicate. However brokerage and commissions have been excluded from both gross and net premiums and syndicate operating expenses from the 2003 year of account onwards so as to make the figures comparable to earlier years.
2. The illustrative share represents a gross premium limit.
3. Investment expenses for all years of account have been deducted from investment return and are not included in syndicate operating expenses.
4. The result after illustrative personal expenses (managing agent's remuneration and standard Lloyd's charges) takes no account of any UK or overseas taxation liabilities, which are the personal responsibility of the Member.
5. The 2002 and 2003 years include whole account quota share syndicate 3579.
6. The result for the 2006 year of account and prior are on the basis of accounting policies prevailing at the time and have not been restated to reflect current accounting policies.