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SYNDICATE 1414

REPORT & ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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Managing Agent - Corporate information

Managing Agent: Ascot Underwriting Limited

Directors:

Sir Richard B Dearlove	Non-executive Chairman
Alexander R Baugh	Non-executive
Andrew L Brooks	Chief Executive Officer
Charles P T Cantlay	
Robert W E Dimsey	
John Q Doyle	Non-executive
Yvonne M B Keyes	
Homi P R Mullan	Non-executive
Mark L Pepper	
Robert S H Schimek	Non-executive
Mark C Smith	
Paul T Taylor	Non-executive

Company Secretary: Yvonne M B Keyes

Registered Office: 20 Fenchurch Street
London
EC3M 3BY

Active Underwriter: Andrew L Brooks

Investment Managers: AIG Asset Management (Europe) Limited

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

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors of the managing agent, Ascot Underwriting Limited, present their strategic report for the year ended 31 December 2014.

Principal Activity and Review of Business

The principal activity of Syndicate 1414 ("the Syndicate") remains the transaction of general insurance and reinsurance business in the United Kingdom.

For the 2013 year of account onwards the Syndicate had two corporate members, Ascot Corporate Name Limited ("ACNL") and Ascot Employees Corporate Member Limited ("AECM"); ACNL was the sole corporate member for 2012 and prior underwriting years. The final allocated premium income capacity for each underwriting year and the corporate members providing the capacity are shown below:

Year	£m	ACNL £m	AECM £m
2010	700	700	-
2011	650 (originally £600m)	650	-
2012	650	650	
2013	650	641	9
2014	650	636	14
2015	650	631	19

Under Lloyd's rules we closed the 2012 year of account at 31 December 2014 with a profit of £97.3m or 15.0% of stamp.

The managing agent of Syndicate 1414 is Ascot Underwriting Limited ("AUL"). AUL is a wholly owned subsidiary of Ascot Underwriting Holdings Limited.

During 2014 AUL wholly owned three subsidiaries: Ascot Insurance Services Limited, whose main activity is the provision of underwriting business and services to Syndicate 1414, Ascot Underwriting Asia (Pte) Limited, which manages business on behalf of Syndicate 1414 through the Lloyd's Asia Scheme, and Ascot Underwriting Inc., which is a service company operating in New York, Houston and Chicago and registered in Delaware, USA.

Results and Performance

The result for the 2014 financial year, as set out on pages 8 – 11, is a profit of £68.9m (2013: profit £79.9m) and a combined ratio of 83.3% (2013: 80.3%). Profits will continue to be distributed by reference to the results of individual underwriting years.

During 2014 we saw new entrants and further inflows of capital to the market which has further diminished rates. Ascot continues to be selective in its underwriting and does not write business that is considered to be inadequately rated. Consequently the volume of business has reduced this year from a gross written premium of £625m in 2013 to £574m in 2014, although £29m of the reduction was due to retranslation differences as a result of the average US dollar to Sterling FX rate increasing from 1.56 in 2013 to 1.65 for 2014.

Key performance indicators

The key performance indicator for the Syndicate is considered to be profitability. The profitability on a GAAP basis is measured by the combined ratio. The combined ratio for the last two years is set out in the table below:

	Year ended 31 Dec 2014	Year ended 31 Dec 2013
Net loss ratio	44.2%	42.1%
Net expense ratio	39.1%	38.2%
Combined ratio	83.3%	80.3%

There were no major catastrophe losses in 2014 or 2013, although there were a large number of significant attritional losses. Syndicate 1414 achieved an overall profit for the financial year of £68.9m and a combined ratio of 83.3% (2013: £79.9m profit with a combined ratio of 80.3%).

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**Future outlook**

2015 is expected to be a very challenging year with rates under continued pressure from new entrants. Until risk appetite is truly tested by a significant loss, capital will continue to be attracted to the insurance market, encouraged by the current investment environment and the ease of entry to the insurance market. Ascot will continue to focus on profitability rather than growth and seek out areas of the market where the rating environment enables a profit to be made over the insurance cycle. During 2014 Ascot hired a number of underwriters, including setting up the Casualty Direct team in London and added to the Ascot International underwriting staff with new team members in the Singapore, Houston, Chicago, and New York offices. The five year strategy is to grow the Ascot business but this will only be done when the market conditions are right; growth is less important than profitability.

Principal risks and uncertainties

The following are considered to be the principal risks for the Syndicate along with a brief overview of how these risks are managed. Risks are managed through the Risk Management Framework.

The Board of Directors is ultimately responsible for Risk Management. All aspects of the Risk Management Framework have been approved by the Board of Directors. Responsibility for the oversight of risk lies with the Risk Committee. There are several sub-committees which are responsible for the identification and management of certain risks (for example, the Underwriting Management Committee (UMC) is responsible for many of the risks which are classified as Insurance Risk).

The Risk Committee members are represented on all governance committees. This allows key issues requiring the high level thinking and consideration of the Risk Committee from a strategic perspective to be reported by members and discussed. The Risk Committee thus forms a quasi-independent body that can monitor the workings of the other committees and ensure consistency in the approach to risk across Ascot.

The comments below represent only an overview of the key risks and some of the controls to mitigate these risks.

Insurance risk – this is the risk of losses from writing insurance policies. This risk is effectively the business of the Syndicate. Management of insurance risk includes a peer review process as well as reporting which includes aggregation management and profitability measures.

Credit risk – this represents the loss of assets via the inability of a third party to pay monies owing. The largest risk is the non-performance of the Syndicate's reinsurers. This is managed by monitoring the security rating of reinsurers the Syndicate is willing to trade with. Other credit risks are on investments and these are managed by maintaining investments in investment grade securities.

Operational risk – the risk is that the Syndicate cannot trade due to the office infrastructure or people being unavailable. To counter the impact of this the Syndicate maintains various contingency plans e.g. disaster recovery sites and backup to mitigate the impact of this risk.

Liquidity risk – this represents the cost to the Syndicate of not having sufficient liquid assets to pay liabilities, typically claims, as they fall due. To manage this risk the Syndicate's investments are short term to match the tail of the claims.

Currency risk - the Syndicate maintains four separate currency funds: Sterling, Euros, United States dollars and Canadian dollars. The Syndicate seeks to ensure an approximate currency match of assets and liabilities, subject to regulatory funding requirements.

Approved by the Board of Directors

A L Brooks
Chief Executive Officer
Ascot Underwriting Limited

9 March 2015

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The directors of the managing agency, Ascot Underwriting Limited, present their report and audited financial statements for the year ended 31 December 2014.

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

As a result of the 2008 Lloyd's Regulations, managing agents are required to prepare annual accounts which comply with the provisions of the Companies Act 2006, subject to certain modifications as specified in the regulations, for each syndicate that they manage.

Future outlook

This has been discussed in the strategic report.

Directors

The directors of the managing agent who held office during the year are listed below:

Sir Richard B Dearlove	Non-executive Chairman
Alexander R Baugh	Non-executive
Andrew L Brooks	Chief Executive Officer
Charles P T Cantlay	
Robert W E Dimsey	
John Q Doyle	Non-executive
Yvonne M B Keyes	
Homi P R Mullan	Non-executive
Mark L Pepper	
Robert S H Schimek	Non-executive
Mark C Smith	
Paul T Taylor	Non-executive

Active Underwriter

Mr. Andrew Brooks was active underwriter of Syndicate 1414 throughout 2014. Mr. Brooks commenced his underwriting career at Lloyd's in 1983 and has served on many Lloyd's and industry committees.

Risk management

This has been discussed in the strategic report within *Principal risks and uncertainties*.

Statement of Managing Agent's responsibilities

The managing agent is required by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 to prepare syndicate annual accounts for Syndicate 1414 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 accounts the managing agent is required to:

- select suitable accounting policies which are applied consistently with the exception of changes arising on the adoption of new accounting standards in the year;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the syndicate annual accounts; and
- prepare the syndicate annual accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

The directors of the managing agent confirm that they have complied with the above requirements in preparing the syndicate annual accounts.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)**Statement of Managing Agent's responsibilities (continued)**

The managing agent is responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions, disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the syndicate annual accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. The managing agent is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The directors of the managing agent are responsible for the maintenance and integrity of the Ascot website, on which these accounts may be published. Legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Charitable Donations

During the year the Syndicate made donations for charitable purposes of £50,000 (2013: £50,000). A single donation for £50,000 was made to a charity which researches ways to reduce suffering caused by landmines.

Disclosure of information to the auditors

Each of the persons who is a director of the managing agent at the date of this report confirms that:

- So far as each of them is aware, there is no information relevant to the audit of the syndicate annual accounts for the year ended 31 December 2014 of which the auditors are unaware, and;
- The directors have taken all steps that they ought to have taken in their duty as directors in order to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors. The managing agent having passed an elective resolution to dispense with the need for syndicate annual general meetings, the appointment of the auditors will continue unless and until expressly terminated by PricewaterhouseCoopers LLP or the managing agent.

Approved by the Board of Directors

R W E Dimsey
Chief Operating Officer
Ascot Underwriting Limited

9 March 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 1414**Report on the syndicate annual accounts****Our Opinion**

In our opinion the syndicate annual accounts, defined below:

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

What we have audited

The syndicate annual accounts for the year ended 31 December 2014, which are prepared by the Managing Agent, comprise:

- the Balance Sheet as at 31 December 2014;
- the Profit and Loss account for the year then ended;
- the statement of total recognised gains and losses for the year then ended;
- the cash flow statement;
- and
- the notes to the syndicate annual accounts, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the syndicate annual accounts is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

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

Other matters on which we are required to report by exception

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

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

We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 1414**Responsibilities for the syndicate annual accounts and the audit****Our responsibilities and those of the Managing Agent**

As explained more fully in the Statement of Managing Agent's Responsibilities set out on pages 4 and 5, the Managing Agent is responsible for the preparation of syndicate annual accounts and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with section 10 of part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of syndicate annual accounts involves

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

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

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

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

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

Matthew Nichols (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

9 March 2015

31 December 2014

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2014

	<i>Notes</i>	2014 £'000	2013 £'000
TECHNICAL ACCOUNT – GENERAL BUSINESS			
Earned premiums, net of reinsurance			
Gross premiums written	2	574,242	624,933
Outwards reinsurance premium		(194,784)	(225,047)
Net premiums written		379,458	399,886
Change in the provision for unearned premiums			
Gross amount		(476)	(13,657)
Reinsurers' share		1,619	3,823
		1,143	(9,834)
Earned premiums, net of reinsurance		380,601	390,052
Allocated investment return transferred from the non-technical account		5,155	2,637
Total technical income		385,756	392,689
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		241,787	290,738
Reinsurers' share		(73,468)	(108,259)
		168,319	182,479
Change in the provision for claims			
Gross amount		(11,639)	(111,680)
Reinsurers' share		11,495	93,246
		(144)	(18,434)
Claims incurred, net of reinsurance		168,175	164,045
Net operating expenses	3	148,928	148,967
Total technical charges		317,103	313,012
Balance on the Technical Account for General Business	7	68,653	79,677

All operations are continuing.

The notes set out on pages 12 to 22 form part of these financial statements

31 December 2014

PROFIT AND LOSS ACCOUNT (continued)

for the year ended 31 December 2014

	<i>Notes</i>	2014 £'000	2013 £'000
NON-TECHNICAL ACCOUNT			
Balance on the General Business Technical Account		68,653	79,677
Investment Income	4	6,137	5,516
Unrealised gains on investments		771	551
Investment expenses and charges		(737)	(895)
Unrealised (losses) on investments		(1,016)	(2,535)
Total Investment Return		5,155	2,637
Allocated investment return transferred to the general business technical account		(5,155)	(2,637)
Other income	4	215	184
Profit for the financial year		68,868	79,861

All items shown above derive from continuing operations. No operations were acquired or discontinued during the period.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2014

	<i>Notes</i>	2014 £'000	2013 £'000
Profit for the financial year		68,868	79,861
Currency translation differences	11	158	(5,922)
Total recognised gains and losses since last annual report		69,026	73,939

There are no material differences between the profit for the financial year and the total recognised gains and losses stated above and their historical cost equivalents.

The notes set out on pages 12 to 22 form part of these financial statements

31 December 2014

BALANCE SHEET

as at 31 December 2014

ASSETS	Notes	2014 £'000	2013 £'000
Investments			
Other financial investments	8	430,620	422,339
Reinsurers' share of technical provisions			
Claims outstanding		100,073	106,601
Provision for unearned premiums		21,190	18,627
		121,263	125,228
Debtors: due within one year			
	9		
Debtors arising out of direct insurance operations		45,137	40,384
Debtors arising out of reinsurance operations		112,029	114,859
Amount due from related companies		5,673	3,088
Other debtors		2,791	2,581
		165,630	160,912
Debtors: due after one year			
	9		
Debtors arising out of reinsurance operations		7,447	9,532
Other Assets			
	10		
Cash in bank and in hand		18,725	11,156
Other assets - Lloyd's overseas deposits		21,722	28,866
		40,447	40,022
Prepayments and accrued income			
Accrued interest and rent		2,285	1,963
Deferred acquisition costs		46,285	43,529
Other prepayments and accrued income		371	431
		48,941	45,923
TOTAL ASSETS		814,348	803,956
LIABILITIES			
Capital and reserves			
	11		
Members' balance		98,979	93,710
Technical provisions			
Provision for unearned premiums		236,132	225,659
Claims outstanding		444,110	437,896
		680,242	663,555
Creditors due within one year			
	12		
		34,164	45,096
Accruals and deferred income			
		963	1,595
TOTAL LIABILITIES		814,348	803,956

The financial statements on pages 8 to 22 were approved at a meeting of the Board of Directors and signed on its behalf by:

A L Brooks
Chief Executive Officer

R W E Dimsey
Chief Operating Officer

9 March 2015

The notes set out on pages 12 to 22 form part of these financial statements

31 December 2014

STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow from operating activities	13	58,777	58,223
Net distribution of profit on closed year of account	11	(66,009)	(71,939)
Net cash (outflow)/inflow	14,15	(7,232)	(13,716)
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings	14	7,538	(10,979)
Increase/(decrease) in overseas deposits	14	(7,188)	6,032
Increase/(decrease) in net portfolio investment	14	(7,582)	(8,769)
Net investment of cash flows	14,15	(7,232)	(13,716)

The notes set out on pages 12 to 22 form part of these financial statements

NOTES TO THE ACCOUNTS

for the year ended 31 December 2014

1 Accounting policies*a) Basis of preparation*

The syndicate annual accounts have been prepared in accordance with the provisions of Schedule 3 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Lloyd's Regulations"), the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") dated December 2005 (as amended in December 2006) and applicable accounting standards in the United Kingdom. The directors of the business have prepared the financial statements on the basis that the Syndicate will continue to write future business.

b) Basis of accounting for underwriting activities

The technical results of Syndicate 1414 are presented on an annual accounting basis in accordance with UK GAAP, under which insurance profits and losses are recognised as they are earned.

c) Premiums

Under the annual basis of accounting, written premiums comprise both inward and outward premiums on contracts incepting in the financial period. Estimates are comprised of pipeline premiums due but not yet notified. Written premiums are stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on premiums.

Outwards reinsurance premiums are accounted for in the accounting period that they incept.

d) Unearned premiums

For business accounted on an annual basis, a provision for unearned premiums is made which represents that part of gross premiums written, and the reinsurers' share of premiums written, that is estimated to be earned in the following or subsequent financial periods. The provision for unearned premiums is calculated on a daily pro-rata basis.

e) Deferred acquisition costs

Acquisition costs represent the expenses, both direct and indirect, of acquiring insurance policies written during the financial period. Acquisition costs are accrued over an equivalent period to that over which the underlying business is written and are charged to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred in respect of unearned premiums at the balance sheet date.

f) Claims incurred

Claims incurred comprise all claim payments and internal and external settlement expense payments made in the financial period and the movement in the provisions for outstanding claims and settlement expenses, including claims incurred but not reported, net of salvage and subrogation recoveries.

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

g) Claims provisions and related reinsurance recoveries

The provision for claims outstanding is based on information available at the balance sheet date. Subsequent information and events may result in the ultimate liability being less or greater than the amount provided. Any differences between provisions and subsequent settlements are dealt with in the general business technical account of later periods.

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2014

g) Claims provisions and related reinsurance recoveries (continued)

The Directors consider that the provision for gross claims and related reinsurance recoveries are fairly stated on the basis of information currently available to them.

Provision is made at the period-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Syndicate. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The estimation of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Syndicate, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Syndicate uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Syndicate processes which might accelerate or slow down the development and/or recording of paid or incurred claims compare with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses;
- movements in industry benchmarks.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Syndicate has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Where possible the Syndicate adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident period.

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

h) Unexpired risk provision

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

Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2014

- i) *Expense allocation and pensions*
All expenses of the Syndicate are recognised in the technical account. Pension contributions to employees' money purchase schemes are charged to the profit and loss account when they fall due.
- j) *Foreign currencies*
Syndicate income and expenses denominated in foreign currencies during the period are translated into sterling at the average rates of exchange during the year. Exchange differences relating to the retranslation of income and expenses denominated in foreign currencies to the closing rate of exchange are included in the statement of total recognised gains and losses. Exchange differences on Funds in Syndicate are included in members' balances.

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the retranslation of net assets brought forward from the previous balance sheet date are included in the statement of total recognised gains and losses.
- k) *Investments*
Investments are stated at the market value at the balance sheet date, including accrued interest where applicable. The cost of Syndicate investments is deemed to be the aggregate of (i) the value at which those elements of the investment portfolio still held at the current balance sheet date were held at the beginning of the period, that is at the previous balance sheet value; and (ii) the cost of any new assets acquired during the period and held at the current balance sheet date. Overseas deposits are stated at market value based on quarterly statements from Lloyd's.
- l) *Investment return*
Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses. Dividends are recorded on the date on which the shares are quoted ex-dividend and include the imputed tax credits. Interest and expenses are accounted for on an accruals basis.

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

Investment return is initially recorded in the non-technical account. Other than investment return on Funds in Syndicate which is shown as non-technical account income, all investment return is transferred and wholly allocated to the technical account as all other investments relate to the technical account.
- m) *Taxation*
No amount has been provided in these accounts for UK taxation on trading income. 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 basic rate UK income tax deducted from Syndicate investment income is recoverable by managing agents.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment income. Any payments on account made by the Syndicate are included in the balance sheet under members' balance.

No provision has been made for any overseas tax payable by members on underwriting results.
- n) *Profit commission*
Under the current agency agreement, Ascot Underwriting Limited ("AUL") charges profit commission to Ascot Corporate Name Limited based on the performance of the Syndicate and no profit commission is charged to the Syndicate or to Ascot Employees Corporate Member Limited.

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2014

2 Segmental information

All premiums are concluded in the United Kingdom by Syndicate 1414 at Lloyd's.

Analysis of gross premium written, gross premium earned, gross claims incurred, gross operating expenses and the reinsurance balance:

Year ended 31 December 2014

	Gross Premiums Written £'000	Gross Premiums Earned £'000	Gross Claims Incurred £'000	Gross Operating Expenses £'000	Reinsurance Balance £'000	Net Technical Result £'000
<i>Direct</i>						
Fire & Other Damage to Property	196,343	195,735	(87,165)	(52,944)	(49,493)	6,133
Marine, Aviation & Transport	115,838	111,849	(63,423)	(36,260)	1,444	13,610
Energy	47,521	45,731	(14,794)	(17,872)	(9,685)	3,380
Motor (other)	20,862	31,616	(29,271)	(8,018)	44	(5,629)
Miscellaneous	8,052	6,606	(207)	(1,739)	(170)	4,490
	388,616	391,537	(194,860)	(116,833)	(57,860)	21,984
<i>Reinsurance Acceptances</i>	185,626	182,229	(35,288)	(32,095)	(73,332)	41,514
Total	574,242	573,766	(230,148)	(148,928)	(131,192)	63,498

Year ended 31 December 2013

	Gross Premiums Written £'000	Gross Premiums Earned £'000	Gross Claims Incurred £'000	Gross Operating Expenses £'000	Reinsurance Balance £'000	Net Technical Result £'000
<i>Direct</i>						
Fire & Other Damage to Property	209,884	202,741	(52,261)	(50,196)	(51,893)	48,391
Marine, Aviation & Transport	116,359	110,939	(73,762)	(36,636)	4,806	5,347
Energy	48,590	49,987	(15,080)	(17,107)	(11,772)	6,028
Motor (other)	41,667	36,419	(32,364)	(9,358)	(1,396)	(6,699)
Miscellaneous	6,411	5,691	634	(1,389)	(477)	4,459
	422,811	405,777	(172,833)	(114,686)	(60,732)	57,526
<i>Reinsurance Acceptances</i>	202,022	205,499	(6,225)	(34,281)	(145,479)	19,514
Total	624,933	611,276	(179,058)	(148,967)	(206,211)	77,040

- (a) Gross operating expenses have been allocated to class groups in proportion to their respective gross premium income.
- (b) The reinsurance balance comprises outward reinsurance premiums payable less reinsurance recoveries receivable less ceded commissions receivable.
- (c) Brokerage and commission is deducted from gross premiums received by the Syndicate on normal commercial terms.
- (d) The above segmental analysis is based on a mapping from Syndicate 1414's own business classes to the required Prudential Regulatory Authority classes.

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2014

2 Segmental information (continued)**Geographical analysis by origin**

For the purposes of SSAP25, Segmental Reporting, the Lloyd's insurance market has been treated as one geographical segment. All business is concluded in the United Kingdom.

Geographical analysis by destination

	Gross written premium	
	2014	2013
	£'000	£'000
United Kingdom	46,383	60,283
United States of America	317,283	335,339
Europe	85,002	94,995
Bermuda	20,972	23,141
Canada	14,963	14,744
Other	89,639	96,431
Total gross written premium	574,242	624,933

3 Net operating expenses

	2014	2013
	£'000	£'000
Technical Account:		
Acquisition costs	110,109	116,596
Change in deferred acquisition costs	(1,011)	(4,352)
	109,098	112,244
Administration expenses	22,471	19,168
Reinsurance commissions and profit participations	(3,999)	(2,866)
Other acquisition costs	12,652	11,433
Exchange (gains) / losses	112	(253)
Other Lloyd's personal expenses	8,594	9,241
Total net operating expenses	148,928	148,967
Administration expenses include:	2014	2013
	£	£
Auditor's remuneration		
- fees payable to the Syndicate's auditor for the audit of the Syndicate annual accounts	32,000	32,000
- other services pursuant to such legislation	174,000	159,809
	206,000	191,809

Of the total acquisition costs of £110,109,000 shown above, £85,681,000 relates to direct business (2013: £86,139,000)

Under the current agency agreement, Ascot Underwriting Limited ("AUL") charges profit commission to Ascot Corporate Name Limited based on the performance of the Syndicate. Syndicate 1414 and Ascot Employees Corporate Member Limited do not pay any profit commission to AUL.

Group administrative expenses are initially incurred and paid by Ascot Underwriting Holdings Limited which then recharges the Syndicate its share of group expenses.

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2014

4 Investment Income

	2014	2013
	£'000	£'000
Income from investments	5,723	5,424
Gains on the realisation of investments	414	92
	6,137	5,516

Investment income of £215,000 (2013: £184,000) arising from Funds in Syndicate (see notes 8, 11 and 17) has been shown as "Other income" in the Non-Technical Account.

5 Staff costs

All staff are employed and paid by Ascot Underwriting Holdings Limited. The following amounts were recharged to the Syndicate in respect of salary costs:

	2014	2013
	£'000	£'000
Salaries and related costs	10,950	9,770
Social security costs	1,334	1,173
Other pension costs	1,004	914
	13,288	11,857

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

	2014	2013
	No.	No.
Underwriting	52	50
Operations, Administration and IT	42	39
Claims	7	8
Executive management	6	6
Finance	13	13
Corporate	3	3
Compliance	7	6
	130	125

6 Emoluments of the directors of Ascot Underwriting Limited

The directors of Ascot Underwriting Limited, including the active underwriter, received the following aggregate remuneration, of which £1.9m (2013: £1.8m) was charged to the Syndicate and included within net operating expenses and the bonus/LTIP of £2.5m (2013: £5.5m) is charged to AUL and is funded out of the profit commission charged to Ascot Corporate Name Limited:

	2014	2013
	£'000	£'000
Directors' remuneration	4,359	7,253

The active underwriter, who was also the highest paid director, received the following remuneration:

	2014	2013
	£'000	£'000
Remuneration of active underwriter (highest paid director)	1,115	2,452

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 December 2014

7 Movement in prior year's provision for claims outstanding

The profit on the technical account of £68.7m (2013: profit £79.7m) includes a run-off surplus of £5.2m for prior accident years (2013: £10.1m surplus). This included a surplus of £13.4m for reinsurance acceptance business and a deficit of £8.2m on direct business (2013: surplus of £7.2m for reinsurance acceptance business and a surplus of £2.9m on direct business).

8 Other financial investments

Total investments of the Syndicate, amounting to £430.6m (2013: £422.3m), are held under the terms of Lloyd's Premium Trust Deeds. Under the terms of the deeds these assets are held as security for obligations to policyholders and amounts may only be released under certain limited circumstances.

There were no Funds in Syndicate (FIS) at 31 December 2014 (2013: £35.1m). FIS was used by Ascot Corporate Name Ltd to meet its Funds at Lloyd's (FAL) requirements in 2013 (see notes 11 and 17).

Investments, all of which are listed apart from US Treasuries with market value £44.1m (2013: £41.6m) and included within Debt securities and other fixed income securities are analysed below:

	2014	2013
	£'000	£'000
Market value		
Shares and other variable yield securities and units in unit trusts	25,992	25,627
Debt securities and other fixed income securities	402,628	351,407
Deposits with credit institutions	2,000	45,305
	430,620	422,339
Cost		
Shares and other variable yield securities and units in unit trusts	25,992	25,627
Debt securities and other fixed income securities	402,635	351,766
Deposits with credit institutions	2,000	45,305
	430,627	422,698

9 Debtors

The debtors arising out of direct insurance operations are all due from insurance intermediaries.

The debtors due after one year all relate to reinstatement premiums due on gross outstanding claims on the treaty class of business.

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2014

10 Cash at bank and in hand

	2014 £'000	2013 £'000
<i>Syndicate funds</i>		
Syndicate premium trust funds	18,725	11,156

The above amounts relate to the underwriting activities of Syndicate 1414 and are held under the terms of Lloyd's Premium Trust Deeds in Premium Trust Funds (see note 8).

11 Reconciliation of members' balance

	2014 £'000	2013 £'000
Members' balance brought forward at 1 January	93,710	92,562
Profit for the financial year	68,868	79,861
Currency translation differences on profit	158	(5,922)
Currency translation differences on Funds in Syndicate	2,252	(852)
Currency translation differences	2,410	(6,774)
Profit on closed year of account distributed	(28,386)	(60,610)
Funds in Syndicate distributed	(37,623)	(11,329)
Net distribution of profit on closed year of account	(66,009)	(71,939)
Members' balance carried forward at 31 December	98,979	93,710

The members participate on the Syndicate by reference to years of account and their ultimate result. Assets and liabilities are assessed with reference to policies incepting in that year of account.

Members' balances are supported by Funds at Lloyd's ("FAL"), as disclosed in note 17. Members' balances carried forward at 31 December include £nil designated as FAL (2013: £35.1m). The assets representing members' balances designated as FAL, so called Funds in Syndicate, are included in financial investments.

12 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Creditors arising out of direct insurance operations	7,779	18,953
Creditors arising out of reinsurance operations	26,385	26,143
	34,164	45,096

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2014

13 Reconciliation of profit to net cash inflow from operating activities

	2014 £'000	2013 £'000
Profit for the financial year	68,868	79,861
Changes to market value and currencies	(15,938)	10,506
Increase/(decrease) in net technical provisions	20,652	(15,497)
(Increase)/decrease in debtors	(5,651)	2,211
Increase/(decrease) in creditors	(11,564)	(12,084)
Foreign exchange on balance due to members	2,252	(852)
Foreign exchange re-translation	158	(5,922)
Net cash inflow from operating activities	58,777	58,223

14 Movement in opening and closing portfolio investments net of financing

	2014 £'000	2013 £'000
Net cash inflow/(outflow) for the year	7,538	(10,979)
Cash flow arising from movement in:		
Overseas deposits	(7,188)	6,032
Portfolio investments	(7,582)	(8,769)
Movement arising from cash flows	(7,232)	(13,716)
Changes in market value and exchange rates	15,938	(10,505)
Total movement in portfolio investments	8,706	(24,221)
Total portfolio at 1 January	462,361	486,582
Total portfolio at 31 December	471,067	462,361

15 Movements in cash, portfolio investments and financing

	At 01.01.14 £'000	Cash Flow £'000	Changes to market value and currencies £'000	At 31.12.14 £'000
Cash at bank	11,156	7,538	31	18,725
Overseas deposits	28,866	(7,188)	44	21,722
Portfolio investments:				
Shares and other variable yield securities and units in unit trusts	25,627	(1,219)	1,584	25,992
Debt securities and other fixed income securities	351,407	37,193	14,028	402,628
Deposits with credit institutions	45,305	(43,556)	251	2,000
Total portfolio investments	422,339	(7,582)	15,863	430,620
Total cash, portfolio investments and financing	462,361	(7,232)	15,938	471,067

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2014

16 Net cash inflow/(outflow) on portfolio investments

	2014 £'000	2013 £'000
Sale of shares and other variable yield securities	1,770	75,816
Purchase of shares and other variable yield securities	(551)	(17,182)
Sale of debt securities and other fixed income securities	352,248	292,872
Purchase of debt securities and other fixed income securities	(389,441)	(297,432)
Deposits with credit institutions	43,556	(45,305)
Net cash inflow/(outflow) on portfolio investments	7,582	8,769

17 Funds at Lloyd's

The Syndicate's corporate members, ACNL and AECM, are 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 and can therefore be considered as the capital supporting the operations of the syndicate. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on Prudential Regulatory Authority 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 assessment of the reserving risk in respect of business that has been underwritten.

At the balance sheet date ACNL has met its Funds at Lloyd's requirement to support its underwriting capacity mainly by way of a Letter of Credit to the value of US\$625m (£400m) (2013: Letter of Credit to the value of US\$600m or £362m). At the balance sheet date AECM has met its Funds at Lloyd's requirement to support its underwriting capacity by way of cash deposits to the value of £11.7m (2013: £9.5m).

The managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses. The managing agent believes that in the light of these capital arrangements it is appropriate to prepare the accounts on a going concern basis.

18 Related parties

The only related parties that have transacted with Syndicate 1414 are companies within the AIG group of companies. All transactions were undertaken at arm's length under standard commercial terms that would be applied to any third party.

Ascot Underwriting Limited charged a managing agency fee of £4,852,000 to the Syndicate for 2014 (2013: £4,197,700). For 2014 the fee was set at 0.75% (2013: 0.65%) of the final managed capacity of the Syndicate. At 31 December 2014 the amount due to Ascot Underwriting Limited was £nil (2013: £nil).

Ascot Insurance Services Limited charged a service fee of £15,180 to the Syndicate for 2014 (2013: £17,701); the fee is equal to the budgeted expenses relating to the introduction of business to Syndicate 1414, plus a mark-up of 5%. At 31 December 2014 the insurance balance owed by Ascot Insurance Services Limited to Syndicate 1414 was £2,069,971 (2013: £1,821,299). There were no bad debt provisions included within these balances.

Ascot Underwriting Asia (Private Limited) ("AUA") and Ascot Underwriting Inc. ("AUI") each charge an agency fee to Syndicate 1414 for managing its affairs in Singapore and USA respectively; this fee is equal to the company's total budgeted costs plus a mark-up of 5% and amounted to S\$4,036,225 for AUA and US\$7,040,995 for AUI (2013: S\$3,556,887 for AUA and US\$6,244,284 for AUI). At 31 December 2014 the amount due from AUA was S\$65,712 (2013: S\$ nil) and the amount due from AUI was US\$nil (2013: US\$nil).

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2014

19 Ultimate parent undertaking of Managing Agent and Corporate Members

The ultimate parent undertaking and controlling party of the Syndicate's managing agent is Ascot Underwriting Holdings Limited ("AUHL"). The ultimate parent undertaking and controlling party of the Syndicate's corporate member AECM is also AUHL. Copies of Ascot Underwriting Holdings Limited consolidated financial statements can be obtained from Ascot Underwriting Limited, 20 Fenchurch Street, London, EC3M 3BY.

The ultimate parent company and controlling party of the Syndicate's main corporate member, ACNL, is American International Group Inc. ("AIG") which is the parent undertaking of the largest and smallest group to consolidate these financial statements. Copies of the consolidated financial statements of AIG can be obtained from the Company Secretary at 180 Maiden Lane, New York, NY 10038, USA.