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SYNDICATE 1861

ANNUAL REPORT AND ACCOUNTS

For the Year Ended 31 December 2014

Table of Contents

Directors and Advisers

Managing agent:
ANV Syndicates Limited

Directors

J M P Taylor	(Non-Executive Chairman)
R M Fairfield	(appointed 20 February 2015)
P Haynes	(resigned 30 September 2014)
G M van Loon	
B Gilman	
J Hamilton	
A Barker	
L Cross	
J G M Verhagen	(appointed 17 March 2015)
N Pawson	(Non – Executive)
A P Hulse	(Non – Executive)

Company secretary
A S W Hall

Managing agent's registered office
47 Mark Lane
London
EC3R 7QQ

Managing agent's registered number
4434499

Syndicate:
1861

Active underwriter
C Jarvis

Bankers
Lloyds Bank plc
Citibank NA

Investment managers
General Re-New England Asset Management, Inc
Amundi Asset Management (UK) Ltd (appointed 28 November 2014)

Statutory Auditor
Deloitte LLP, London

Strategic Report

ANV Group
ANV is structured to operate as an insurer, Lloyd's underwriting agency, and managing general underwriter (MGU). This three-pillar strategy is designed to build, support, and leverage high quality underwriting through a team of specialists who understand the unique risks of unique markets. Working as a unified and worldwide organisation, ANV is focused on managing business risk in all its forms.

ANV Holdings BV, the parent company of the ANV Group, is a privately held and Dutch registered holding company and its lead investor is the Canadian pension fund, Ontario Teachers' Pension Plan (OTPP).

ANV Syndicates
ANV Group considers its Lloyd's operation as a key component of its vision and strategy to build a globally integrated specialty insurance and reinsurance company. Its Lloyd's platform allows ANV the opportunity to continue to grow its business profitably and access profitable specialty business on a worldwide basis.

ANV Syndicates are managed by ANV Syndicates Limited (ASL), following the integration of the acquisitions of Flagstone Syndicate Management Limited in 2012 and Jubilee Managing Agency Limited in 2013, into a single combined Managing Agency. The post-acquisition programme implemented during 2014, has delivered one fully integrated Managing Agency with a deepening pool of Underwriting and Senior Management talent, and strengthening of the infrastructure within which the business operates.

ANV Syndicates now benefits from greater scale, as well as diversification through a broader range of product lines, all of which improve its value proposition to brokers, clients, and capital providers. ANV Group will continue to strengthen and build its Lloyd's franchise significantly over the years to come.

In growing these classes, the Syndicate will exploit the revenue synergy potential of its relationship between the managed Syndicates and with ANV's MGU business.

ASL manages Lloyd's Syndicates 1861, 5820, 779 and 1969; with managed capacity in 2015 of nearly £500 million. ANV is providing incubator services to Apollo Syndicate 1969 which is expected to move to its own Managing Agency in the second half of 2015.

2014 Overview
The Syndicate has delivered strong growth in 2014 both in top line premium (£42.9m increase) and the bottom line result which improved by £15.7m to a profit of £11.0m for the 2014 calendar year. This improvement is reflected in the combined ratio which has materially reduced from 105.3% in the previous year to 94.1% for 2014.

The improved results reflect the rebalancing of the Syndicate's portfolio, the significant investment made in personnel and the synergies achieved following the acquisition of Jubilee.
There has been an appreciable improvement in the claims ratio (7.7%) as well as moderate improvements in both the acquisition and expense ratios. As the Syndicate continues to grow and achieve greater synergies with the wider ANV group, it is expected that significant reductions in the expense ratio will be seen in future periods.

1861 Underwriting Review
Since ANV's acquisition of the Flagstone Agency in 2012, the Syndicate's portfolio has undergone significant re-engineering and optimisation. The strategy has focused on exiting or re-underwriting underperforming lines, driving measured growth in existing mature classes, and the addition of new classes and underwriting talent.

The work to rebalance the portfolio has continued into 2014, with the focus moving to delivering growth on the identified continuing core classes, across both mature and incubator lines. 1861 has achieved strong premium growth in the year, which is a significant achievement given the strategic exit from lines that historically made a material contribution to premium in previous years and the challenging market conditions across a number of classes. Strong new business production across Property, Professional Lines, Energy, Political Risks and Cyber classes has played a significant part in this performance.

A generally benign catastrophe year, combined with lower than expected attritional and large loss activity has meant that both the 2014 and 2013 years of account continue to develop favourably. Additionally, there have been material reserve improvements on the 2012 & Prior years of account during the period, most notably across the Marine (Hull & Liability), Starr Tech Onshore and Property classes.

The performance in the year is very encouraging, and continued improvement is expected in the Syndicate's performance over future periods, as the positive changes made and written premium growth achieved continue to earn and be reflected in the Syndicate's results.

Key Performance Indicators
The Syndicate's key financial performance indicators below relate to the results for the Syndicate on an annual accounting basis during the year and were as follows:

	2014	2013
	£m	£m
Gross premium written	197.8	154.9
Net premium written	155.0	124.4
Net premium earned	157.8	98.0
Profit / (Loss) for the financial year (before currency translation)	11.0	(4.7)
Profit / (Loss) for the financial year (after currency translation)	12.2	(3.9)
	%	%
Claims ratio (net)	52.6	60.3
Acquisition ratio (net)	32.0	34.0
Expense ratio (net)	9.5	11.0
Combined ratio	94.1	105.3

Note: The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned.

Gross Premium Written
Gross written premiums have increased by £42.9m (27.7%) from the previous year to £197.8m for the 2014 calendar year. This is as a result of significant premium growth across a number of classes following the £25.0m increase in stamp capacity for the 2014 year of account to £175.0m, and the repositioning of the portfolio.

Net Premium Written
Net premiums written have increased by £30.6m (24.6%) from 2013 reflecting both the experience on gross premiums and changes to the reinsurance programme from the previous year. Although the price of reinsurance protection in the market has been generally favourable during 2014, changes to the reinsurance programme including the purchase of additional quota share protection has resulted in a modest increase in the ceded ratio of 1.9%.

Net Premium Earned
The 59.8m (61.0%) increase in the net earned premium during the year follows the increase in the net written premium above and an increase in written premium with shorter earnings profiles. In addition, the resolution of certain legacy issues has resulted in favourable developments to the earned premiums of prior underwriting years of account.

In addition, a review of the reinsurance earnings methodology was performed during the year to better align the earnings profile to the gross exposure and the period of cover afforded by the contracts. As a consequence, there has been a reduction in the earned reinsurance ratio relative to the previous year.

Claims Ratio

The claims ratio improved by 7.7% from 60.3% in 2013 to 52.6% in 2014, building on the improvement in the prior year of 4.5% – an overall improvement of 12.2% over the last two years. The improvement is driven by benign catastrophe experience, beneficial developments in prior year reserves and favourable loss ratios across the newly re-positioned portfolio. In addition, the resolution of certain legacy issues has had an appreciable favourable impact on incurred claims.

Combined Ratio

The combined ratio in 2014 has fallen below 100% for the first time in two years reflecting the benefits of the re-aligned portfolio and the implementation of ANV's strategic growth objectives.

Investments and Investment Return

	2014	**2013**
	£m	**£m**
Average amount of syndicate funds available for investment during the year:		
Sterling	12.4	14.0
Euro	10.2	8.5
US Dollar	129.0	95.5
Canadian Dollar	3.9	3.6
Combined in sterling	155.5	121.6
Gross aggregate investment return for the calendar year in sterling	1.7	0.8
Gross calendar year investment return:	**%**	**%**
Sterling	1.20	1.43
Euro	0.06	0.01
US Dollar	1.17	0.57
Canadian Dollar	0.91	1.08
Combined in sterling	1.09	0.64

The above investment returns are calculated using average funds based on the monthly balances and investments as revalued to month-end market prices including accrued interest.

It is the Managing Agency's policy to actively monitor the Syndicate's currency exposures, and where possible, it seeks to match the Syndicate's assets and liabilities to the extent that regulatory restrictions allow.

The investment returns of the Syndicate during the period, whilst disappointing, are reflective of the restrictions upon the investment opportunities available to the Syndicate and the wider market conditions. The investment return of 1.09% (2013: 0.64%) also reflects the effects of the interest rate environment on the Syndicate's debt portfolio.

Following a competitive tender, the Managing Agent has recently appointed Amundi Asset Management (UK) Ltd to manage the Syndicate's investments from 28 November 2014 onwards. Where restrictions allow, we will seek to enhance the effectiveness of the investment strategy within strict risk appetite parameters whilst continuing to ensure that sufficient liquidity is maintained.

Significant Events
ANV Syndicates are managed by ANV Syndicates Limited (ASL), following the integration of the acquisitions of Flagstone Syndicate Management Limited in 2012 and Jubilee Managing Agency Limited in 2013, into a single combined Managing Agency. On 1 April 2014, the Managing Agency agreements for Syndicates 1861 and 1969 were novated from ANV Syndicate Management Limited (ASML - formerly Flagstone Syndicate Management Limited) to ASL (formerly Jubilee Managing Agency Limited).

The transaction has delivered one fully integrated Managing Agency, with a deepening pool of Underwriting and Senior Management talent and strengthening of the infrastructure within which the business operates to deliver a more efficient platform from which to develop the complementary underwriting businesses of the Syndicates. With managed capacity of nearly £500 million, the consolidated business benefits from greater scale, as well as diversification through a broader range of product lines, all of which will improve its value proposition to brokers, clients, and capital providers.

On 1 October 2014, Peter Haynes formally stepped down as Managing Director of ASL, with R. Matthew Fairfield taking on the ASL Chief Executive Officer role, as an extension to his Group CEO role, on an interim basis. This appointment is a measure of the central importance of ASL to ANV. A selection process is underway to appoint a permanent successor.

Following the acquisition of Jubilee in December 2013, ANV has fully integrated, across all managed syndicates, its approach to Solvency II. As of 1 March 2015, Lloyd's has confirmed that all requirements have been met, save with respect to risk management, where there remain some points of difference and a requirement to further embed processes.

From our discussions with Lloyd's, we expect to be able to provide sufficient evidence to Lloyd's to support our rating being changed to green at our next review point. Until then, Lloyd's is maintaining a red rating.

Therefore, as for all agents rated red at the start of March 2015, ANV's managed syndicates will be affected by a 20% capital loading applied at the mid-year coming-into-line. There will also be adjustments arising from any approved revision to the SCR and any foreign exchange impact. Consequently, its translation to individual members will vary depending on the individual circumstances and participations of each member.

Principal Risks and Uncertainties
For a detailed description of the outstanding principal risks and uncertainties facing the Syndicate, refer to the report of the Directors of the Managing Agent.

Going Concern
After making enquiries, the Directors have a reasonable expectation that continued capital support will be in place such that the Syndicate will continue to write new business in future underwriting years of account. Accordingly, they continue to adopt the going concern basis in preparing the annual accounts.

Future Developments
The work to date on the rebalancing of the portfolio has set the Syndicate on a clear positive trajectory, and 1861 is now in a position to capitalise on this momentum to continue to deliver profitable growth in its core classes into 2015 and beyond.

Throughout the course of 2014, ASL invested heavily in bringing in top underwriting talent across all its core classes; and this combined with investment in the operational support that underpins the platform, ensures 1861 has a firm foundation from which it can continue to grow the business.

ASL recognises that the current Lloyd's environment presents a number of challenges, and that maintaining underwriting discipline through a focus on risk selection, will be key to managing the cycle. In addition to embedding this ethos in the underwriting of existing classes, 1861 has expanded the portfolio for 2015 to include Non-Marine General Liability, Contingency and Aerospace risks.

1861 will continue to leverage relationships with other ANV Syndicates and seek to realise synergies both in terms of the Syndicate's product offering and a reduction in its expense base. For example, from 2015, the Property teams across Syndicates 1861 and 5820 will underwrite as a consortium under a single management structure, led by Mark Abrahams. This will provide an increased market presence for 1861, as well as driving cost savings through expense and reinsurance efficiencies. Additionally, membership of the ANV Group continues to provide significant opportunities, including access to accretive UK and international risk through the expanding MGU business.

Finally, this is an opportunity to thank all employees for their continued commitment and hard work during what has been a demanding, but stimulating, year in the Agency.

G M van Loon
Director of Underwriting
ANV Syndicates Limited
17 March 2015

C Jarvis
Active Underwriter
ANV Syndicates Limited
17 March 2015

Report of the Directors of the Managing Agent

Year Ended 31 December 2014
The Directors of the Managing Agent present their annual report for the year ended 31 December 2014. This report is in respect of Syndicate 1861.

The Annual Report is prepared using the annual basis of accounting as required by Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations").

Results
The result for the 2014 calendar year is a profit of £12.2m (2013: £3.9m loss) after currency translation. Profits / losses will be distributed or collected by reference to the results of individual underwriting years.

The Syndicate's activities expose the Managing Agent to a number of key risks which have the potential to affect the Managing Agent's ability to achieve its and the Syndicate's objectives. The risk appetite is set annually as part of the Syndicate business planning and individual capital assessment process. The Managing Agent recognises that the Syndicate's business is to accept risk which is appropriate to enable it to meet its objectives and that it is not realistic or possible to eliminate risk entirely.

The principal risks and uncertainties facing the Syndicate are as follows:

- **Insurance Risk** - Insurance risk refers to the risk of loss or adverse change in the value of insurance liabilities, due to inadequate pricing and reserving practices. These risks may be caused by the fluctuations in timing, frequency and severity of insured events and claim settlements in comparison to the expectation at the time of underwriting. The Syndicate manages insurance risk by agreeing the appetite for these risks annually through the business plan, which sets out targets for volumes, pricing and retention by class of business and aggregate levels of exposure to catastrophe events. The Managing Agent monitors performance against the business plan throughout the year. Reserve adequacy is monitored by the Syndicate's appointed actuary, Reserving Committee, and by the Board of the Managing Agency.

- **Credit Risk -** In addition to the insurance terms of trade offered as part of normal business operation, the Syndicate is exposed to a certain amount of credit risk. Key aspects of credit risk are default by a reinsurer, inability of coverholders to segregate client monies resulting in credit exposure and certain financial instruments within the investment portfolio that include an element of credit exposure to the issuers of the security. The Syndicate seeks to limit exposure by placing its reinsurance programme with reinsurers rated A or higher and through limiting exposure to reinsurers for single events. Coverholder credit risk is mitigated through assimilation and attestation of coverholder credit information prior to contract inception and ensuring that appropriate terms of business arrangements are in place. Investment credit risk is mitigated through detailed investment guidelines which include minimum credit quality and counterparty limits that are monitored monthly.

- **Market Risk -** The exposure to financial market risk arises from the investment decisions made in relation to the Syndicate funds and adverse movements in foreign exchange rates and interest rates. The Managing Agent sets the investment strategy. Exposure to foreign exchange movements is mitigated through currency matching of assets and liabilities to the extent possible given the regulatory restrictions under which the Syndicate operates.

Limits to the mean modified duration of invested assets are in place to limit the adverse effect of interest rate movements. Exposure to market risk is managed through the Managing Agent's Finance and Investment Committee.

- **Liquidity Risk -** This is the risk that a syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in liquid funds. To mitigate this risk, minimum levels of cash are maintained, all investments are readily marketable and cash flow is monitored across all years of account.

  In the event of extreme adverse claims experience, it is possible that the Syndicate may not be able to settle claim liabilities out of its own funds.

  In that event, the capital structure underpinning a syndicate is such that any deficits can be called from the Syndicate's capital providers in accordance with Lloyd's rules. In the event of any member being unable to fulfil its share of such a call, Lloyd's Central Guarantee Fund may, at Lloyd's discretion, be called upon to make good any deficits for the benefit of policyholders. The Managing Agent monitors solvency requirements, to ensure the Syndicate maintains adequate capital.

- **Regulatory Risks -** Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change.

  The Managing Agent is required to comply with the requirements of the Financial Conduct Authority (FCA), the Prudential Regulation Authority (PRA), the Council of Lloyd's and overseas authorities. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators.

  Key regulatory developments worldwide in the last couple of years have centred on customer outcomes, including in the UK where the FCA has highlighted, among a number of items, delegated authority business as a focus area. The Syndicate relies heavily on delegated distribution and we will continue to respond to this increased focus during 2015.

  The Managing Agent has a Compliance Officer who monitors developments and assesses the impact on the Managing Agent's objectives and policies.

  Conduct Risk is the risk that customers experience poor outcomes in their engagement with ASL and is part of Regulatory Risk. This risk applies to all of the Syndicate's business but is particularly focused where the Syndicate insures retail risks especially using delegated underwriting. This has been an area of particular emphasis by the FCA and by Lloyd's, with the introduction of new minimum standards in this area. ASL has a Conduct Committee which oversees its response to these requirements and has a regular dialogue with the FCA. We will be working with Lloyd's to continue to evidence compliance with these new minimum standards during 2015.

- **Strategic Risks -** This is the risk of loss arising from the Syndicate's market position, strategic direction and commercial interests and includes capital availability for future underwriting. Market position and strategic direction are reviewed at least annually as part of the business planning process. The Executive Committee monitors performance and market position. The Board meets at least quarterly each year to review results and opportunities.

- **Operational Risk –** This is the risk of loss from inadequate or failed internal processes, people and systems, or from external events. The Managing Agent seeks to manage this risk through policies and procedures and systems and controls, which are regularly reviewed and updated.

Regular reviews of changes to the Syndicate's risk environment, limits of authority granted to employees, the recruitment and retention of experienced personnel, staff training assessment and plans are reported. The internal audit function reports on the effectiveness of operational controls, and the Audit and Compliance Committee reviews the major findings from both internal and external audits and monitors the implementation of key findings.

Supplementing and informing the assessment of risk in the categories identified above, management receive regular risk reports highlighting the material areas of risk and uncertainty and comparison with appetite, as well as risk events, near misses and emerging risks.

Reports during the year have considered the following:

- **Project GrAFT**: The Managing Agency has initiated a programme for improved processes, data management and management reporting for the Finance and Actuarial functions based on a recently developed Data Warehouse platform. Transitional risks during the development and implementation are being managed through a dedicated Programme Board and overseen by the Operations Committee and Risk Committee.

- **Regulatory Risk:** The Managing Agency operates within a challenging regulatory environment with supervision by Lloyd's and oversight by the FCA and PRA. To ensure that the Managing Agency and syndicate operate to the requisite standard, it has upgraded its risk management function, processes and reporting. These changes are being overseen by the Risk Committee and ASL Board.

Corporate Governance
The Boards of ASL and ASML ran in parallel during Q1 2014. Following the novation of the management of Syndicates 1861 and 1969 to ASL on 1 April 2014, ASL became the managing agent for Syndicates 779, 1861, 1969 and 5820.

The ASL Board is chaired by Max Taylor, who is supported by two further independent non-executive directors. Peter Haynes was the Managing Director until September 2014, with R. Matthew Fairfield stepping in as interim CEO thereafter. ASL has six further executive directors.

A defined operational and management structure is in place and terms of reference exist for all Board committees.

The ASL Board meets at least four times a year and more frequently when business needs require. The Board has a schedule of matters reserved for its decision and has appointed an Executive Committee to manage the operations of the business. The Board and the Executive Committee are supported by an Audit & Compliance Committee and six other Board Committees, which include a dedicated Conduct Committee to manage conduct risk issues.

Staff Matters
ASL considers its staff to be a key resource and the retention of staff is also fundamental to the success of the business. The strategy adopted by ASL is designed to ensure that the terms and conditions offered to employees, as part of their overall remuneration package, remain competitive with the rest of the London market insurance industry.

The Managing Agent seeks to provide a good working environment for its staff that is safe and complies with appropriate legislation. During the year, there has been no significant injury to staff in the workplace or any significant actions taken by any regulatory bodies with regard to staff matters.

Directors and Directors' Interests
The Directors who held office during the year are shown on page 2. Directors' interests are shown on pages 33 as part of the related parties note to the accounts.

Annual General Meeting
The Directors do not propose to hold an Annual General Meeting for the Syndicate. If any direct corporate supporter of the Syndicate wishes to meet with them the Directors will be prepared to do so.

Disclosure of Information to the Auditor
Each person who is a director of the managing agent at the date of approving this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Syndicate's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Auditor
Deloitte LLP has indicated its willingness to continue in office as the Syndicate's auditor.

Approved on behalf of the Board

G M van Loon
Director of Underwriting
ANV Syndicates Limited
17 March 2015

Company number: 4434499

Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the syndicate annual accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The syndicate annual accounts are required by law to give a true and fair view of the state of affairs of the syndicate as at that date and of its profit or loss for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 notes to 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 Managing Agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Syndicate 1861

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

This report is made solely to the Syndicate's members, as a body, in accordance with regulation 10 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Syndicate's members those matters we are required to state to them in an 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, the Managing Agent is responsible for the preparation of syndicate annual financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the Syndicate annual financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on syndicate annual financial statements

In our opinion the annual financial statements:

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

Opinion on other 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 and the Strategic Report for the financial year in which the annual financial statements are prepared is consistent with the annual financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

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

Mark McQueen (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

17 March 2015

Profit and Loss Account: Technical Account – General Business

Year Ended 31 December 2014

	Notes	2014 £000	2013 £000
Earned premiums, net of reinsurance			
Gross premiums written	2	197,768	154,864
Outward reinsurance premiums		(42,723)	(30,512)
Net premiums written		155,045	124,352
Change in the gross provision for unearned premiums	3	(13,806)	(27,423)
Change in the provision for unearned premiums, reinsurers' share	3	16,527	1,115
Change in the net provision for unearned premiums		2,721	(26,308)
Earned premiums, net of reinsurance		157,766	98,044
Allocated investment return transferred from the non-technical account		1,047	779
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(69,853)	(63,007)
Reinsurers' share		13,424	698
Net claims paid		(56,429)	(62,309)
Change in the provision for claims			
Gross amount	3	(32,239)	(12,247)
Reinsurers' share	3	5,617	15,465
Change in the net provision for claims		(26,622)	3,218
Claims incurred, net of reinsurance		(83,051)	(59,091)
Net operating expenses	4	(65,347)	(44,124)
Balance on the technical account for general business		10,415	(4,392)

All operations are continuing.

Profit and Loss Account: Non-Technical Account

Year Ended 31 December 2014

	Notes	2014 £000	2013 £000
Balance on the general business technical account		10,415	(4,392)
Investment income and realised gains	8	2,338	1,499
Unrealised gains on investments		431	120
Unrealised losses on investments		(891)	(902)
Investment expenses and charges	8	(253)	(249)
Allocated investment return transferred to general business technical account		(1,047)	(779)
Profit / (Loss) for the financial year		10,993	(4,703)

Statement of Total Recognised Gains and Losses

for the Year Ended 31 December 2014

	Notes	2014 £000	2013 £000
Profit / (Loss) for the financial year	14	10,993	(4,703)
Currency translation differences	14	1,252	807
Total recognised losses relating to the financial year		12,245	(3,896)

Balance Sheet - Assets
at 31 December 2014

	Notes	2014 £000	2013 £000
Investments			
Financial investments	9	137,365	120,575
Reinsurers' share of technical provisions			
Provision for unearned premiums	3	26,245	8,509
Claims outstanding	3	48,510	40,909
		74,755	49,418
Debtors			
Debtors arising out of direct insurance operations	10	130,735	82,805
Debtors arising out of reinsurance operations		1,610	1,757
Other debtors		170	1,128
		132,515	85,690
Other assets			
Cash at bank and in hand		17,989	19,362
Overseas deposits	11	11,001	8,696
		28,990	28,058
Deferred acquisition costs		33,038	27,129
Other prepayments and accrued income		27	28
		33,065	27,157
Total assets		406,690	310,898

Balance Sheet – Liabilities
at 31 December 2014

	Notes	2014 £000	2013 £000
Capital and reserves			
Members' balances	14,19	10,616	83
Technical provisions			
Provision for unearned premiums	3	111,708	93,969
Claims outstanding	3	224,779	183,321
		336,487	277,290
Deposits received from reinsurers	12	8,147	-
Creditors			
Creditors arising out of direct insurance operations	13	29,249	18,357
Creditors arising out of reinsurance operations		20,098	11,749
Other creditors including taxation and social security		2,093	2,574
		51,440	32,680
Accruals and deferred income		-	845
Total liabilities		406,690	310,898

The Syndicate annual accounts on pages 15 to 34 were approved by the Board of ANV Syndicates Limited on 17 March 2015 and were signed on its behalf by:

J Hamilton
Finance Director
17 March 2015

Cash Flow Statement
Year Ended 31 December 2014

	Notes	2014 £000	2013 £000
Net cash inflow from operating activities	15	5,676	11,856
Transfer from/(to) members in respect of underwriting participations	14	(1,713)	18,205
Net cash inflow to Funds in Syndicate	14	-	31,425
	16	3,963	61,486
Cash flows were invested as follows:			
Increase / (Decrease) in cash holdings	16	(1,934)	9,230
Increase in overseas deposits	16	2,283	1,662
Increase in portfolio investments	16	11,761	50,594
Increase in deposits received from reinsurers	12,16	(8,147)	-
Net investment of cash flows	16	3,963	61,486

Notes to the Financial Statements
at 31 December 2014

1. Basis of Preparation

These annual accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and applicable Accounting Standards in the United Kingdom. They comply with the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers.

The results for the financial year are determined on the annual basis of accounting in accordance with UK GAAP.

After making enquiries, the Directors have a reasonable expectation that continued capital support will be in place such that the Syndicate will continue to write new business in future underwriting years of account. Accordingly, they continue to adopt the going concern basis in preparing the annual accounts.

The preparation of the Syndicate's annual accounts requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The Syndicate's principal estimates are for claims provisions and related recoveries, estimates of gross premiums written and earned, outwards reinsurance premium ceded and earned, acquisition costs and the valuation of investments. Management reviews and revises these estimates as appropriate based on current information. Any adjustments made to these estimates are reflected in the period the estimates are revised.

Revised Accounting Standards

Following the review of UK GAAP performed by the UK Accounting Standards Board (ASB), and subsequently the Financial Reporting Council (FRC), four new Financial Reporting Standards (FRS) have been published for adoption by UK entities not already adopting International Report Standards (IFRS) for periods beginning on or after 1 January 2015.

FRS 100 - 'Application of Financial Reporting Requirements'
FRS 101 - 'Reduced Disclosure Framework' (not applicable to Lloyd's syndicates)
FRS 102 - 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland'
FRS 103 – 'Insurance Contracts'

FRS 102, based on International Financial Reporting Standards (IFRS) for Small and Medium-sized Entities (SMEs), is generally similar to current UK GAAP, whilst FRS 103 is broadly in line with the ABI SORP already adopted by the Syndicate. Accordingly, we do not consider that the adoption of these new standards will have a material impact on the results of the Syndicate. Whilst the standards mandate certain accounting treatments these were generally permitted under existing UK GAAP and were already adopted by the Syndicate.

The Syndicate will be required to restate comparative information under the new reporting framework in 2015 as well as adopt the increased disclosure requirements principally around capital, financial instruments and insurance contracts.

FRS 102 introduces the concept of 'functional currency' as a mandatory requirement which may differ from the presentational currency of the Syndicate. We have considered the functional currency of the Syndicate under FRS 102 and have determined that it is USD and therefore differs to the Syndicate's Sterling presentational currency.

Under the functional currency concept, gains and losses on the translation of monetary foreign currency items to functional currency are to be recorded within profit and loss account and not through the Statement of Recognised Gains and Losses (STRGL) as permitted under the concept of 'branch accounting' as adopted by the Syndicate. Given the different functional and presentational currencies, foreign exchange gains and losses will be generated on translation to presentational currency which will be reported through the STRGL in future periods.

Accounting Policies

Gross Premiums Written
Premiums written comprise premiums on contracts of insurance incepted during the financial year as well as adjustments made in the year to premiums incepted in prior accounting periods. Premiums are shown gross of brokerage payable and are exclusive of taxes and duties thereon. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet received.

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

Outwards Reinsurance Premiums
Outwards reinsurance premiums are accounted for on a written and earned basis in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Claims provisions and related recoveries
Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years. Claims handling costs are estimated based on past experience and current expectations of future cost levels.

Incurred claims outstanding are reduced by anticipated salvage and other recoveries from third parties.

The amount of any salvage and subrogation recoveries is separately identified and where material, reported as an asset.
The provision for 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. The provision also includes the estimated cost of claims incurred but not reported (IBNR) as well as claims incurred but not enough reported (IBNER) at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. Included within the provision is an allowance for future costs for settling those claims.

This is estimated based on past experience and current expectations of cost levels. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

Accounting Policies (continued)

The reinsurers' share of provisions for claims is based on the amount of claims outstanding 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.

Accordingly the most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development, that the outstanding claims estimates are reasonable and that the rating and other models used for current business are based on fair reflections of the likely level of ultimate claims to be incurred. The level of uncertainty with regard to the estimations within these provisions generally decreases with the length of time elapsed since the underlying contracts were exposed to new risks. The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses.

The Directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the annual accounts for the period in which the adjustments are made.

The provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used, and the estimates made, are reviewed regularly.

Unexpired Risks Provision
A provision for unexpired risks is made where claims and related expenses likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected, in the normal course of events, to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated by reference to classes of business which are regarded as managed together, after taking into account relevant investment return. The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

Net Operating Expenses (including acquisition costs)
Net operating costs include acquisition costs, profit and loss on exchange and amounts charged to members through the Syndicate.

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

The Syndicate both manages and participates on a number of consortium agreements. Fees associated with the acquisition of business through such arrangements are considered to be acquisition costs and are accounted for accordingly. Any profit commissions associated with the underlying performance of these consortia are accrued based on the performance of the consortia and recorded as acquisition costs. Any overrider commission income associated with the setting up and managing these consortia are accrued based on the consortium's written premium and recorded as an income to operating expenses.

Accounting Policies (continued)

The Syndicate has entered into profit commission agreements with a number of its coverholders. Amounts payable under these arrangements are calculated and accrued in line with the performance of the underlying business and recorded as acquisition costs. Certain contracts between the Syndicate and its producing agents and brokers include the requirement to pay overrider commissions based on the volume of business produced on the Syndicate's behalf. Amounts in relation to this are accrued and earned in line with the premiums to which they relate and classified as acquisition costs.

Foreign Currencies
Monetary and non-monetary assets and liabilities denominated in foreign currencies are translated into presentational currency at exchange rates prevailing at the balance sheet date or, if appropriate, at the forward foreign currency contract rate. Income and expense transactions in currencies are translated to presentational currency at the date the transaction is processed or at the appropriate average rates of exchange for the period. Underwriting transactions denominated in other foreign currencies are included at the rates of exchange ruling at the date the transaction is processed or at an appropriate average rate for the period. The Syndicate maintains separate currency ledgers for Sterling, US dollar, Canadian dollar and Euro business. These businesses are considered by management to represent foreign branches. Exchange gains and losses arising from the retranslation into presentational currency of the balance sheets of these branches using the rates of exchange prevailing at the balance sheet date, and the retranslation into presentational currency of the profit and loss accounts of these branches using average rates of exchange for the year have been recorded in the statement of total recognised gains and losses.

All other exchange differences are included in the technical account within net operating expenses.

Investments
Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at market value (bid value) and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

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.

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return, excluding the investment return on Funds in Syndicate, is initially recorded in the non-technical account and subsequently transferred to the general business technical account to reflect the investment return on funds arising from underwriting business. Investment return on Funds in Syndicate, being capital held within the syndicate, is recorded and retained within the non-technical account and can only be distributed following a release test.

Accounting Policies (continued)

Deposits Received from Reinsurers
The Syndicate requires certain reinsurers to collateralise their potential exposure to the Syndicate through the depositing of funds. To the extent that the funds are not called upon as paid recoveries at the balance sheet date they are recorded as cash with a corresponding liability recorded as deposits received from reinsurers.

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 is made in the Syndicate's accounts for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate are included in the balance sheet under the heading 'other debtors'.

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

Pension Costs
ASL operates a defined contribution scheme through a related company, ANV Central Bureau Service Limited (CBS). Pension contributions relating to Managing Agency staff working on behalf of the Syndicate are charged to the Syndicate and included within net operating expenses.

Profit Commission
Profit commission may be charged by the Managing Agent in accordance with contractual terms in the Managing Agent's Agreement, which is generally subject to a deficit clause. Profit commission is estimated on an ultimate basis for each year of account, and accrued by the Syndicate based on the interim and annual accounting results of the year of account. Final settlement to the Managing Agent is made when the year of account closes, normally at 36 months.

2. Segmental Analysis

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

2014	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross[1] operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance:						
Accident and health	16,701	15,763	(6,969)	(7,573)	(608)	613
Marine, aviation and transport	29,095	30,160	(19,771)	(9,477)	1,226	2,138
Fire and other damage to property	41,618	39,328	(16,504)	(13,091)	(3,253)	6,480
Third-party liability	33,095	16,033	(12,423)	(11,593)	600	(7,383)
Credit and Suretyship	13,696	7,525	(3,833)	(4,689)	(549)	(1,546)
Miscellaneous	307	223	(452)	(155)	(11)	(395)
	134,512	109,032	(59,952)	(46,578)	(2,595)	(93)
Reinsurance	63,256	74,930	(42,140)	(18,769)	(4,560)	9,461
	197,768	183,962	(102,092)	(65,347)	(7,155)	9,368

2013	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross[1] operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance:						
Accident and health	13,212	7,920	(4,190)	(5,133)	(1,191)	(2,594)
Marine, aviation and transport	29,847	27,336	(13,340)	(9,034)	(5,630)	(668)
Fire and other damage to property	39,395	30,229	(18,243)	(10,995)	(6,019)	(5,028)
Third-party liability	7,116	9,779	(6,118)	(1,893)	(167)	1,601
Miscellaneous	4,746	1,826	(948)	(1,215)	(219)	(556)
	94,316	77,090	(42,839)	(28,270)	(13,226)	(7,245)
Reinsurance	60,548	50,351	(32,415)	(15,854)	(8)	2,074
	154,864	127,441	(75,254)	(44,124)	(13,234)	(5,171)

[1] *Gross operating expenses are the same as net operating expenses shown in the profit and loss account as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses for 2014 and 2013.*

Commissions on direct insurance gross premiums earned during 2014 were £32.4m (2013: £22.8m).

All premiums were concluded in the UK.

2. Segmental Analysis (continued)

The geographical analysis of premiums by destination of the risk is as follows:

	2014 £000	2013 £000
UK	68,913	42,578
Other EU countries	14,460	12,656
US	50,886	44,713
Other	63,509	54,917
Total	197,768	154,864

3. Technical Provisions

The Syndicate has applied a similar approach to establishing technical provisions for claims outstanding reserves and reinsurer's share thereof held at the end of the previous year. Included within net claims incurred of £83.1m (2013: £59.1m) is an improvement of £6.4m to claims reserves established at the prior year end. This favourable loss development is spread across multiple classes of business and years of account and is caused by both attritional losses not developing as originally anticipated and improvements on previously held catastrophe loss reserves. The most significant favourable development occurred on the 2012 year of account and related to the Property (Direct & Facultative) class. An analysis of the movement in technical provisions is set out below:

	Unearned premiums £000	Claims outstanding £000	Total £000
Gross			
At 1 January 2014	93,969	183,321	277,290
Exchange adjustments	3,933	9,219	13,152
Movement in provision	13,806	32,239	46,045
At 31 December 2014	111,708	224,779	336,487
Reinsurance			
At 1 January 2014	8,509	40,909	49,418
Exchange adjustments	1,209	1,984	3,193
Movement in provision	16,527	5,617	22,144
At 31 December 2014	26,245	48,510	74,755
Net technical provisions			
At 31 December 2014	85,463	176,269	261,732
At 31 December 2013	85,460	142,412	227,872

4. Net Operating Expenses

	2014 £000	2013 £000
Acquisition costs	55,419	42,662
Change in deferred acquisition costs	(4,968)	(9,315)
Administrative expenses	14,379	10,794
Loss / (profit) on exchange	517	(17)
Total	65,347	44,124

Administrative expenses include:

Members' standard personal expenses (Lloyd's subscriptions, New Central Fund contributions, managing agent's fees and profit commission)	2,672	2,427

5. Auditor's Remuneration

	2014 £000	2013 £000
Audit of syndicate annual accounts	73	74
Other services pursuant to Regulations and Lloyd's Byelaws	77	71
Valuation and actuarial services	70	80
Total	220	225

6. Staff Numbers and Costs

During the year, all employee contracts with the Managing Agency were transferred to CBS. The following amounts were recharged to the Syndicate in respect of salary costs:

	2014 £000	2013 £000
Wages and salaries	9,296	6,718
Social security costs	1,068	742
Other pension costs	761	731
Total	11,125	8,191

The average monthly number of employees employed by the Managing Agency or related companies but working for the Syndicate during the year was as follows:

	2014 Number	2013 Number
Administration and Finance	23	19
Underwriting	44	31
Claims / Reinsurance	6	5
IT	2	5
Total	75	60

7. Emoluments of the Directors of ASL

The Directors of ASL received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2014 £000	2013 £000
Emoluments	1,106	943

Included in the total above are emoluments paid to the highest paid director amounting to £448k (2013: £194k). Contributions to the CBS pension plan related to the Directors of ASL were £27k (2013: £57k) of which £5k (2013: £19k) related to the highest paid director.

The Active Underwriter received the following remuneration charged as a syndicate expense:

	2014 £000	2013 £000
C Jarvis	503	16
R J R Housley	-	194
	503	210

Included with the Active Underwriter's emoluments were contributions to the CBS pension plan of £28k (2013: £18K)

8. Investment Income and Expenses

	2014 £000	2013 £000
Investment income		
Income from investments	2,280	1,429
Gains on the realisation of investments	58	70
Total	2,338	1,499
Investment expenses and charges		
Investment management expenses, including interest	(56)	(112)
Losses on the realisation of investments	(197)	(137)
Total	(253)	(249)

9. Financial Investments

	Market value		Cost	
	2014 £000	2013 £000	2014 £000	2013 £000
Shares and other variable yield securities and units in unit trusts	24,786	13,588	24,786	13,588
Debt securities and other fixed income securities	112,579	106,987	112,441	107,778
	137,365	120,575	137,227	121,366

All of the above financial investments are listed.

10. Debtors arising out of direct insurance operations

	2014 £000	2013 £000
Due from intermediaries	130,735	82,805

11. Overseas Deposits

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

	2014 £000	2013 £000
Overseas Deposits	11,001	8,696

12. Deposits received from reinsurers

	2014 £000	2013 £000
Reinsurance collateral	8,147	-

Included within cash at bank and in hand is £8.1m in relation to funds deposited by reinsurers to collateralise their potential exposure (2013: £0.0m). A corresponding creditor is recorded as deposits received from reinsurers.

13. Creditors arising out of direct insurance operations

	2014 £000	2013 £000
Due to intermediaries	29,249	18,357

14. Reconciliation of Members' Balances

	2014 £000	Restated 2013 £000
Members' balances brought forward at 1 January	83	(44,133)
Profit / (loss) for the financial year	10,993	(4,703)
(Payment of profit) / call of loss to members' personal reserve funds	(2,640)	18,205
Advance Cash Call	-	(927)
Funds in syndicate contribution from Corporate Member	-	31,425
Currency translation differences	1,252	807
Foreign exchange movement on balances due to Members	928	(591)
Members' balances carried forward at 31 December	10,616	83

The 2013 member's balances reconciliation has been restated for presentational purposes.

14. Reconciliation of Members' Balances (continued)

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

During 2013, a portion of the cash amount of the Funds at Lloyd's (FAL) held by ANV Corporate Name Limited was transferred to the Syndicate. The transfer was made in order to maximise the investment returns by investing the cash in the externally managed investment portfolio within the Syndicate.

The 2013 advance cash call related to funds called in advance by the Syndicate in a prior year, which was adjusted within the closing distribution of the 2011 year of account.

15. Reconciliation of Balance on the Technical Account for General Business to Net Cash Outflow from Operating Activities

	2014 £000	2013 £000
Balance on the technical account for general business	10,993	(4,703)
Realised and unrealised investments (losses)/gains, including foreign exchange differences	(5,612)	4,852
Increase in net technical provisions	33,861	18,841
Increase in debtors	(52,733)	(3,212)
Increase/(decrease) in creditors	17,915	(3,212)
Cash call advance	-	(927)
Foreign exchange movement on balance due to members	-	(590)
Currency translation differences	1,252	807
Net cash inflow from operating activities	5,676	11,856

16. Movement in Opening and Closing Portfolio Investments Net of Financing

	2014 £000	2013 £000
Net cash (outflow) / inflow for the year	(10,081)	9,230
Cash flow		
Increase in overseas deposits	2,283	1,662
Increase in portfolio investments	11,761	50,594
Movement arising from cash flows	3,963	61,486
Changes in market value and exchange rates	5,612	(4,853)
Total movement in portfolio investments	9,575	56,633
Balance brought forward at 1 January 2014	148,633	92,000
Balance carried forward at 31 December 2014	158,208	148,633

16. Movement in Opening and Closing Portfolio Investments Net of Financing (continued)

Analysis of movement in cash and portfolio investments:

	At 1 January 2014 £000	Cash flow £000	Changes to market value and currencies £000	At 31 December 2014 £000
Cash at bank and in hand	19,362	(10,081)	561	9,842
Overseas deposits	8,696	2,283	22	11,001
Portfolio investments:				
Shares and other variable yield securities and units in unit trusts	13,588	11,710	(512)	24,786
Debt securities and other fixed income securities	106,987	51	5,541	112,579
Total Portfolio Investments	120,575	11,761	5,029	137,355
Total cash, portfolio investments and financing	148,633	3,963	5,612	158,208

The year end cash at bank and in hand balance is stated after excluding £8.1m in relation to funds deposited by reinsurers to collateralise their potential exposure (2013: £0.0m). The year end cash at bank and in hand balance is £18.0m after including these amounts.

17. Net Cash inflow on Portfolio Investments

	2014 £000	2013 £000
Purchase of shares and other variable yield securities	(11,710)	(22)
Purchase of debt securities and other fixed income securities	(63,765)	(161,708)
Sale of shares and other variable yield securities	-	8,066
Sale of debt securities and other fixed income securities	63,714	103,070
Net cash (outflow)/inflow on portfolio investments	(11,761)	(50,594)

18. Related Parties

ANV Holdings (UK) Limited (AHUK) holds 80% of the ordinary shares of ANV Syndicate Management Limited (ASML). ASML is the immediate parent company of ANV Syndicates Limited (ASL). AHUK is a wholly owned subsidiary of ANV Risk BV. The ultimate holding company of the ANV Group is ANV Holdings BV, whose principal investor is the Ontario Teachers' Pension Plan. On 6 December 2013, Jubilee Managing Agency Limited (JMAL) was acquired by ASML, part of ANV Group. Jubilee Group Holdings Limited (JGHL) and its other subsidiaries were not acquired by ANV. Jubilee Managing Agency Limited was re-named ANV Syndicates Limited on 6 December 2013.

Transactions with Group Entities

Lloyd's market regulations require that a Managing Agent be responsible for engaging underwriting staff and managing the affairs of each syndicate at Lloyd's on behalf of the syndicate members.

On 1 April 2014, the management of ASML's syndicates was novated to ASL thus focusing ANV's syndicate management operations in one single company. ASL became the Managing Agent for Syndicate 1861.

18. Related Parties (continued)

ANV Entities
All ANV staff are employed by ANV Central Bureau of Services Limited, with costs re-charged to the Syndicate. Included within the recharges are amounts relating to the remuneration of Directors of ASL. Profit-related remuneration for the Syndicate's underwriting staff is charged to the Syndicate.

ANV Corporate Name Limited provides 100% of the capacity for the 2012, 2013 and 2014 years of account for Syndicate 1861.

Syndicate 1969 has purchased an Energy excess of loss reinsurance policy on which Syndicate 1861 participates. During 2014 reinsurance premiums amounted to £0.2m (2013: £0.1m). Both Syndicate 1861 and Syndicate 1969 are managed by ASL.

A proportion of the business written by the Syndicate is sourced from companies within the ANV Group. These include:

- ANV Global Services Inc.;
- ANV Global Services Ltd; and
- ANV MGA HK Ltd.

Transactions with the above entities are as set out below (£m):

2014	**ANV Global Services Inc.**	**ANV Global Services Ltd.**	**ANV MGA HK Ltd.**
Gross premium written	2.4	6.6	-
Commission	0.2	1.0	-
Payable 31/12/14	0.5	1.4	-

2013	**ANV Global Services Inc.**	**ANV Global Services Ltd.**	**ANV MGA HK Ltd.**
Gross premium written	10.1	1.2	-
Commission	1.3	0.1	-
Payable 31/12/13	0.8	0.7	-

The Directors of ASL consider the commissions charged to the Syndicate by these companies within the ANV Group to be consistent with those payable to a third party for similar services.

At the balance sheet date, the Syndicate has amounts due to ASL of £2.6m, of which £nil related to profit commission payable.

ASL, the Managing Agent of the syndicate, has charged the syndicate with the following expenses during the year:

	2014 £000	**2013 £000**
Managing agent fees	1,400	1,200
Management fees	-	9,868
Group recharge from ANV group companies	18,564	2,501
Group recharge from Flagstone group companies	-	95
Total	19,964	13,664

Recharges of £18.6m have been incurred by the Syndicate from a related Group entity, ANV Central Bureau Services Limited (CBS) during 2014. Equivalent recharges were classed as management fees and charged via ASML during 2013.

Profit commission is not actually paid until the year of account in respect of which it was earned closes after three years. Profit commission was not applicable for the 2011 to 2013 years of account. Management fees, which are charged on a cost basis, predominantly represent recharges of staff costs for ASL staff working on syndicate business.

The Syndicate had the following amounts outstanding at the year-end, which are included in 'Other creditors' or 'Other debtors' on the balance sheet:

	2014 £000	2013 £000
Other Creditors		
ASML	-	1,535
ASL	2,552	-
	2,552	1,535
Other Debtors		
ASML	236	213
ANV Group	407	233
	643	446

Transactions with other entities
Prior to 20 August 2012, the syndicate was part of the Flagstone group of insurance companies. The syndicate purchased reinsurance from Flagstone Reassurance Suisse during 2012 on an arm's length basis which accounted for 2% of the reinsurance premium in 2012.

Syndicate 1861 may source business from RSG on the open market through Lloyd's brokers. All risks are entered into on an arm's length basis and ASL has unfettered underwriting discretion for all opportunities. Business placed via RSG into the syndicate is capped at 20% of stamp capacity and in 2014 did not exceed 2% of gross net premium.

During the year an agreement was entered into with Securis with respect to the period beginning on 1 January 2015 to support the Funds at Lloyd's of ANV Corporate Name Limited, an ANV group company and sole participant on the capacity of the Syndicate, through the provision of a letter of credit backed by an excess of loss reinsurance contract. The Syndicate also purchased reinsurance protection through Axe Insurance PCC Ltd, a Securis group company, on normal terms for such reinsurance.

Directors Interests
Members of the ASL Board are also directors of other ANV Group companies that transact with ASL and/or the syndicates, as follows:

- R. Matthew Fairfield – ANV Global Services Limited
- Adam Barker – ANV Global Services Limited, ANV Global Services Inc. & ANV Corporate Name Limited
- Janice Hamilton – ANV Corporate Name Limited
- Gerard van Loon – ANV Global Services Limited

Nicholas Pawson, a non-executive director of ASL is a non-executive director of Starr Managing Agents Limited (SMAL). SMAL is a member of the Starr group, which includes Starr Underwriting Agents Limited, a company which has delegated underwriting authority for specific classes of business for Syndicate 1861. There are a number of contracts between companies in the ASL group and companies in the SMAL group. All such contracts are negotiated on an arm's length basis. Both the boards of SMAL and ASL have been advised of the potential conflict of interest.

19. Funds at Lloyd's

Every member 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 according to the nature and the amount of risk to be underwritten by the member and the assessment of the reserving and other risks in respect of that business. FAL is not hypothecated to any specific syndicate participation by a member; therefore there are no specific funds available to a syndicate which can be precisely identified as its capital.

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

20. Post Balance Sheet Events

Following the acquisition of Jubilee in December 2013, ANV has fully integrated, across all managed syndicates, its approach to Solvency II. As of 1 March 2015, Lloyd's has confirmed that all requirements have been met, save with respect to risk management, where there remain some points of difference and a requirement to further embed processes.

From our discussions with Lloyd's, we expect to be able to provide sufficient evidence to Lloyd's to support our rating being changed to green at our next review point. Until then, Lloyd's is maintaining a red rating.

Therefore, as for all agents rated red at the start of March 2015, ANV's managed syndicates will be affected by a 20% capital loading applied at the mid-year coming-into-line. There will also be adjustments arising from any approved revision to the SCR and any foreign exchange impact. Consequently, its translation to individual members will vary depending on the individual circumstances and participations of each member.