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Argenta Syndicate Management Limited
Syndicate 1965

Report, Annual Accounts
and Underwriting Year Accounts
as at 31 December 2014

Argenta Syndicate Management Limited
Company Information

Directors
John L P Whiter
Andrew J Annandale
Graham K Allen
Peter J Bruin
Paul Hunt
Ian M Maguire
Nicholas J Moore
John E Mumford
Trevor P Newbery
Gary A Powell
Matthew P Rowan
David J Thompson
Alan W Tucker
Graham J White
David G Williams

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Fountain House
130 Fenchurch Street
London EC3M 5DJ
Registered in England number 3632880

Syndicate auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF

Syndicate bankers
Citibank N.A.
Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB

Citibank N.A.
3 Temasek Avenue
Centennial Tower
Singapore 039190

Syndicate actuaries
Towers Watson Ltd
Saddlers Court
64-74 East Street
Epsom
Surrey KT17 1HB

Company auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF

Contents of Report and Accounts

Managing agent's report

The directors of Argenta Syndicate Management Limited (ASML) present their report for the year ended 31 December 2014.

The annual accounts are prepared using the annual basis of accounting as required by Statutory Instrument No. 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the 2008 Regulations).

Separate sets of underwriting accounts have been prepared on the traditional three year accounting basis in accordance with the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005). These relate to the 2009, 2010 and 2011 years of account which all closed as at 31 December 2014.

Overview of business

For the 2009 year of account Syndicate 1965 underwrote across a small number of classes operating solely on the Lloyd's Asia Platform in Singapore with capacity of £30 million. At that time its key areas of focus were marine and energy related risks in the Asia region as well as a property treaty account. For 2010 the syndicate ceased underwriting offshore energy business and adjusted its focus to concentrate on developing non-marine direct and facultative property and property treaty lines of business. Capacity for 2010 was increased to £35 million. In 2011 a small Asian casualty account was introduced and the capacity of the syndicate was further increased to £50 million. The fundamental focus of the syndicate remained on business in the Asia Pacific region.

In November 2011, the decision was taken to cease underwriting and the syndicate was subsequently placed into run-off. This was due to the unprecedented frequency and severity of natural catastrophes that occurred in the Asia Pacific region during 2010 and 2011, the largest single impact to the syndicate resulting from the Thailand floods that occurred in the latter part of 2011. Given that the various parties supporting the sole corporate member to the syndicate had differing levels of involvement in the results of each year of account, the decision was taken to leave the 2009, 2010 and 2011 years of account open pending a full reinsurance to close (RITC) of the syndicate's liabilities.

An orderly run-off of the open years has taken place since the syndicate ceased underwriting and, as planned, a competitive bid process began in July 2014 to obtain a RITC of all open years. This process was successfully completed with an RITC contract to close the open years of Syndicate 1965 effective 31 December 2014, having been entered into with Shelbourne Syndicate Services Limited (SSSL).

Review of activities in the year

The annually accounted result for the 2014 calendar year is a profit of £12.7 million. This is made up of surpluses of £1.1 million, £3.3 million and £8.3 million for the 2009, 2010 and 2011 years of account respectively.

The table below summarises the premium volumes and performance of the syndicate for the 2014 calendar year, with the comparative numbers from 2013 on an annually accounted basis. The table is followed, firstly by further detailed comments in relation to each of the years on an annually accounted basis, and then, secondly, on the more traditional underwriting year of account basis.

Key performance indicators	*2014*	*2013*
	£m	£m
Gross premiums written	0.7	1.6
Net premiums earned	1.9	3.7
Profit for the year	12.7	19.5
Cash and investments including overseas deposits	31.1	40.0
Net technical provisions	17.2	35.6
Gross claims paid in the calendar year	18.1	46.9

Managing agent's report *continued*

The gross premiums written represent final adjustments to premiums on contracts previously underwritten. The net premiums earned relate to the adjustments to the gross premiums above, updated cost estimates in respect of existing reinsurance contracts as well as the reinsurance premiums relating to policies purchased to cover the remaining exposures on contracts previously underwritten. Net technical provisions have reduced due to claims being paid and as a result of a reassessment of the expected cost of claims arising from the policies underwritten. The level of cash and investments is reducing as a result of claims being paid.

The annually accounted profit on the 2009 year of account during 2014 is £1.1 million and is primarily attributable to better than expected development in the attritional losses across all prior years 2005 to 2008 inclusive.

For the 2010 year of account the annually accounted profit in 2014 of £3.3 million is predominantly due to the favourable underwriting development across a number of losses.

The 2011 year of account profit in calendar year 2014 is £8.3 million. This primarily resulted from continuing improvements in the major losses in the calendar year, coupled with improvements to the attritional losses.

2009 year of account

The 2009 year of account was significantly impacted by losses arising from Typhoon Ondoy and the storms in Perth and Melbourne during 2010. There has been an improvement in the 2009 year of account ultimate forecast, mostly attributable to better than expected development in the attritional losses across all years 2005 to 2008 inclusive.

This year of account closed with a loss of 19.0% of allocated stamp capacity that has benefited from a surplus of £3.9 million on the 2008 and prior years since they were closed into it.

2010 year of account

The Christchurch earthquake in September 2010 was the first major loss to impact the 2010 year of account and this was followed by the December 2010 floods in central Queensland. In the first quarter of 2011, four major losses occurred which also impacted the 2010 year of account: the Queensland floods in January 2011; Cyclone Yasi in 2011; a further Christchurch earthquake in February 2011; and the Japanese earthquake and following tsunami in March 2011.

There has been favourable development in a number of these losses during 2014.

The 2010 year of account closed with a loss of 85.5% of allocated stamp capacity.

2011 year of account

The gross premium income reported as written during the calendar year was £0.5 million. This will typically relate to adjustments to previously reported income amounts, reinstatement premiums and business bound under quota share arrangements. This brought the cumulative gross written premium in the year of account to £53.3 million.

An unprecedented number of catastrophes occurred in 2011 and although a large proportion of the losses arising from the events of the first quarter of 2011 fell to the 2010 year of account, the 2011 year of account was also impacted by the flooding in Queensland in January 2011 and the Christchurch earthquakes. The largest impact on this year, however, was from the Thailand flood losses which caused considerable damage over a prolonged period starting in October 2011.

During 2014 there has continued to be improvements in the Thailand flood losses and this, along with improvements elsewhere in the account, has resulted in releases throughout 2014 of previously held reserves. With the majority of the Thailand flood losses affecting the property treaty class of business where the ultimate losses exceed the available outward reinsurances, most of the improvement in the gross loss flows through to the net result.

The 2011 year of account closed with a loss of 92.7% of allocated stamp capacity.

ASML business structure

ASML is the Lloyd's managing agency subsidiary of Argenta Holdings plc (AHP), an unquoted holding company with diversified interests in the Lloyd's of London Insurance Market.

Managing agent's report *continued*

ASML business structure *continued*

Syndicate 1965 was established and managed by ASML on a turnkey basis for ACAL Holdings Pte Ltd (ACAL), a Singapore based investor. The syndicate underwrote for all years from 2005 up to and including the 2011 year of account in Singapore, initially via another service company, but ultimately through Argenta Underwriting Asia Pte Ltd (AUA).

In November 2011, the syndicate's capital provider decided to cease underwriting and the syndicate was subsequently put into run-off, with the 2009, 2010 and 2011 years of account closing at 31 December 2014.

Directors

The directors of ASML who have held office since the date of the last accounts, unless otherwise stated are:

John L P Whiter – *Non-executive Chairman*
Andrew J Annandale – *Managing Director*
Graham K Allen – *Finance Director*
Peter J Bruin – *Operations Director and Company Secretary*
Paul Hunt – *Non-executive Director (appointed 21 April 2014)*
Ian M Maguire – *Active Underwriter, Syndicate 2121*
Nicholas J Moore – *Chief Actuary*
John E Mumford – *Non-executive Director*
Trevor P Newbery – *Non-executive Director*
Gary A Powell – *Non-executive Director*
Matthew P Rowan – *Risk Management and Compliance Director*
David J Thompson – *Claims and Reinsurance Operations Director (appointed 1 April 2014)*
Alan W Tucker – *Non-executive Director*
Graham J White – *Non-executive Deputy Chairman*
David G Williams – *Non-executive Director*

Paul Hunt resigned as an executive director of ASML with effect from 31 March 2014 and was reappointed to the Board as a non-executive director effective 21 April 2014.

Risk management

Syndicate 1965 in run-off, was exposed to a variety of financial and non-financial risks. These risks, which shaped the risk management strategy adopted by ASML, were integral to the annual capital setting process. The Own Risk and Solvency Assessment undertaken in respect of Syndicate 1965 reflected the risk profile of the business as well as the run-off strategy that was adopted. Risks were managed through the risk management framework in order to ensure that the risk profile of the business was fully understood. Risks associated with the run-off of the syndicate from November 2011 onwards were also monitored as part of the risk framework.

ASML is committed to risk management as an integral part of management and governance best practice. It has developed a risk management strategy to protect the material assets of Syndicate 1965 and to minimise its losses and liabilities.

The risks impacting the business are grouped under various categories, each of which are the subject of a risk policy which sets out ASML's approach to management of the risk in conjunction with the overarching risk management framework and risk strategy. ASML groups risks into the following key categories:

Insurance risk
Insurance risk is the risk that arises from the inherent uncertainties in the occurrence, amount and timing of insurance liabilities. The underwriting profile of Syndicate 1965 in run-off was such that claims would still occur on the business previously underwritten as well as the syndicate suffering changes in reserve estimates on existing claims. Precautionary measures, in the form of internal controls, were used to preserve the syndicate's performance by limiting the exposure to wider claims and reserving risks, such as:

Managing agent's report *continued*

Risk management *continued*

- Inappropriate reserve estimation; and
- Inappropriate claims decision making.

The framework of systems and controls is designed for the purpose of reducing the likelihood of such risks occurring and to mitigate the impact on the overall business of the syndicate.

Operational risk
Operational risk spans all risk categories and control procedures are used to proactively address the risks associated with ASML's business processes, systems and other resources which might otherwise be detrimental to overall performance. Business continuity is considered key and ASML has developed a plan that provides for the syndicate to be fully operational within a 48 hour period in the event that its current offices are no longer available. The retention of key staff was also fundamental to the success of closing the open years of account and the strategy adopted by ASML 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 and Singaporean insurance markets.

As a regulated business, ASML is fully aware of its regulatory obligations to the UK Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), Lloyd's of London, the Monetary Authority of Singapore and other overseas regulators. The procedures adopted by ASML in this regard rigorously monitor compliance with regulatory standards and, through continuous assessment, highlight any developments that might impact the business.

Liquidity risk
This is the risk that a syndicate will not have sufficient available cash resources to be able to meet its liabilities as they fall due. The liquidity of a syndicate is influenced by a number of factors that have the potential to arise from across the business. Management information is used to enable the effective monitoring of the liquidity risk framework in line with the agreed procedures and governance arrangements. Robust procedures are in place for the monitoring of cash flow and effective credit control. Claims activity is closely scrutinised and the movement of existing claims is reported at regular intervals.

Credit risk
Credit risk is inherent to the business conducted with brokers, reinsurers and other counterparties. The potential for losses arising from a counterparty failing to fulfil its contracted payment obligations is managed by strict control procedures. Aged debt in respect of the payment of premiums and reinsurance recoveries is closely monitored and actively managed accordingly. The ASML Finance and Investment Committee approves the reinsurers with whom the syndicate may conduct its business. There is no appetite to deal with counterparties who have not been approved.

Market risk
The business has a low appetite for market risk and as such there is a requirement to hold only high-grade money-market funds and bank deposits. ASML also periodically seeks to match assets with liabilities in the syndicate's principal functional currencies to the extent that funds permit.

Investment managers and policy

The syndicate ceased underwriting at the end of 2011 and, as a result, has continued with a conservative market risk strategy. Surplus cash has been invested in bank deposits and unitised institutional liquidity funds with an average weighted duration of less than 60 days.

During 2014 the syndicate continued to hold funds in the Australian Trust Fund (ATF) as security for its liabilities in that region. Assets held in the ATF are managed centrally by Lloyd's Treasury and are typically invested in government and corporate fixed income securities with an average duration of between one and three years. As the syndicate continued to settle the Australian element of its liabilities, the level of funds held within the ATF declined.

The overall objective is to target a return of 3 month US dollar LIBOR plus 0.1% and remain 99.5% confident of not underperforming LIBOR by more than 2.5%. The investment strategy has been to hold funds split equally between liquidity funds and bank deposits subject to any counterparty limits. The US dollar return for 2014 is consistent with this risk appetite. The overall return has been broadly in line with the benchmark target return for the calendar year.

Managing agent's report *continued*

Investment managers and policy *continued*

Funds for investment were primarily held in sterling, Australian dollars and US dollars. The investment return for the year and the average funds available for investment were as follows:

	2014 *£'000*	*2013* *£'000*
Average amount of syndicate funds available for investment during the year ("average funds")	34,895	52,512
Investment return	250	641
Calendar year investment yield		
Sterling (including Australian and Singapore dollar assets)	1.2%	1.8%
US dollars	0.1%	0.1%
All syndicate funds	0.7%	1.2%

Statement as to disclosure of information to auditors

The directors of the managing agent at the date of this report have individually taken all the necessary steps to make themselves aware, as directors, of any relevant audit information and to establish that the syndicate auditor is aware of that information.

As far as the directors are aware, there is no relevant audit information of which the syndicate auditor is unaware.

Auditors

As the open years of the syndicate have been closed by way of reinsurance, there is no need to reappoint the auditors.

Annual general meeting of the syndicate member

In accordance with the provisions of the 2008 Regulations, it is not intended to hold an annual general meeting with the member of Syndicate 1965, unless objections to this proposal are received from the syndicate member. Any such objection should be made in writing to the registered office of ASML within 21 days of receipt of this statement.

Andrew J Annandale
Managing Director

Approved by the Board of Argenta Syndicate Management Limited on 16 March 2015.

SYNDICATE
1965
ANNUAL ACCOUNTS 2014

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 2008 Regulations 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 and of the profit or loss of the syndicate 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 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 the prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. 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 Member of Syndicate 1965

We have audited the syndicate annual accounts of Syndicate 1965 for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 23. 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 member in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's member those matters we are required to state 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 member for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the managing agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 9 the managing agent is responsible for the preparation of syndicate annual accounts which 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate annual accounts

An audit involves obtaining evidence about the amounts and disclosures in the annual accounts sufficient to give reasonable assurance that the 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 annual accounts. In addition, we read all the financial and non-financial information in the Report and Annual 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.

Opinion on syndicate annual accounts

In our opinion the annual accounts:

- 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 for the financial year in which the annual accounts are prepared is consistent with the annual accounts.

Independent Auditor’s Report to the Member of Syndicate 1965 *continued*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

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

Ernst & Young LLP

Michael Purrington (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
16 March 2015

Profit and loss account

for the year ended 31 December 2014

Technical account – general business			*2014*		*2013*
	Notes	*£'000*	*£'000*	*£'000*	*£'000*
Earned premiums, net of reinsurance					
Gross premiums written	3	731		1,571	
Outward reinsurance premiums		1,212		1,618	
Change in the provision for unearned premiums					
Gross amount		-		786	
Reinsurers' share		-		(273)	
			1,943		3,702
Allocated investment return transferred from the non-technical account			250		641
Claims incurred, net of reinsurance					
Claims paid - Gross amount		(18,148)		(46,889)	
- Reinsurers' share		7,129		24,487	
		(11,019)		(22,402)	
Change in the provision for claims					
Gross amount		32,582		66,915	
Reinsurers' share		(13,279)		(27,008)	
		19,303		39,907	
			8,284		17,505
Net operating expenses	5		2,215		(2,366)
Balance on the technical account for general business			12,692		19,482

All items relate to discontinued operations.

Profit and loss account

for the year ended 31 December 2014 continued

Non-technical account

	Notes	*2014* *£'000*	*2013* *£'000*
Balance on the general business technical account		12,692	19,482
Investment income	9	293	895
Losses on realisation of investments		(34)	(185)
Unrealised losses on investments		(9)	(69)
Allocated investment return transferred to the general business technical account		(250)	(641)
Profit for the financial year	14	12,692	19,482

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts. Accordingly, a separate Statement of Total Recognised Gains and Losses has not been presented.

Balance sheet
as at 31 December 2014

	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
ASSETS					
Investments					
Financial investments	10		28,411		28,599
Reinsurers' share of technical provisions					
Claims outstanding			13,388		25,781
Debtors					
Debtors arising out of direct insurance operations	11	247		620	
Debtors arising out of reinsurance operations	12	343		4,651	
Other debtors		205		59	
			795		5,330
Other assets					
Cash at bank and in hand		742		1,894	
Other	13	1,961		9,534	
			2,703		11,428
Prepayments and accrued income					
Accrued interest			47		101
TOTAL ASSETS			45,344		71,239

Balance sheet

as at 31 December 2014 continued

	Notes	*2014* £'000	*2014* £'000	*2013* £'000	*2013* £'000
LIABILITIES					
Capital and reserves					
Member's balance	14		12,044		(648)
Technical provisions					
Claims outstanding			30,630		61,351
Provision for other risks					
Other provisions	16		-		5,102
Creditors					
Creditors arising out of direct insurance operations	17	300		605	
Creditors arising out of reinsurance operations	18	1,776		3,563	
Other creditors	19	139		693	
			2,215		4,861
Accruals and deferred income			455		573
TOTAL LIABILITIES			45,344		71,239

The syndicate annual accounts on pages 12 to 29 were approved by the Board of Argenta Syndicate Management Limited on 16 March 2015 and were signed on its behalf by

Andrew J Annandale
Managing Director

Statement of cash flows
for the year ended 31 December 2014

	Notes	*2014* *£'000*	*2013* *£'000*
Reconciliation of profit to net cash outflow from operating activities			
Profit for the financial year		12,692	19,482
Changes in market value and exchange rates		(976)	1,409
Decrease/(increase) in debtors		4,535	5,757
(Decrease)/increase in net technical provisions		(18,328)	(39,386)
Decrease/(increase) in prepayments and accrued income		54	360
(Decrease)/increase in creditors		(7,748)	(15,108)
(Decrease)/increase in accruals and deferred income		(118)	210
Net cash outflow from operating activities		(9,889)	(27,276)
Financing:			
Cash calls received		-	5,537
	20	(9,889)	(21,739)
Cash flows were invested as follows:			
(Decrease)/increase in cash holdings	20	(1,165)	(9,360)
Net portfolio investment	21	(8,724)	(12,379)
Net investment of cash flows		(9,889)	(21,739)

Notes to the accounts

1. Basis of preparation

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations") and applicable Accounting Standards in the United Kingdom. They comply with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 as amended in December 2006, ("the ABI SORP"), except as follows: exchange gains and losses have been included in the technical account as they are considered to arise only in respect of technical account transactions. The ABI SORP recommends that they should be included in the non-technical account.

2. Accounting policies

(a) *Basis of accounting*
The financial statements have been prepared on an annual basis of accounting, whereby the incurred cost of claims, commissions and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

(i) Premiums written
Premiums written comprise premiums on contracts incepted during the financial year together with adjustments made in the year to premiums written in prior accounting periods. They also include estimates for pipeline premiums, representing amounts due to the syndicate not yet notified.

Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

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

(iii) *Reinsurance premium ceded*
Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

(iv) *Claims incurred*
Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the balance sheet date but not reported until after the year end. Claims outstanding are reduced by anticipated salvage and other recoveries.

(v) *Claims provisions and related recoveries*
The provision for claims comprises amounts set aside for claims notified and claims incurred but not reported (IBNR).

Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics.

The provision for claims includes amounts in respect of internal and external claims handling costs.

2014
The amount included in respect of IBNR is defined by the terms of the RITC contract, entered into on 16 February 2015 with Shelbourne Syndicate Services Limited on behalf of Syndicate 2008 to close the 2009, 2010 and 2011 years of account. The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and IBNR.

Notes to the accounts *continued*

2. Accounting policies *continued*

2013

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the syndicate's staff and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience for the relevant classes of business of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

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

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

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

(b) *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 to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any deferred acquisition costs.

The provision for unexpired risks is calculated separately by reference to classes of business which are managed together. No account is taken of any future investment return.

(c) *Acquisition costs*

Acquisition costs, comprising commission and other internal and external 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.

(d) *Foreign currencies*

Income and expenditure in US dollars and Singapore dollars are translated at the average rates of exchange for the period. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Monetary assets and liabilities are translated into sterling at the rates of exchange at the balance sheet date unless contracts to buy or sell currency for sterling have been entered into prior to entering into the RITC contract, in which case the contracted rates have been used. Non-monetary assets and liabilities at the balance sheet date, primarily deferred acquisition costs and unearned premiums, are translated at the rate of exchange ruling when the insurance contract was entered into (or an approximate average rate). Differences arising on the translation of foreign currency amounts are included in the technical account under "net operating expenses".

Notes to the accounts *continued*

2. Accounting policies *continued*

Cash calls made in US dollars are translated at the rate of exchange ruling at the balance sheet date at which they are first declared. Amounts transferred to members in respect of the payment of closed year profits are translated at the rate of exchange ruling at the previous balance sheet date.

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

(f) *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 carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business. All investment return is considered to arise on such funds except to the extent that investment income arises on Funds at Lloyd's retained at the syndicate level; that income remains in the non-technical account.

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

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

(h) *Pension costs*
ASML operates a defined contribution pension scheme and its recharges to the syndicate in respect of staff costs include an element for pension costs. These pension costs are expensed in full in the period to which the recharge relates.

(i) *Operating lease rentals*
Amounts recharged by ASML include costs arising from the use of assets in the period. These rental costs are expensed in full in the period to which the recharge relates.

(j) *Profit commission*
Profit commission is charged by the managing agent at a rate of 7.5% of the profit on a year of account basis with effect from the 2010 year of account, subject to the operation of a two year deficit clause. This is chargeable to the syndicate as incurred but does not become payable until after the appropriate year of account closes, normally at 36 months, although the managing agent may receive payments on account of anticipated profit commission in line with interim profits released to members.

Notes to the accounts *continued*

3. Particulars of business written

Type of business

An analysis of the technical account balance before investment return is set out below:

2014	*Gross premiums written £'000*	*Gross premiums earned £'000*	*Gross claims incurred £'000*	** Gross operating expenses £'000*	*Re-insurance balance £'000*	*Total £'000*
Direct insurance:						
Marine, aviation and transport	-	-	(13)	80	36	103
Fire and other damage to property	36	36	(4,870)	59	5,721	946
Third party liability	(32)	(32)	(712)	7	340	(397)
	4	4	(5,595)	146	6,097	652
Reinsurance acceptances:						
Fire and other damage to property	694	694	19,007	1,826	(10,853)	10,674
Marine, aviation and transport	33	33	1,022	243	(182)	1,116
	727	727	20,029	2,069	(11,035)	11,790
	731	731	14,434	2,215	(4,938)	12,442

2013	*Gross premiums written £'000*	*Gross premiums earned £'000*	*Gross claims incurred £'000*	** Gross operating expenses £'000*	*Re-insurance balance £'000*	*Total £'000*
Direct insurance:						
Marine, aviation and transport	5	6	(2,410)	(44)	3,294	846
Fire and other damage to property	15	15	(1,947)	(66)	1,319	(679)
Third party liability	1	1	(735)	(14)	4	(744)
	21	22	(5,092)	(124)	4,617	(577)
Reinsurance acceptances:						
Fire and other damage to property	1,284	2,022	22,205	(1,976)	(3,732)	18,519
Marine, aviation and transport	266	313	2,913	(266)	(2,061)	899
	1,550	2,335	25,118	(2,242)	(5,793)	19,418
	1,571	2,357	20,026	(2,366)	(1,176)	18,841

* 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.

Net assets are not managed by reference to the classes shown above and so no allocation of net assets or net technical provisions is shown.

All premiums were concluded in the United Kingdom.

Notes to the accounts *continued*

3. Particulars of business written *continued*

	2014		*2013*	
	Gross premiums written	*Profit/(loss)*	*Gross premiums written*	*Profit/(loss)*
	£'000	*£'000*	*£'000*	*£'000*
Direct	4	653	21	(567)
Reinsurance	727	12,039	1,550	20,049
	731	12,692	1,571	19,482

Geographical analysis by destination

	Gross premiums written	
	2014	*2013*
	£'000	*£'000*
UK	(1)	-
EU	(1)	24
Other	733	1,547
	731	1,571

4. Movement in prior year's provision for claims outstanding

A positive run-off deviation of £12.4 million was experienced in 2014. This was made up of improvements of £0.6 million on direct business and improvements of £11.8 million on reinsurance accepted business. The direct improvement primarily related to the fire and other damage to property, marine and transport books, despite deteriorations in the third party liability and energy-marine books. The reinsurance accepted improvement primarily related to the property book.

(2013: A positive run-off deviation of £18.8 million was experienced in 2013. This was made up of deteriorations of £0.6 million on direct business and improvements of £19.4 million on reinsurance accepted business. The direct deterioration primarily related to the fire and other damage to property and third party liability books although there were improvements to the marine, transport and energy-marine books. The reinsurance accepted improvement primarily related to the property book).

Notes to the accounts *continued*

5. Net operating expenses

	2014	2013
	£'000	£'000
Acquisition costs	89	75
Change in deferred acquisition costs	-	223
Administrative expenses	(2,063)	(1,465)
Exchange (gains)/losses	(241)	3,533
	(2,215)	2,366

Administrative expenses include:

	2014	2013
	£'000	£'000
Auditor's remuneration		
Audit of the syndicate accounts	70	77
Other services pursuant to regulations and Lloyd's byelaws	27	59
Operating lease rentals		
Office equipment	6	7
Other	4	9
Provision for run-off costs (see note 16)	(5,211)	(5,230)
Standard personal expenses	-	(63)

Other remuneration paid to the auditor:		
Audit of the managing agent's annual accounts	21	32

Total commissions for direct insurance accounted for in the year amounted to £5,000 (2013: £9,000).

6. Staff numbers and costs

All staff are employed by the managing agency or AUA. The following amounts were recharged to the syndicate in respect of salary costs:

	2014	2013
	£'000	£'000
Wages and salaries	1,458	1,845
Social security costs	171	210
Other pension costs	76	85
	1,705	2,140

The average number of employees employed by the managing agency or AUA in an administrative capacity but working for the syndicate during the year was as follows:

	2014	2013
	No.	No.
Administration and finance	16	19
Underwriting	-	1
Underwriting support	2	2
Claims	-	3
	18	25

Notes to the accounts *continued*

7. Emoluments of the directors of ASML

ASML charged the syndicate the following amounts in respect of emoluments paid to its directors.

	2014	*2013*
	£'000	*£'000*
Emoluments	542	550

8. Run-off manager's emoluments

	2014	*2013*
	£'000	*£'000*
Emoluments	124	123

Philip Dietz was appointed run-off manager on 23 January 2012 and resigned on 12 February 2015. The above amounts have been recharged to the syndicate in this capacity.

9. Investment income

	2014	*2013*
	£'000	*£'000*
Income from investments	270	892
Gains on realisation of investments	16	3
Unrealised gains of investments	7	-
	293	895

10. Financial investments

	2014		*2013*	
	Cost	*Market value*	*Cost*	*Market value*
	£'000	*£'000*	*£'000*	*£'000*
Shares and other variable yield securities and units in unit trusts	27,783	27,783	28,599	28,599
Deposits with credit institutions	628	628	-	-
	28,411	28,411	28,599	28,599

Breakdown of investments by currency

Year ended 31 December 2014	*US$'000*	*Other £'000*	*Total £'000*
Shares and other variable yield securities and units in unit trusts	25,543	12,050	27,783
Deposits with credit institutions	-	628	628
	25,543	12,678	28,411

Notes to the accounts *continued*

10. Financial investments *continued*

Year ended 31 December 2013	*US$'000*	*Other £'000*	*Total £'000*
Shares and other variable yield securities and units in unit trusts	21,927	15,390	28,599
Deposits with credit institutions	-	-	-
	21,927	15,390	28,599

Shares and other variable yield securities and units in unit trusts are all listed on recognised stock exchanges and relate to holdings in highly diversified collective investment schemes.

11. Debtors arising out of direct insurance operations

	2014	*2013*
	£'000	*£'000*
Amounts falling due within one year - intermediaries	247	620

12. Debtors arising out of reinsurance operations

	2014	*2013*
	£'000	*£'000*
Amounts falling due within one year	343	4,651

13. Other assets

	2014	*2013*
	£'000	*£'000*
Amounts advanced in Australia as a condition of carrying on business there	1,961	9,534

14. Reconciliation of member's balance

	2014	*2013*
	£'000	*£'000*
Member's balance brought forward at 1 January	(648)	(25,667)
Profit for the financial year	12,692	19,482
Cash calls paid by the member	-	5,537
Member's balance carried forward at 31 December	12,044	(648)

Cash calls paid of £5.5m in 2013 related to the 2011 year of account.

Notes to the accounts *continued*

15. Unexpired Risk Reserve

	2014	2013
	£'000	*£'000*
At 1 January	-	1,653
Movement during the year	-	(1,653)
At 31 December	-	-

At 31 December 2012 the syndicate was forecasting a future underwriting loss on the 2011 year of account and as such recognised a URR within its technical provisions in accordance with UK Generally Accepted Accounting Practice. There was no forecast underwriting loss at 31 December 2013. The movement in the provision was included within the 'Change in the provision for claims - gross amount' within the technical account.

16. Other provisions

	2014	2013
	£'000	*£'000*
At 1 January	5,102	10,059
Movement during the year:		
Run-off costs	(5,211)	(5,230)
Expected future investment return	109	273
At 31 December	-	5,102

A run-off cost provision of £5,102,000 was retained at December 2013. This represented a provision for running off all years of account and was based on the managing agent's estimate of the likely costs involved. This provision has either been utilised during the period or released following the successful closure of all years of account of the syndicate.

17. Creditors arising out of direct insurance operations

	2014	2013
	£'000	*£'000*
Amounts falling due within one year	300	605

18. Creditors arising out of reinsurance operations

	2014	2013
	£'000	*£'000*
Amounts falling due within one year	1,776	3,563

Notes to the accounts *continued*

19. Other creditors

	2014	2013
	£'000	£'000
Accrued loss on forward contract	-	303
Other	139	390
	139	693

In 2013 the syndicate had a forward foreign currency contract in place to hedge Thai Baht exposure. The value of the forward contract held at the balance sheet date was determined by reference to 2013 year end exchange rates and is detailed above. No such contracts were in place at 31 December 2014.

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

	2014	2013
	£'000	£'000
Net cash outflow for the year	(1,165)	(9,360)
Cash flow – portfolio investments	(8,724)	(12,379)
Movement arising from cash flows	(9,889)	(21,739)
Changes in market value and exchange rates	976	(1,409)
Total movement in portfolio investments net of financing	(8,913)	(23,148)
Balance brought forward at 1 January	40,027	63,175
Balance carried forward at 31 December	31,114	40,027

	At 1 January 2014	*Cash Flow*	*Changes to market value and currencies*	*At 31 December 2014*
	£'000	*£'000*	*£'000*	*£'000*
Cash at bank and in hand	1,894	(1,165)	13	742
Overseas deposits	9,534	(7,591)	18	1,961
Shares and other variable yield securities and units in unit trusts	28,599	(1,755)	939	27,783
Deposits with credit institutions	-	622	6	628
Total portfolio investments	38,133	(8,724)	963	30,372
Total cash and portfolio investments	40,027	(9,889)	976	31,114

Notes to the accounts *continued*

21. Net cash inflow on portfolio investments

	2014	2013
	£'000	£'000
(Sale)/purchase of overseas deposits	(7,591)	(12,459)
Purchase/(sale) of deposits with credit institutions	622	(1,282)
(Sale)/Purchase of shares and other variable yield securities	(1,755)	1,362
Net cash inflow on portfolio investments	(8,724)	(12,379)

22. Related parties

Argenta Holdings plc

ASML is a wholly owned subsidiary of AHP which owns 100% of the voting and economic rights of ASML. AHP is regarded by ASML as its ultimate parent and is also the parent undertaking of the smallest and largest group to consolidate the financial statements of ASML. Copies of the accounts for AHP can be obtained from Companies House.

AHP is controlled by Glenrinnes Farms Ltd, RBC cees Trustee Ltd as trustee of the Argenta Employee Benefit Trust and Wren Properties Ltd who own 44.75%, 25% and 25% of the economic and voting rights in the company respectively. Mr Alasdair Locke is a 99% controller of Glenrinnes Farms Ltd and up until 2014 owned this shareholding directly. Mr Malcolm Robinson is a 50% controller of Wren Properties Ltd.

AHP and its related parties provide certain underwriting, administrative, accounting, human resource and information technology services to ASML. These services are provided on a non-profit making basis by way of inter-group cross charges and direct salary charges.

AUA is the coverholder through which Syndicate 1965 accepted business. AUA is a wholly-owned subsidiary of AHP. Messrs Annandale and Maguire are directors, as was Mr Hunt until his resignation on 31 January 2014. Mr Maguire was appointed on 3 June 2014.

AUA receives a commission on business accepted under the binding authority based on the costs it incurs**.** No commission was payable by the syndicate to AUA in 2013 or 2014. Following cessation of underwriting, expenses associated with running off the business are recovered on a non-profit basis by way of a cross charge to the syndicate.

Argenta Underwriting Labuan Ltd (AULL) was established in 2010 to act as a coverholder for the 2011 year of account for the acceptance of Malaysian reinsurance business on behalf of Syndicate 1965. AULL is a wholly-owned subsidiary of AHP. Mr Annandale is a director, as was Mr Hunt until his resignation on 31 January 2014. AULL receives a commission on business accepted under the binding authority. No commission was payable by the syndicate to AULL in 2013 or 2014. AULL is currently in the process of being wound up.

Argenta Tax and Corporate Services Limited (ATCSL), an AHP group company, provides taxation services to the syndicate. Fees are agreed on a commercial basis and the profit ATCSL generated from providing these services is less than £1,000, which is comparable to the prior year.

Other than by virtue of salaries and other related remuneration in respect of their employment by AHP or its related parties, and any potential future investment earnings or growth in capital value arising from their shareholding, none of the directors, officers, shareholders or related parties concerned, derive any personal benefit from the arrangements that exist.

Notes to the accounts *continued*

22. Related parties *continued*

Business transactions

Mr Mumford is a director of another Lloyd's managing agency, Marketform Managing Agency Ltd.

Mr Whiter is chairman of Lloyd's broker CGNMB LLP and a director of its parent company, Cooper Gay Swett & Crawford Ltd.

Mr White is a director of Lloyd's broker Marine Aviation & General (London) Ltd.

Mr Newbery is a director of Lloyd's broker Tyser & Co Ltd, a member of the board of underwriting agency Aquila Underwriting LLP, and a director of Hawkes Bay Holdings Ltd, the parent company of both entities.

The above entities may in the past have transacted business with syndicates managed by ASML and may do so in the future. Any such business, however, has been and will continue to be, conducted on an arm's length commercial basis with no involvement, either directly or indirectly, from the individuals above.

Other than directorship fees, salaries and other related remuneration, no personal benefit is derived by the individuals concerned from these arrangements.

The syndicate purchased a reinsurance policy from Syndicate 2121 to protect it from adverse development on net ultimate claims as at 30 September 2009. The reinsurance premium was £1,000,000 and the policy covered losses in the aggregate across the 2009 and prior years of account in excess of £5,000,000, which is in turn excess of £29,174,000 to a limit recoverable of £5,000,000. The policy has been charged to the 2009 year of account. This contract was entered into following consultation with the capital provider. The contract has now expired with no claim made thereon.

Syndicate 2121 participated in the reinsurance programme purchased by the syndicate for the period 1 April 2012 to 31 March 2013 in respect of a 7.5% share of a policy protecting against non-marine and marine catastrophe losses on an excess of loss basis. The reinsurance premium payable to Syndicate 2121 was US$487,500 and covered losses in excess of US$3 million to a maximum value of US$50 million. The policy has been charged to the 2011 year of account.

Syndicate 2121 also participated in the reinsurance programme purchased by the syndicate for the period 1 April 2013 to 31 December 2013 in respect of a 7.5% share of a policy protecting against non-marine and marine catastrophe losses on an excess of loss basis. The reinsurance premium payable to Syndicate 2121 was US$0.1 million and covered losses in excess of US$3 million to a maximum value of US$18 million. The policy has also been charged to the 2011 year of account.

Syndicate 2121 was not the lead syndicate on the policies concerned and followed the terms and conditions set by the leader, including the premium payable, in all regards.

No fees were payable to ASML under the managing agency agreement during 2014.

From 1 January 2010 profit commission is charged by the managing agent at a rate of 7.5% of profit subject to the operation of a two year deficit clause. The deficit clause, however does not apply in relation to years of account prior to 2010. No profit commission was charged during the period.

ACAL Underwriting Limited (AUL), the sole capital provider to Syndicate 1965, is a wholly owned subsidiary of ACAL. In turn, Mitsui & Co Pte Ltd (Mitsui) owned the largest shareholding interest in ACAL until its disposal of this during 2013. During 2014, Syndicate 1965 provided no new insurance or reinsurance cover to Mitsui or any of its group companies although it has in previous periods. Any such business was conducted on an arm's length commercial basis.

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Notes to the accounts *continued*

22. Related parties *continued*

Capital support for Syndicate 1965

Messrs Annandale, White and Williams are directors of Argenta Private Capital Ltd (APCL), a subsidiary of AHP, which allocated capacity to Syndicate 1965 for the 2009 to 2011 years of account.

Mr Tucker was a director of APCL until his resignation on 31 July 2012.

Other than directorship fees, salaries and other related remuneration, no personal benefit is derived by the individuals concerned from these arrangements
Mr Locke, through his company Glenrinnes Farms Ltd, provides bridging capital to AUL through a Funds at Lloyd's Providers Agreement for the 2011 year only. This transaction is conducted on an arm's length, commercial basis and Mr Locke derives no personal benefit from this arrangement other than a fee to which he is contractually entitled through his Glenrinnes Farms Ltd participation.

AHP has also provided capital to support AUL for the 2011 year of account only. The contract entered into in relation to this arrangement contains certain adjustable features and provides for AHP to receive up to a maximum of £1.6 million subject to the performance of the 2011 year of account. This transaction was negotiated on an arm's length commercial basis and no personal benefit is derived by the directors of AHP from this arrangement.

23. 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 the syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. The calculation of the level of FAL necessary takes into account a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL maintained by the member is generally not under the management of the managing agent, no amount is normally shown in the annual accounts in respect of such capital resources. However, the managing agent is able to make a call on the member's FAL generally to meet liquidity requirements or to settle losses.

SYNDICATE

1965

UNDERWRITING YEAR
ACCOUNTS
AS AT 31 DECEMBER 2014

2009 YEAR OF ACCOUNT
2010 YEAR OF ACCOUNT
2011 YEAR OF ACCOUNT

Statement of Managing Agent's Responsibilities

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

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

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;

- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;

- make judgements and estimates that are reasonable and prudent; and

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the underwriting year accounts.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate underwriting year accounts comply with 2008 regulations and the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005). It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Member of Syndicate 1965
2009, 2010 and 2011 Closed Years of Account

We have audited the syndicate underwriting year accounts for the 2009, 2010 and 2011 years of account of Syndicate 1965 for the six years, five years and four years ended 31 December 2014, which comprise the Profit and Loss Accounts, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 16 and the Statement of Managing Agent's Responsibilities. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the syndicate's member in accordance with The Insurance Account Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's member 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 member for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the managing agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 31, the managing agent is responsible for the preparation of the syndicate underwriting year accounts, under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no.8 of 2005), which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate underwriting year accounts

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

Opinion on syndicate underwriting year accounts

In our opinion the syndicate underwriting year accounts:

- give a true and fair view of the loss for the 2009, 2010 and 2011 closed years of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

Independent Auditor's Report to the Member of Syndicate 1965
2009, 2010 and 2011 Closed Years of Account *continued*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) requires us to report to you if, in our opinion:

- the managing agent in respect of the syndicate has not kept proper accounting records; or
- the syndicate underwriting years accounts are not in agreement with the accounting records.

Ernst & Young LLP

Michael Purrington (Senior statutory auditor)

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

London

16 March 2015

Profit and loss account: 2009 year of account

Closed at the end of the sixth year at 31 December 2014

Technical account – general business

	Notes	*Calendar year £'000*	*Cumulative balance 31 December 2014 £'000*
Syndicate allocated capacity			30,000
Earned premiums, net of reinsurance			
Gross premiums written	3	92	18,603
Outward reinsurance premiums		186	(6,270)
		278	12,333
Reinsurance to close premium received, net of reinsurance			7,079
		278	19,412
Amounts retained to meet all known and unknown outstanding liabilities, net of reinsurance, brought forward		3,323	
Allocated investment return transferred from the non-technical account		7	32
Claims incurred, net of reinsurance			
Gross claims paid		(874)	(17,111)
Reinsurers' share		184	5,510
		(690)	(11,601)
Reinsurance to close premium payable, net of reinsurance	5	(2,706)	(2,706)
			(14,307)
Net operating expenses	6	848	(10,838)
Balance on the technical account for general business		1,060	(5,701)

All items relate to discontinued operations.

Profit and loss account: 2009 year of account

Closed at the end of the sixth year at 31 December 2014 continued

Non-technical account

	Notes	*Calendar year £'000*	*Cumulative balance 31 December 2014 £'000*
Balance on the general business technical account		1,060	(5,701)
Investment income	8	6	32
Unrealised gains on investments		1	1
Losses on realisation of investments		-	(1)
Allocated investment return transferred to general business technical account		(7)	(32)
Profit/(loss) for the 2009 closed year of account	13	1,060	(5,701)

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts.

Profit and loss account: 2010 year of account

Closed at the end of the fifth year at 31 December 2014

Technical account – general business

	Notes	*Calendar year £'000*	*Cumulative balance 31 December 2014 £'000*
Syndicate allocated capacity			35,000
Earned premiums, net of reinsurance			
Gross premiums written	3	152	37,094
Outward reinsurance premiums		(294)	(14,332)
		(142)	22,762
Amounts retained to meet all known and unknown outstanding liabilities, net of reinsurance, brought forward		11,942	
Allocated investment return transferred from the non-technical account		108	1,209
Claims incurred, net of reinsurance			
Gross claims paid		(5,218)	(60,677)
Reinsurers' share		(16)	30,150
		(5,234)	(30,527)
Reinsurance to close premium payable, net of reinsurance	5	(3,423)	(3,423)
			(33,950)
Net operating expenses	6	25	(19,941)
Balance on the technical account for general business		3,276	(29,920)

All items relate to discontinued operations.

Profit and loss account: 2010 year of account

Closed at the end of the fifth year at 31 December 2014 continued

Non-technical account

	Notes	*Calendar year* *£'000*	*Cumulative balance 31 December 2014* *£'000*
Balance on the general business technical account		3,276	(29,920)
Investment income	8	127	1,395
Unrealised gains on investments		3	3
Losses on realisation of investments		(20)	(133)
Unrealised losses on investments		(2)	(56)
Allocated investment return transferred to general business technical account		(108)	(1,209)
Profit/(loss) for the 2010 closed year of account	13	3,276	(29,920)

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts.

Profit and loss account: 2011 year of account

Closed at the end of the fourth year at 31 December 2014

Technical account – general business

	Notes	*Calendar year £'000*	*Cumulative balance 31 December 2014 £'000*
Syndicate allocated capacity			50,000
Earned premiums, net of reinsurance			
Gross premiums written	3	487	53,257
Outward reinsurance premiums		1,743	(25,488)
		2,230	27,769
Amounts retained to meet all known and unknown outstanding liabilities, net of reinsurance, brought forward		22,180	
Allocated investment return transferred from the non-technical account		136	1,253
Claims incurred, net of reinsurance			
Gross claims paid		(12,057)	(78,628)
Reinsurers' share		6,961	35,292
		(5,096)	(43,336)
Reinsurance to close premium payable, net of reinsurance	5	(10,766)	(10,766)
			(54,102)
Net operating expenses	6	(328)	(21,282)
Balance on the technical account for general business		8,356	(46,362)

All items relate to discontinued operations.

Profit and loss account: 2011 year of account

Closed at the end of the fourth year at 31 December 2014 continued

Non-technical account

	Notes	*Calendar year*	*Cumulative balance 31 December 2014*
		£'000	*£'000*
Balance on the general business technical account		8,356	(46,362)
Investment income	8	153	1,370
Unrealised gains on investments		3	3
Losses on realisation of investments		(14)	(98)
Unrealised losses on investments		(6)	(22)
Allocated investment return transferred to general business technical account		(136)	(1,253)
Profit/(loss) for the 2011 closed year of account	13	8,356	(46,362)

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts.

Balance sheet
As at 31 December 2014

	Notes	*2014* £'000	*2014* £'000
ASSETS			
Investments	9		28,411
Debtors			
Debtors arising out of direct insurance operations	10	247	
Debtors arising out of reinsurance operations	11	343	
Other debtors		205	
			795
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account			13,388
Other assets			
Cash at bank and in hand		742	
Other	12	1,961	
			2,703
Prepayments and accrued income			47
TOTAL ASSETS			45,344

Balance sheet *continued*

As at 31 December 2014

	Notes		*2014*
		£'000	*£'000*
LIABILITIES			
Amounts due to member	13		12,044
Reinsurance to close premium payable to close the account – gross amount			30,630
Creditors			
Creditors arising out of direct insurance operations		300	
Creditors arising out of reinsurance operations		1,776	
Other creditors		139	
			2,215
Accruals and deferred income			455
TOTAL LIABILITIES			45,344

The syndicate underwriting year accounts on pages 34 to 58 were approved by the Board of Argenta Syndicate Management Limited on 16 March 2015 and were signed on its behalf by

Andrew J Annandale
Managing Director

Statement of cash flows

for the year ended 31 December 2014

	Notes	*2014* *£'000*
Reconciliation of loss to net cash outflow from operating activities		
Loss for the closed years of accounts		(81,983)
Changes in market value and exchange rates		(790)
Increase in net technical provisions		17,242
Increase in debtors		(795)
Increase in prepayments and accrued income		(47)
Increase in creditors		2,215
Increase in accruals and deferred income		455
Net cash outflow from operating activities		(63,703)
Financing:		
Cash calls received		94,117
Member's agent's fees		(90)
	14	30,324
Cash flows were invested as follows:		
Increase in cash holdings	14	730
Net portfolio investment	15	29,594
Net investment of cash flows		30,324

Notes to the accounts

1. Basis of preparation

The syndicate underwriting year accounts have been prepared under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005) and applicable accounting standards in the United Kingdom. They comply with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 as revised in December 2006, ("the ABI SORP"), except as follows. Exchange gains and losses have been included in the technical account as they are considered to arise only in respect of technical account transactions. The ABI SORP recommends that they should be included in the non-technical account.

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These underwriting accounts relate to the 2009, 2010 and 2011 years of account which have been closed by reinsurance to close at 31 December 2014. Consequently the balance sheet represents the assets and liabilities of the 2009, 2010 and 2011years of account; the profit and loss accounts reflect the transactions for the 2009, 2010 and 2011 years of account during the six, five and four years from inception to the reference date respectively; and the cash flow statement represents the total transactions for those years of account.

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

2. Accounting policies

Underwriting transactions

(a) The underwriting year accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three-year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

(b) The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims, unearned premiums net of deferred acquisition costs, and unexpired risks) relating to the closed year and to all the previous closed years reinsured therein. Although this estimate of net outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from premiums so determined. The reinsurance to close premium normally transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year (and previous closed years reinsured within) to the members of the successor year of account and gives them the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts.

On 16 February 2015, an agreement was entered into with Shelbourne Syndicate Services Limited, on behalf of Syndicate 2008 to close by reinsurance the 2009, 2010 and 2011 years of account. The values of the claims provisions and related recoveries (see 2e) have been adjusted to reflect the terms of this agreement.

(c) Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Policies written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due but not yet notified to the syndicate year of account. Premiums written are treated as fully earned.

Outwards reinsurance premiums ceded are attributed to the same year as the original risk being protected.

(d) Gross claims paid are allocated to the same year of account as that to which the corresponding premiums are allocated and include internal and external claims settlement expenses. Reinsurance recoveries are allocated to the year of account to which the claim was charged.

Notes to the accounts *continued*

2. Accounting policies *continued*

(e) Outstanding claims comprise amounts set aside for claims notified and claims incurred but not reported (IBNR). Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters, and previous experience of the cost of settling claims with similar characteristics. The amount included in respect of IBNR was defined by the terms of the RITC contract with Shelbourne Syndicate Services Limited on behalf of Syndicate 2008 (see Note 5).

The provision for claims includes amounts in respect of internal and external claims handling costs. The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims.

(f) *Investments and investment return*
Investment return comprises investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges. Investment return arising in each calendar year on all the syndicate's investments is allocated to open years of account in proportion to the average funds available for investment attributable to those years. Investment returns in respect of overseas deposits are allocated to the year of account which funded these deposits. Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price.

Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the end of the previous calendar year, together with the reversal of unrealised gains and losses recognised in earlier calendar years in respect of investment disposals in the current period. Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business. All investment return is considered to arise on such funds.

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

(g) S*yndicate operating expenses*
Costs incurred by the managing agent in respect of the syndicate are charged to the syndicate and included within the relevant profit and loss account heading. Where expenses do not relate to any specific year of account they are apportioned between years of account on a basis which reflects the benefit obtained by each year of account from each type of expense. Where expenses are incurred jointly by the managing agent and the syndicate, they are apportioned generally based on time spent, estimated utilisation or head count. The annual franchise performance and risk management charge levied by Lloyd's is considered to arise solely in respect of the day to day transaction of underwriting business at Lloyd's. This is therefore allocated to managed syndicates based on their written premium in that year.

The managing agent operates a defined contribution pension scheme and its recharges to the syndicate in respect of salaries and related costs include an element for pension costs. These pension costs are expensed in full in the period to which the recharge relates.

Amounts recharged by the managing agent include costs arising from the use of assets in the period. These rental costs are expensed in full in the period to which the recharge relates.

(h) *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. It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue and Customs.

Notes to the accounts *continued*

2. Accounting policies *continued*

No provision has been made for any United States Federal Income Tax or any overseas tax payable on the underwriting results or investment earnings. Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

(i) *Basis of currency translation*

Income and expenditure in US dollars and Singapore dollars are translated at the rate of exchange at the date of the transaction or at an approximate average rate. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed. Monetary assets and liabilities are re-translated into sterling at the rate of exchange at the balance sheet date unless contracts to sell currency for sterling have been entered into prior to entering into the RITC contract, in which case the contracted rates are used. Non-monetary assets and liabilities at the balance sheet date are maintained at the rate of exchange ruling when the transaction was entered into (or the approximate average rate). Although transactions are translated as described above, the final result for the year is calculated with US dollars and Singapore dollars translated at the balance sheet rates of exchange.

Differences arising on the re-translation of foreign currency amounts are included in the technical account under “net operating expenses”. Where US dollars or Singapore dollars are sold or bought relating to the profit or loss of a closed underwriting account after having entered into the RITC contract, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured.

Notes to the accounts *continued*

3 Particulars of business written

2009 closed year of account after six years

Type of business

An analysis of the technical account balance before investment return is set out below:

	Gross Premiums written & earned £'000	*Gross claims incurred £'000*	** Gross operating expenses £'000*	*Reinsurance balance £'000*	*Total £'000*
Direct insurance:					
Marine, aviation and transport	1,007	(8,070)	(894)	6,883	(1,074)
Fire and other damage to property	156	(845)	(500)	658	(531)
	1,163	(8,915)	(1,394)	7,541	(1,605)
Reinsurance accepted:					
Marine, aviation and transport	9,074	(2,513)	(2,338)	(1,779)	2,444
Fire and other damage to property	15,445	(16,646)	(7,106)	1,735	(6,572)
	24,519	(19,159)	(9,444)	(44)	(4,128)
	25,682	(28,074)	(10,838)	7,497	(5,733)

* 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.

Net assets are not managed by reference to the classes shown above and so no allocation of net assets or net technical provisions is shown.

Reinsurance acceptances include the reinsurance to close premium of £7,079,000 received from the 2008 year of account.

All premiums were concluded in the UK.

Geographical analysis by destination

	Gross premiums written £'000
UK	491
EU	(3)
Other	25,194
	25,682

Notes to the accounts *continued*

3. Particulars of business written *continued*

2010 closed year of account after five years

Type of business

An analysis of the technical account balance before investment return is set out below:

	Gross premiums written & earned £'000	*Gross claims incurred £'000*	** Gross operating expenses £'000*	*Reinsurance balance £'000*	*Total £'000*
Direct insurance:					
Marine, aviation and transport	763	(196)	(107)	(98)	362
Fire and other damage to property	418	(105)	(350)	(321)	(358)
	1,181	(301)	(457)	(419)	4
Reinsurance accepted:					
Marine, aviation and transport	6,817	(5,136)	(2,135)	33	(421)
Fire and other damage to property	29,096	(60,060)	(17,349)	17,601	(30,712)
	35,913	(65,196)	(19,484)	17,634	(31,133)
	37,094	(65,497)	(19,941)	17,215	(31,129)

* 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.

Net assets are not managed by reference to the classes shown above and so no allocation of net assets or net technical provisions is shown.

All premiums were concluded in the UK.

Geographical analysis by destination

	Gross premiums written £'000
UK	305
EU	-
Other	36,789
	37,094

Notes to the accounts *continued*

3. Particulars of business written *continued*

2011 closed year of account after four years

Type of business

An analysis of the technical account balance before investment return is set out below:

	Gross premiums written & earned	*Gross claims incurred*	** Gross operating expenses*	*Reinsurance Balance*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Direct insurance:					
Marine, aviation and transport	1,192	(6,560)	(513)	4,643	(1,238)
Fire and other damage to property	2,298	(2,408)	(830)	(696)	(1,636)
	3,490	(8,968)	(1,343)	3,947	(2,874)
Reinsurance accepted:					
Marine, aviation and transport	4,263	(4,021)	(1,419)	(1,287)	(2,464)
Fire and other damage to property	45,504	(78,985)	(18,520)	9,724	(42,277)
	49,767	(83,006)	(19,939)	8,437	(44,741)
	53,257	(91,974)	(21,282)	12,384	(47,615)

* 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.

Net assets are not managed by reference to the classes shown above and so no allocation of net assets or net technical provisions is shown.

All premiums were concluded in the UK.

Geographical analysis by destination

	Gross premiums written
	£'000
UK	1,292
EU	-
Other	51,965
	53,257

4. Technical account balance before allocated investment return and net operating expenses

2009 closed year of account after six years	*2008 and prior years of account*	*2009 pure year of account*	*Total 2009 year of account*
	£'000	*£'000*	*£'000*
Technical account balance before allocated investment return and net operating expenses	4,306	799	5,105
Acquisition costs	(366)	(5,557)	(5,923)
	3,940	(4,758)	(818)

Notes to the accounts *continued*

5. Reinsurance to close premium payable net of reinsurance for the 2009, 2010 and 2011 closed years of account

2009 closed year of account after six years	*Reported* *£'000*	*IBNR* *£'000*	*Total* *£'000*
Gross outstandings	9,916	1,047	10,963
Reinsurance recoveries anticipated	(8,264)	7	(8,257)
	1,652	1,054	2,706

2010 closed year of account after five years	*Reported* *£'000*	*IBNR* *£'000*	*Total* *£'000*
Gross outstandings	3,676	1,144	4,820
Reinsurance recoveries anticipated	(1,412)	15	(1,397)
	2,264	1,159	3,423

2011 closed year of account after four years	*Reported* *£'000*	*IBNR* *£'000*	*Total* *£'000*
Gross outstandings	9,471	3,874	13,345
Reinsurance recoveries anticipated	(2,808)	229	(2,579)
	6,663	4,103	10,766

On 16th February 2015 a reinsurance agreement was signed with Shelbourne Syndicate Services Limited (SSSL) on behalf of Syndicate 2008, to close the 2009, 2010 and 2011 years of account. The contract does not quantify the amount of reinsurance recoveries anticipated on IBNR claims so the amounts reported above relate to internal estimates.

Notes to the accounts *continued*

6. Net operating expenses

2009 closed year of account after six years	*Calendar year* *£'000*	*Cumulative balance 31 December 2014* *£'000*
Acquisition costs	(10)	(5,923)
Administrative expenses	622	(5,113)
Exchange gains	236	198
	848	(10,838)

The closed year loss is stated after charging:		
Auditors' remuneration		
- audit services	18	182
- other services	7	61
Personal expenses	-	347
Operating lease rentals		
- office equipment	2	11
- other	1	16

2010 closed year of account after five years	*Calendar year* *£'000*	*Cumulative balance 31 December 2014* *£'000*
Acquisition costs	(22)	(9,365)
Administrative expenses	428	(8,163)
Exchange losses	(381)	(2,413)
	25	(19,941)

The closed year loss is stated after charging:		
Auditors' remuneration		
- audit services	25	144
- other services	9	30
Personal expenses	-	1,227
Operating lease rentals		
- office equipment	2	12
- other	1	18

Notes to the accounts *continued*

6. Net operating expenses *continued*

2011 closed year of account after four years	*Calendar year £'000*	*Cumulative balance 31 December 2014 £'000*
Acquisition costs	(57)	(11,135)
Administrative expenses	1,013	(8,626)
Exchange losses	(1,284)	(1,521)
	(328)	(21,282)

The closed year loss is stated after charging:		
Auditors' remuneration		
- audit services	28	143
- other services	11	34
Personal expenses	-	1,356
Operating lease rentals		
- office equipment	2	15
- other	2	24

7. Staff numbers and costs

2009 closed year of account after six years

All staff are employed by the managing agency or AUA in an administrative capacity. The following amounts were recharged to the syndicate in respect of salary costs:

	Calendar year £'000	*Cumulative balance 31 December 2014 £'000*
Wages and salaries	361	2,188
Social security costs	43	250
Pension costs	19	123
	423	2,561

The aggregate remuneration charged to the syndicate in respect to emoluments paid to the directors of ASML was £0.8 million. This includes £0.1 million that relates to the role of run-off manager.

Notes to the accounts *continued*

7. Staff numbers and costs *continued*

The average number of employees employed by the managing agency or AUA in an administrative capacity, but working for the syndicate during the period was as follows:

	Calendar year	*Six years*
	No.	*No.*
Administration and finance	4	16
Underwriting	-	1
Underwriting support	1	3
Claims	-	2
	5	22

2010 closed year of account after five years

All staff are employed by the managing agency or AUA in an administrative capacity. The following amounts were recharged to the syndicate in respect of salary costs:

	Calendar year	*Cumulative balance 31 December 2014*
	£'000	*£'000*
Wages and salaries	511	3,134
Social security costs	60	357
Pension costs	27	164
	598	3,655

The aggregate remuneration charged to the syndicate in respect to emoluments paid to the directors of ASML was £1.0 million. This includes £0.1 million that relates to the role of run-off manager.

The average number of employees employed by the managing agency or AUA in an administrative capacity, but working for the syndicate during the period was as follows:

	Calendar year	*Five years*
	No.	*No.*
Administration and finance	6	28
Underwriting	-	1
Underwriting support	1	4
Claims	-	4
	7	37

Notes to the accounts *continued*

7. Staff numbers and costs *continued*

2011 closed year of account after four years

All staff are employed by the managing agency or AUA in an administrative capacity. The following amounts were recharged to the syndicate in respect of salary costs:

	Calendar year £'000	*Cumulative balance 31 December 2014 £'000*
Wages and salaries	588	3,229
Social security costs	69	374
Pension costs	30	196
	687	3,799

The aggregate remuneration charged to the syndicate in respect to emoluments paid to the directors of ASML was £0.8 million. This includes £0.1 million that relates to the role of run-off manager.

The average number of employees employed by the managing agency or AUA in an administrative capacity, but working for the syndicate during the period was as follows:

	Calendar year No.	*Four years No.*
Administration and finance	6	26
Underwriting	-	2
Underwriting support	1	4
Claims	-	4
	7	36

8. Investment income

2009 closed year of account after six years

	Calendar year £'000	*Cumulative balance 31 December 2014 £'000*
Income from investments	6	31
Gains on realisation of investments	-	1
	6	32

Notes to the accounts *continued*

8. Investment income *continued*

2010 closed year of account after five years

	Calendar year £'000	*Cumulative balance 31 December 2014 £'000*
Income from investments	119	1,172
Gains on realisation of investments	8	223
	127	1,395

2011 closed year of account after four years

	Calendar year £'000	*Cumulative balance 31 December 2014 £'000*
Income from investments	145	1,359
Gains on realisation of investments	8	11
	153	1,370

9. Investments

	2014 £'000
Shares and other variable yield securities and units in unit trusts	27,783
Deposits with credit institutions	628
	28,411

Shares and other variable yield securities and units in unit trusts are all listed on recognised stock exchanges and relate to holdings in highly diversified collective investment schemes.

10. Debtors arising out of insurance operations

	2014 £'000
Amounts falling due within one year - intermediaries	247

11. Debtors arising out of reinsurance operations

	2014 £'000
Amounts falling due within one year	343

12. Other assets

	2014 £'000
Amounts advanced in Australia as a condition of carrying on business there	1,961

Notes to the accounts *continued*

13. Amounts due to member

2009 closed year of account after six years	*2014*
	£'000
Loss for the closed year of account	5,701
Member's agent's fee advance	30
Cash calls paid by member	(6,000)
	(269)

2010 closed year of account after five years	*2014*
	£'000
Loss for the closed year of account	29,920
Member's agent's fee advance	30
Cash calls paid by member	(33,000)
	(3,050)

2011 closed year of account after four years	*2014*
	£'000
Loss for the closed year of account	46,362
Member's agent's fee advance	30
Cash calls paid by member	(55,117)
	(8,725)

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

	2014
	£'000
Net cash inflow for the period	730
Cash flow – portfolio investments	29,594
Movement arising from cash flows	30,324
Changes in market value and exchange rates	790
Total movement in portfolio investments net of financing	31,114
Balance brought forward at 1 January 2009	-
Balance carried forward at 31 December 2014	31,114

Notes to the accounts *continued*

14. Movement in opening and closing portfolio investments net of financing *continued*

	At 1 January 2009 £'000	*Cash flow £'000*	*Changes to market value and currencies £'000*	*At 31 December 2014 £'000*
Cash at bank and in hand	-	730	12	742
Overseas deposits	-	2,047	(86)	1,961
Shares and other variable yield securities and units in unit trusts	-	26,925	858	27,783
Deposits with credit institutions	-	622	6	628
Total portfolio investments	-	29,594	778	30,372
Total cash and portfolio investments	-	30,324	790	31,114

15. Net cash outflow on portfolio investments

	2014 £'000
Purchase of overseas deposits	2,047
Purchase of shares and other variable yield securities	26,925
Purchase of deposits with credit institutions	622
Net cash ouflow on portfolio investments	29,594

16. Related parties

ASML is a wholly owned subsidiary of AHP which owns 100% of the voting and economic rights of ASML. AHP is regarded by ASML as its ultimate parent and is also the parent undertaking of the smallest and largest group to consolidate the financial statements of ASML. Copies of the accounts for AHP can be obtained from Companies House.

AHP is controlled by Glenrinnes Farms Ltd, RBC cees Trustee Ltd as trustee of the Argenta Employee Benefit Trust and Wren Properties Ltd who own 44.75%, 25% and 25% of the economic and voting rights in the company respectively. Mr Alasdair Locke is a 99% controller of Glenrinnes Farms Ltd and up until 2014 owned this shareholding directly. Mr Malcolm Robinson is a 50% controller of Wren Properties Ltd.

AHP and its related parties provide certain underwriting, administrative, accounting, human resource and information technology services to ASML. These services are provided on a non-profit making basis by way of inter-group cross charges and direct salary charges.

AUA is the coverholder through which Syndicate 1965 accepted business with effect from 20 March 2009 and replaced Asian Marine Syndicate 1965 Pte Ltd. AUA is a wholly-owned subsidiary of AHP. Messrs Annandale and Maguire are directors, as was Mr Hunt until his resignation on 31 January 2014. Mr Maguire was appointed on 3 June 2014.

AUA receives a commission on business accepted under the binding authority based on the costs it incurs. The total commission payable by the syndicate to AUA for the 2009, 2010 and 2011 years of account was Singapore \$3,295,000, Singapore \$4,343,000 and Singapore \$4,398,000 respectively. Following cessation of underwriting, expenses relating to the run-off of the business were recovered on a non-profit basis by way of a cross charge to the syndicate.

Notes to the accounts *continued*

16. Related parties *continued*

AULL was established in 2010 to act as a coverholder for the 2011 year of account for the acceptance of Malaysian reinsurance business on behalf of Syndicate 1965. AULL is a wholly-owned subsidiary of AHP. Mr Annandale is a director, as was Mr Hunt until his resignation on 31 January 2014.

AULL receives a commission on business accepted under the binding authority. AULL is currently in the process of being wound up.

Argenta Tax and Corporate Services Limited (ATCSL), an AHP group company, provides taxation services to the syndicate. Fees are agreed on a commercial basis and the profit ATCSL generated from providing these services is less than £5,000 for each of the 2009, 2010 and 2011 years of account.

Other than by virtue of salaries and other related remuneration in respect of their employment by AHP or its related parties, and any potential future investment earnings or growth in capital value arising from their shareholding, none of the directors, officers, shareholders or related parties concerned, derive any personal benefit from the arrangements that exist.

Business transactions

Mr Mumford is a director of another Lloyd's managing agency, Marketform Managing Agency Ltd.

Mr Whiter is chairman of Lloyd's broker CGNMB LLP and a director of its parent company, Cooper Gay Swett & Crawford Ltd.

Mr White is a director of Lloyd's broker Marine Aviation & General (London) Ltd.

Mr Newbery is a director of Lloyd's broker Tyser & Co Ltd, a member of the board of underwriting agency Aquila Underwriting LLP, and a director of Hawkes Bay Holdings Ltd, the parent company of both entities.

The above entities may in the past have transacted business with syndicates managed by ASML and may do so in the future. Any such business, however, has been and will continue to be, conducted on an arm's length commercial basis with no involvement, either directly or indirectly, from the individuals above.

Other than directorship fees, salaries and other related remuneration, no personal benefit is derived by the individuals concerned from these arrangements.

Total fees payable to ASML under the managing agency agreement for the 2009, 2010 and 2011 years of account amounted to £300,000, £950,000 and £950,000 respectively. No profit commission was chargeable by the managing agent for the 2009, 2010 or 2011 years of account.

The syndicate purchased a reinsurance policy from Syndicate 2121, also managed by ASML, to protect it from adverse development on net ultimate claims as at 30 September 2009. The reinsurance premium was £1,000,000 and the policy covered losses in the aggregate across the 2009 and prior years of account, in excess of £5,000,000, which is in turn excess of £29,174,000 to a limit recoverable of £5,000,000. The policy has been charged to the 2009 year of account. This contract was entered into following consultation with the capital provider. The contract has now expired with no claim made thereon.

Syndicate 2121 participated in the reinsurance programme purchased by the syndicate for the period 1 April 2012 to 31 March 2013 in respect of a 7.5% share of a policy protecting against non-marine and marine catastrophe losses on an excess of loss basis. The reinsurance premium payable to Syndicate 2121 was US$487,500 and covered losses in excess of US$3,000,000 to a maximum value of US$50,000,000. The policy has been charged to the 2011 year of account.

Syndicate 2121 also participated in the reinsurance programme purchased by the syndicate for the period 1 April 2013 to 31 December 2013 in respect of a 7.5% share of a policy protecting against non-marine and marine catastrophe losses on an excess of loss basis. The reinsurance premium payable to Syndicate 2121 was US$0.1 million and covered losses in excess of US$3 million to a maximum value of US$18 million. The policy has also been charged to the 2011 year of account.

Notes to the accounts *continued*

16. Related parties *continued*

Business transactions *continued*

Syndicate 2121 was not the lead syndicate on the policies concerned and followed the terms and conditions set by the leader, including the premium payable, in all regards.

AUL, the sole capital provider to Syndicate 1965, is a wholly owned subsidiary of ACAL. In turn, Mitsui owned the largest shareholding interest in ACAL until its disposal of this during 2013. Syndicate 1965 has since 2010 provided insurance or reinsurance cover to Mitsui or certain of its group companies. Any such business was conducted on an arm’s length commercial basis.

Messrs Annandale, White and Williams are directors of Argenta Private Capital Ltd, a subsidiary of AHP, which allocated capacity to Syndicate 1965 for the 2009 to 2011 years of account.

Mr Tucker was a director of APCL until his resignation on 31 July 2012.

Capital support for Syndicate 1965

Mr Annandale was a director of AUL, the sole capital provider to Syndicate 1965 for the 2009 to 2011 years of account until his resignation on 19 November 2009.

Other than directorship fees, salaries and other related remuneration, no personal benefit is derived by the individual concerned from these arrangements.

Mr Locke, through his company Glenrinnes Farms Ltd, provides bridging capital to AUL through a Funds at Lloyd’s Agreement for the 2011 year only. This transaction is conducted on an arm’s length, commercial basis and Mr Locke derives no personal benefit from this arrangement other than a fee to which he is contractually entitled through his Glenrinnes Farms Ltd participation.

AHP has also provided capital to support AUL for the 2011 year of account only. The contract entered into in relation to this arrangement contains certain adjustable features and provides for AHP to receive up to a maximum of £1.6 million subject to the performance of the 2011 year of account. This transaction was negotiated on an arm’s length commercial basis and no personal benefit is derived by the directors of AHP from this arrangement.