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Novae

SYNDICATE 2007

NOVAE SYNDICATES LIMITED • REPORT & ACCOUNTS 2014

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DIRECTORS AND ADMINISTRATION

Directors of Novae Syndicates Limited - from 1 January 2012 to 16 March 2015

Sir Bryan Carsberg*	(appointed Chairman 30 April 2014)
J R Adams	(Chief Executive Officer)
L P Adams*	
R D C Henderson*	
D J Pye*	
M C Phibbs*	appointed 8 November 2012
J A Boyns	resigned 7 February 2014
I Burford	
J L J Butcher	resigned 27 February 2014, appointed 17 February 2015
R D Forster	
S J Heming	resigned 7 February 2014
I M Hilder	appointed 27 February 2012, resigned 7 February 2014
M A Hudson	
C L Murray	resigned 31 December 2013
A M Nichols	resigned 30 April 2014
R Patel	appointed 17 February 2015

** denotes non-executive director*

Joint Active Underwriters
I Burford, R D Forster

Bankers
Barclays Bank plc
5 North Colonnade
Canary Wharf
London E14 4BB

Citibank NA
CGC Centre
Canary Wharf
London E14 5LB

Lloyds Banking Group
25 Gresham Street
London EC2V 7HN

Royal Bank of Canada
Royal Trust Tower
77 King Street West
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Canada

Company Secretary
S J Heming

Managing Agent's registered office
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London EC3M 4HH

Managing Agent's registered number
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Registered Auditor
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Investment Managers
Amundi Asset Management
41 Lothbury
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Conning Asset Management Limited
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London EC4R 9AD

Insight Investment Management Limited
160 Queen Victoria Street
London EC4V 4LA

Morgan Stanley Investment Management
One Tower Bridge
100 Front Street Suite 1100
West Conshohocken, PA 19428
USA

Royal London Cash Management Limited
55 Gracechurch Street
London EC3V 0UF

Schroder Investments Limited
31 Gresham Street
London EC2V 7QA

Schroder Investment Management (Luxembourg) S.A.
5, rue Höhenhof
L-1736 Senningerberg
Luxembourg

CHAIRMAN'S STATEMENT

Syndicate 2007 ("the syndicate"), managed by Novae Syndicates Limited ("NSL"), transacts a wide variety of insurance and reinsurance business. Underwriting a diversified portfolio reduces the underwriting risk faced by the syndicate. The syndicate also purchases outwards reinsurance to manage the overall risk.

The stamp capacity for 2015 is unchanged at £575 million and has remained at that level for the years of account under review. Novae Group plc ("Novae") will provide the whole of the capacity on Syndicate 2007 for the 2015 underwriting year through its own corporate member, Novae Corporate Underwriting Limited ("NCUL"). Novae has ceded 6.85% of its participation by purchase of two whole account quota share reinsurance contracts by NCUL from third party reinsurers. As such Novae's economic interest in Syndicate 2007 for the 2015 underwriting year is 93.15%.

The 2014 and 2013 underwriting years have the same quota share arrangements at NCUL level. For these years of account NCUL participated on 96.85% of the syndicate, with the balance being provided by two direct corporate member participants on a limited tenure basis. These were not renewed for the 2015 year of account. For the 2012 year of account NCUL supported the entire capacity but ceded 2% of this by the purchase of a quota share reinsurance with a third party reinsurer.

Profile of Syndicate 2007

The mix of business written for the 2012, 2013 and 2014 underwriting years at 31 December 2014 is summarised below (in combined sterling £m). They are shown gross of acquisition costs.

Property	2014	2013	2012
Property insurance	135.9	120.5	110.2
Property reinsurance	71.2	70.7	77.6
Agriculture & livestock	50.8	66.6	66.1
Property total	257.9	257.8	253.9

Casualty	2014	2013	2012
Specialty liability	61.2	80.1	79.3
General liability & Motor	54.5	65.3	64.9
Casualty reinsurance	19.1	13.7	31.4
Casualty total	134.8	159.1	175.6

MAP	2014	2013	2012
Marine & energy	128.9	115.0	81.7
Credit & political	62.2	58.4	68.5
Aviation RI	22.9	23.7	17.9
MAP total	214.0	197.1	168.1

Total gross premiums	**606.7**	**614.0**	**597.6**

The figures reflect the premiums recorded in these financial statements at the current reporting date and are therefore not projected to ultimate. Significant movements in the second year of development can arise on underwriting years due to further recognition of income from binder arrangements.

The syndicate's business during the relevant underwriting years up to the end of 2014 is managed as between Property, Casualty and Marine, Aviation and Political Risk (MAP) divisions, having previously been managed as between Insurance and Reinsurance. The strategy to broaden the mix of business written by the syndicate over recent years included an expansion of reinsurance business during the period 2010 to 2012. In 2013 the Group decided to reduce or withdraw from certain reinsurance lines and refocus in others. The overall book has been diversified and rebalanced and continues to target profitable growth through the recent renewal season.

Through these changes, the syndicate now operates at the highest level through three divisions: the Property division, which writes both direct and reinsurance and is headed by Stuart Heath; the Casualty division which is headed by Robert Patten; and the MAP division which is headed by John Owen. These individuals, in conjunction with the joint active underwriters, are responsible for managing the overall underwriting and this new structure enables them to bring their experience to bear most effectively.

Growth within the syndicate is concentrated in core lines of business, such as UK, European and US Property Facilities and Marine and Energy facility business. Recent growth initiatives within the syndicate also include the recruitment of a cyber risk underwriter and participation in a number of consortium arrangements: specie & cargo, power generation, accident & health and contingency. While these latter initiatives are relatively small at present, they reflect the desire to broaden the syndicate's business. This process of controlled growth will continue into 2015.

The purchase of outward reinsurance is an important part of controlling underwriting risk. For 2014, the retention levels on casualty business were increased and continued into 2015 in the syndicate's property classes. There has been a restructuring of the property reinsurance arrangements, resulting in more cover being purchased through a single programme covering property classes. The overall consequence is likely to be a slightly higher outwards reinsurance cost relative to gross premium income in these younger years.

Another important risk for the syndicate is reserving risk. The managing agency decided that a margin over and above actuarially determined best estimate reserves should be carried at syndicate level. Historically this margin was held by Novae Group plc, the parent company of NSL. In line with practice elsewhere, the Board of NSL felt it appropriate to hold an element of margin above the actuarially determined best estimate of reserves at syndicate level.

A statement of total reserves at 31 December 2014 is as follows:

		Gross £m	Net £m
Property	2012 & prior years	51.3	45.9
	2013 year	37.0	34.8
	2014 year	54.7	54.3
Casualty	2012 & prior years	630.7	393.6
	2013 year	84.7	75.6
	2014 year	41.0	38.7
MAP	2012 & prior years	149.7	108.8
	2013 year	66.9	56.5
	2014 year	46.5	33.2
Total claims reserves		1,162.5	841.4
Unearned premiums (net of deferred acquisition costs)		223.5	197.9
Total reserves		**1,386.0**	**1,039.3**

Underwriting risk and reserving risk dominate the risk profile of the syndicate. The managing agency seeks to restrict the extent of risk in other important respects. A short duration profile to the bond portfolio looks to contain market risk and the syndicate seeks to maintain a cautious approach to credit risk in both the investment portfolio and arrangements with reinsurance counterparties. A fuller assessment of the application of risk management to Syndicate 2007 is contained in the separate section that follows this statement.

2014 annually accounted result

In 2014 much of Syndicate 2007's business benefited from a comparatively benign claims experience. Consequently the operating performance on an annual accounting basis is a strong level of profitability. The reported result after foreign currency translation differences was £77.6 million (2013: £33.9 million). The 2013 annually accounted result was impacted by the decision to establish additional margin above actuarial best estimate of £31.8 million in the reserves carried at syndicate level. The margin held in the syndicate at 31 December 2014 was £40.1 million (2013: £43.9 million).

Included within the profit is an amount of £26.8 million in respect of releases to reserves on 2012 and prior underwriting years (2013: £10.8 million in respect of reserve releases from 2011 and prior underwriting years, excluding the additional margin discussed above).

The low interest rate environment and a prudent investment strategy constrained the ability of investment return to contribute to the overall result, notwithstanding the scale of held reserves referred to above. In 2014 the overall contribution to profit from investment return, net of investment management expenses, was £11.1 million (2013: £8.6 million). This represents an average investment return of 1.3% on average invested funds of £882.6 million (2013: average investment return of 1.0% on average invested funds of £884.2 million).

Net operating expenses were £216.8 million (2013: £186.7 million). This includes earned acquisition costs of £140.4 million (2013: £126.0 million), representing a ratio to net earned premium of 26.3% (2013: 23.6%). Syndicate administrative expenses were £60.0 million (2013: £54.1 million).

While the annually accounted result provides a summary of trading experience in the calendar year, an underwriting member will find it helpful to consider the overall experience on each underwriting year. This is provided by the following comments:

2012 underwriting year result on closure at 36 months

The 2012 year of account has been closed after 36 months with a profit of 9.5% of stamp capacity, at the top of the latest forecast range of 5%-10%. As shown in note 4 on page 57, included within this result is a profit of £30.8 million on business transacted in prior years inherited through the incoming reinsurance to close of the 2011 year of account.

On closure of the 2012 pure year of account the projected ultimate net loss ratio is 77%, which compares with 78% on the pure 2011 year of account at the same stage.

2013 underwriting year at 24 months

The net incurred loss ratio at 24 months is 46%, which compares with 56% on the 2012 underwriting year at the same stage. While the contribution from investment return to the eventual outcome on closure is again likely to be constrained by low interest rates, another satisfactory outcome appears to lie in prospect, helped by the benign claims experience in calendar years 2013 and 2014. At this stage the managing agency is forecasting a profit in the range 6%-11%.

2014 underwriting year at 12 months

The benign claims experience in calendar year 2014 has produced a favourable experience after 12 months with a net incurred loss ratio at 12 months of 25%, compared with 22% on the 2013 underwriting year at the same stage. However at this early stage, with much of the business written still on risk, it would be premature to make any firm predictions about the likely outcome.

Concluding remarks

The syndicate has produced another satisfactory profit on the closed underwriting year. The managing agent continues to build and refine the business base of Syndicate 2007 by refocusing and diversifying its portfolio and maintaining reserve strength.

I should particularly like to thank Allan Nichols who retired as Chairman of the managing agency in April 2014. Allan was pivotal in providing direction and oversight in the management of the syndicate and developing the stability and strength that it exhibits today. I welcome Reeken Patel to the Board in his role as Chief Risk Officer and a return to the Board of Jonathan Butcher. Both Reeken and Jonathan bring a wealth of expertise and experience to the Board.

Novae is extremely fortunate to have the breadth of skills evident in the development and performance of Syndicate 2007. On behalf of the managing agency, I thank the Active Underwriters and the staff of Syndicate 2007 for their efforts and achievements in the year under review. I believe that they will continue to provide a sound base for the syndicate in the future.

Sir Bryan Carsberg
Chairman
16 March 2015

MANAGING AGENT'S REPORT

The Directors of NSL present the report on the activities of Syndicate 2007 for the year ended 31 December 2014. This annual report has been prepared using the annual basis of accounting, as required by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the "Lloyd's Regulations 2008") and is shown on pages 28 to 46.

Separate underwriting year accounts for the 2012 closed year have been prepared for the member of this year of account and are shown on pages 50 to 59.

Review of the business

The principal activities of the syndicate are summarised in the Chairman's Statement on pages 4 to 7.

The result for the calendar year 2014 is a profit of £77.6 million (2013: profit of £33.9 million).

Risk Management Strategy & Objectives

The Risk Management function covers the management of all risks that could affect NSL's ability to meet its strategic objectives. NSL has developed the following risk management objectives:

- Align risk appetite with strategic objectives
- Promote effective risk based decision-making
- Manage loss volatility
- Identify and manage multiple and cross-enterprise risks
- Seek out and capitalise on opportunities
- Ensure effective deployment of capital
- Ensure overall efficiency, security and continuity of operations

Risk management is at the heart of NSL's business and is seen as a driver of competitive advantage.

Enterprise Risk Management Framework

NSL has developed an Enterprise Risk Management ("ERM") framework with the objective of providing a consistent view of risk that is aligned and integrated with strategic decision-making, and reflecting a defined risk appetite.

As part of this NSL adopts a three lines of defence model, summarised below:

First Line: Business Management	Second Line: Risk Management	Third Line: Internal Audit
Primary responsibility for risk identification, assessment, mitigation and monitoring	Responsibility for risk oversight, challenge of business management and reporting to the Risk Committee and Boards	Provides risk assurance through independently testing the design and operation of controls

The ERM Framework is integral to the way in which NSL manages its business and can be summarised as follows:

- High Level Risk Appetite Statements have been developed to serve as an articulation of NSL's appetite for risk. These are framed initially in terms of high level outcomes - e.g. earnings risk, capital risk - but also include statements at a more granular level where the Board wishes to express a view about specific risk types - e.g. catastrophe risk.

  A risk appetite, consistent with the High Level Risk Appetite Statements of Novae Group, is set for each individual principal risk by the relevant risk owner and recommended by the Risk Committee to the NSL Board for approval.

- Business planning is an annual process. NSL prepares an annual business plan in accordance with NSL's strategy and risk appetites.

- The Internal Model is a set of processes and tools, including a stochastic risk model, used by the business to quantify and manage risk against appetite, and to calculate the Solvency Capital Requirement ("SCR"). The Risk Committee has oversight of the Internal Model, for which day to day responsibility is delegated to the Chief Risk Officer. The Internal Model is built and operated by the Actuarial Function, led by the Group Actuary. The review of parameterisation, model results and model changes - in accordance with the model change policy - is performed by the Risk Committee.

- A solvency assessment is performed on a continuous basis to review the composition of the capital available to meet the regulatory capital requirement.

- The risk management function has developed a number of tools to assist the monitoring, mitigation and management of risks. The risk matrix records the principal risks to the business, and documents the key controls applied to mitigate those risks.

  Compliance with risk appetite is monitored on a forward looking basis through the use of risk indicators set out in a risk dashboard, presented to the Risk Committee. Action is taken when breaches are identified.

  Stress and scenario analyses are performed periodically, to understand further the risks facing the business, test compliance with risk appetite and support the development of mitigation strategies.

  A separate Emerging Risks Working Group is charged with identifying, investigating and reporting any new or developing insurance risks to which NSL might be exposed. This is chaired by the Chief Risk Officer and its findings are reported to the Risk Committee.

- The role of monitoring risk exposures is delegated to the Risk Committee.

The Own Risk and Solvency Assessment ("ORSA") report is produced annually as a consolidated analysis of the strategy, risk profile, capital and solvency of the business, on a retrospective and forward looking basis.

Risk Management Oversight

During 2014 the Board of NSL operated a Risk Committee which has oversight responsibility for the Risk Management Framework. The role of monitoring risk exposures is delegated by the Risk Committee to a number of functional committees which have responsibility for the management of the specific risks. A centralised Risk Management Function, headed by the Chief Risk Officer, provides day-to-day support to the Risk Committee in its role of oversight, monitoring and reporting on the risks facing NSL.

The risk and control environment is subject to continuous internal review by the Risk Committee. It ensures ongoing compliance with the latest requirements of Lloyd's, the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") and other overseas regulators as appropriate.

Further assurance is provided by Internal Audit. This overall assurance includes a review of the Risk Management Framework to determine the extent to which reliance can be placed on risk assessments performed by the Risk Management function.

This review forms part of the process for generation of an internal audit plan. The planning process reviews the risks involved in each area of operation by reference to the Risk Matrix as well as discussions with senior management and Non Executive Directors and, based on the review and discussions, determines the inclusion of a particular area in the plan and also how often the particular area should be considered. The plan is subject to amendment if a risk changes significantly during the year with any material changes to the audit plan being agreed with the NSL Audit Committee.

The internal audit process takes the risks relating to an area of operation and matches them to controls designed to mitigate those risks. Each audit completed is the subject of a formal written report, which includes an action plan agreed by management.

The final reports are then circulated to senior management.

A separate quarterly report is circulated to the NSL Audit Committee, which provides a summary of the various audits and findings, together with agreed actions. Actions are tracked through to completion, with action plan status being reported on a monthly basis to Audit Committee members.

Key risks

The Risk Management function considers the following risks as key:

Risk category	Description of the risk	Trend	Key mitigants
Insurance risk			
Underwriting - Catastrophe	The potential for losses to arise from catastrophic events	Increased use of catastrophe reinsurance has resulted in reduced net exposures relative to gross exposures, although net exposures have increased in monetary terms for some perils	Monitoring of aggregates and disaster scenarios; reinsurance purchase

Underwriting- non-catastrophe	The risk of adverse attritional loss experience	No major change	Robust business planning process, including reinsurance purchase; use of pricing models

Risk category	**Description of the risk**	**Trend**	**Key mitigants**
Reserving	The risk that claims reserves will be materially different from the ultimate cost of settlement	No major change. The margin held over the actuarial best estimate reserves remains stable	Use of proprietary and standard reserving models; internal and external reserve benchmarking; claims development review
Claims	The risk of uncertainty in the outcome of the claim settlement process	No major change	Segregation of claims function from underwriting; processes and procedures to ensure appropriate claims handling
Credit risk	The risk of loss if a reinsurance, intermediary or investment counterparty fails to meet its obligations	No major change. Continue to follow our reinsurance, intermediary and investment guidelines for the careful selection and monitoring of counterparties	Counter-party credit assessment; concentration limits; monitoring of aged receivables
Market risk	The risk of loss arising from fluctuations in the value of investments driven by interest rate or currency fluctuations	Macro-economic uncertainty continues and the prolonged low interest rate environment prevails	Duration monitoring and hedging; currency monitoring and hedging
Liquidity risk	The risk of not being able to meet our liabilities as they fall due, or incurring excessive costs to do so	No major change	Asset/liability monitoring; liquidity monitoring
Capital risk	The risk that capital resources are inadequate to support regulatory capital requirements	The possibility remains that either the Syndicate or Lloyd's fails to meet the required standards for the Internal Model under Solvency II The successful delivery of our 2014 Solvency II programme has reduced the former risk	Capital planning and modelling; stress and scenario testing Monitoring of regulatory developments; ongoing dialogue with regulators

Regulatory and operational risk

Operational Risk	The risk arising from inadequate or failed processes/systems, people, or external events	No major change	Business continuity planning; scenario planning and rehearsals Appropriate employment contracts and compensation policy; wide share ownership Service level agreements and contract monitoring
Risk category	**Description of the risk**	**Trend**	**Key mitigants**
Conduct Risk	The reputational, business and regulatory risk arising from NSL or its distribution partners failing to pay due regard to the interest of its customers	Regulatory and reputational risks arising from the poor treatment of customers continues to increase as the level of Conduct regulation rises	Compliance with the FCA's conduct risk requirements and Lloyd's minimum standards; product controls through the establishment of the Product Oversight Group; root cause analysis of customer complaints; training and awareness programmes for relevant staff

Insurance risk

Insurance risk is the principal risk to which NSL is exposed. Insurance risk is defined as fluctuations in the timing, frequency and severity of insured losses, relative to expectations at the time of underwriting. The Risk Committee has delegated oversight of the management of aspects of insurance risk to an Underwriting and Reinsurance Committee ("URC").

The three major insurance risks faced are underwriting risk, claims risk and reserving risk.

a) Insurance risk: underwriting

Underwriting risk is the potential for losses to arise from either catastrophic events or from individual risks that lead to a variation in projected outcomes after the impact of outwards reinsurance. All insurance business is written exclusively through NSL's Lloyd's insurance platform, Syndicate 2007.

Underwriting risk may manifest itself in a number of ways, from the severe impact of accumulation from a catastrophic event or events, mis-pricing at the point of underwriting, changes or misinterpretation in contractual terms and an over-reliance on too few intermediaries in bringing policies to market. These sources of underwriting risk and key techniques applied to mitigate them are discussed as follows:

i) Catastrophe or accumulation risk

Catastrophes and high profile events have the scope individually to exert a material impact on underwriting performance and the oversight of catastrophe risk involves managing and analysing such exposures.

A distinct risk appetite is formulated for this aspect of risk, both in aggregate and at the level of individual perils, with considerable variation according to the nature of the event concerned. This variation reflects both the scale of underwriting activity in different areas and the probability of different loss events occurring.

The Board of NSL expresses the peril level appetite for its major catastrophe risks using a concept referred to as Willingness to Lose ("WTL"). WTL is defined as the maximum loss net of reinsurance and reinstatement premiums that the syndicate is prepared to absorb from any one modelled event of a particular level of severity under specified assumptions. The WTL is agreed by the NSL Board.

The scenarios and assumptions underpinning WTL modelling are reviewed on a regular basis by senior management and the principal instances of aggregation of risk are reported and reviewed on a monthly basis. Any breaches of WTL limits are reported to the Risk Committee and the NSL Board together with any remedial action taken. The adherence to the WTL is monitored via the key risk dashboards which are circulated regularly to the Risk Committee.

Monitoring is also applied with reference to Realistic Disaster Scenarios ("RDS"). This focuses on in-house scenarios but also makes use of a number of scenarios defined by Lloyd's, upon which the Board of NSL is required to report.

An in-depth review of RDS is undertaken at the time of the submission to Lloyd's. This is subject to a review of the assumptions made in the assessment and then presented to the NSL Board for approval before submission to Lloyd's. This is supplemented by quarterly reporting of RDS to the URC and the NSL Board and by ad hoc reviews of WTL and RDS as appropriate throughout the year.

The potential for accumulation of losses from multiple events in the same year is considered and reported in the ORSA, although a specific appetite is not defined. As important elements of both inwards and outwards catastrophe reinsurance business have only one reinstatement, the scale of loss in a second loss scenario can be lower than in an identical first loss scenario because of the absence of outwards reinstatement premiums in respect of reinsurance of property business. A third loss can be more challenging because outwards reinsurance protection at levels engaged by both of the first two loss events is no longer available. However, it must be recognised that if all three loss events are similar in nature, for example hurricanes making US landfall, then there will also be some instances where the potential for loss on inwards business is either eliminated or much reduced. When considering sideways accumulation it is realistic to make the individual scenarios less severe in their intensity, because the focus is on a multiplicity of major loss events.

In addition to particular natural loss events, the impact of non-natural catastrophes are also considered. One is a corporate collapse following a merger and related fundraising activity. This has the potential to affect a number of exposures in the banking and professional indemnity spheres. Other non-natural events modelled include aviation, marine and energy disasters, terrorism events and various possible scenarios with the potential to affect political risks and credit business.

Some scenarios produce a potential impact that is relatively small yet may be material in the context of the premium derived from accepting exposure to that risk. The objective of aggregate management is to derive an appropriate return for the risk assumed as well as limiting peak exposures. The limits on exposure in these less significant areas are therefore set at lower levels.

ii) Risk of adverse non-catastrophe loss experience

Underwriting is managed and reported through three trading divisions: Property, Casualty and MAP. In turn, each segment is divided into sub-divisions and, at a granular level, underwriting units. Each underwriting unit produces an annual business plan.

The risk of adverse loss experience is mitigated by controlling the nature and quality of business underwritten, which is done through:

- the use of a set of agreed underwriting protocols; these are produced for each unit and are reviewed at least annually in conjunction with the agreed business plans. These protocols supplement unit plans and provide a clear framework for and limits to underwriting authority. Once the business plans and protocols are approved, class underwriters must not underwrite outside them. Any changes or deviations from these protocols need approval from the Active Underwriters or, for material changes, the agreement of the NSL Board

- internal peer reviews of risks written to confirm adherence to the protocols and

- independent external review of samples of risks from most units by a panel of experts who document any concerns and questions. This review is discussed with the Chief Executive of NSL and senior underwriters, and a regular report is provided to the NSL Board

Furthermore, the risk of over-concentration in any one line of business or uncontrolled volumes of transactions is managed through monitoring of premium income against agreed business plans. Premium income monitoring data is circulated weekly and reported monthly to each trading division. The Active Underwriters regularly review premium income with individual unit heads.

iii) Risk of mis-pricing insurance

Systemic mis-pricing of insurance business brings the risk that NSL will have insufficient provision for insured losses.

Pricing models have been developed jointly by the actuarial function and underwriting units to provide decision support to underwriters. These models also produce expected loss ratio premium rate movement and rate adequacy measures on a consistent basis across risks and underwriting units that provide an early indicator of trends in premium rating levels. These measures allow for changes in activity, claims environment, contractual limits, and terms and conditions, as estimated in the pricing models, and the effect of each of these changes is recorded separately. This enables management action to be taken at an early stage if it appears that pricing targets will not be met. These measures are discussed and challenged at unit and trading division meetings and reviewed by the URC on a monthly basis. Where appropriate, issues are escalated to the NSL Board for consideration.

The results of this analysis are provided to Lloyd's for review and benchmarking, and also feed into the reserving and business planning processes.

iv) Risk of failure to achieve income targets

The achievement of NSL's strategy is reliant on the achievement of income and loss ratio targets in the annual syndicate business plan.

Premium income is compared for each business unit on a monthly basis with a roadmap, which indicates the progression of premium expected consistent with business plan income targets. The comparison is reviewed with deviations investigated and, where appropriate, remedial actions undertaken. Such actions will take into account market conditions so that profitability targets are not compromised.

In a broader context resilience of income is sought by use of a broad range of routes to market and, in particular, through active monitoring and management of the mix of business by broker.

b) Insurance risk: reserving

Reserving risk is the risk that claims reserves and related claims handling reserves will be materially different from the ultimate cost of settlement, influenced principally by the occurrence, value and timing of claims.

The Risk Committee has delegated the management of reserving risk to a Reserving Committee ("RC"). Key to the mitigation of reserving risk is the use of proprietary and standardised modelling techniques, with assurance provided by internal and external benchmarking and appropriate claims development review.

The NSL Board seeks to establish realistic and ultimately accurate reserves for each category of business underwritten. However, it is inherent in the nature of a reserving exercise that instances may arise where subsequent developments, including new information, result in changes to the assessment of reserves required for particular business segments, either upwards or downwards.

The actuarial team performs a reserving analysis liaising closely with underwriters, claims and reinsurance staff. It is charged with reporting its conclusions on the basis of an actuarial best estimate. In a statistical context, a best estimate should be interpreted as the mean of all possible outcomes. This means that the downside risk (reserves deteriorating) will be balanced by the upside potential (reserves improving).

The RC performs a comprehensive review of the projections produced by the actuarial team, both gross and net of reinsurance, on a quarterly basis. Following this review the RC makes recommendations to the NSL Board as to the quantum of reserves to be established. Twice a year, during Q2 and Q4, the actuarial team undertakes an in-depth re-reserving exercise which is scrutinised by the RC.

Given the elements of uncertainty relating to the data and assumptions, a margin is applied over and above the actuarial best estimate. This increases the reserves reflected in the accounts above the mean expectation. This margin may be applied, broadly, in two circumstances; (1) to address the underlying uncertainty that applies to all insurance reserves; (2) to address the additional uncertainty that arises from specific issues, exposures or claims.

The Group Chief Actuary produces a monthly reserving report to management, which sets out a review of developments in the month compared to the best estimate expectation. This enables management to identify emerging issues for action at the earliest stage possible.

c) Insurance risk: claims

Claims risk is the risk of uncertainty in the outcome of the claim settlement process due largely to the variability of possible outcomes of disputed claims, unanticipated legal judgements and retrospective legal change when compared to expectations at the time of underwriting.

The oversight of claims risk management is carried out by a Claims Committee which seeks to minimise claims risk by requiring clear segregation of claims management from the underwriting function. This is reinforced by robust claims handling procedures.

Large value claims and disputed claims are managed on a case by case basis and are reported to the NSL Board using a suite of management information. Claims handling service levels are also the subject of such regular reporting.

Credit risk

Credit risk arises from NSL's investment portfolio which is invested in debt instruments and other debt-like obligations issued by third parties, including governments, supra-national entities, banks and major corporate entities. It is also derived from contractual arrangements between policyholders and intermediaries relating to (re)insurance. There is also credit risk arising from cash and cash equivalents held with financial institutions and on outward reinsurance activities.

Credit risk is mitigated by the application of detailed counterparty credit assessments and concentration limits.

Credit risk relates to three key asset classes; financial assets and cash equivalents, insurance and other receivables and reinsurance assets. The key mitigating controls thereon are considered as follows:

a) Financial assets and cash equivalents

The portfolios of fixed income securities are subject to credit risk. The risk is defined as the potential loss in market value resulting from adverse changes in the borrower's ability to repay its debt. An Investment Committee ("IC") is responsible for the development of investment guidelines and monitoring investment manager performance. It has the authority to make decisions on concentration limits of investment managers and of individual investment assets held.

The key aspects of NSL's fixed income investment guidelines that relate specifically to financial asset credit risk are:

- Corporate securities: not to exceed 50% of the total
- Corporate securities below AA rating: not to exceed 20% of the total, of which BBB+ is the minimum and may form no more than 5% of the total
- Corporate securities issued by any one issuer rated AA or above: not to exceed 5% of the total
- Corporate securities rated A or below issued by any one issuer: not to exceed 1% of the total
- Mortgage-backed securities from UK issuers: subject to limits on particular issues
- Credit card and auto loan asset-backed securities: not to exceed 10% of the total and rated AAA only

The guidelines apply to all elements of the portfolio with the exception of a defined component (currently less than 5%) which is invested in strategic pooled funds. These funds have limited investment permission to invest in emerging market and high yield instruments, which may include sub-investment grade assets.

Monthly investment reports are produced by third party investment managers showing aggregate credit ratings and individual holdings. These are reviewed quarterly by the treasury team against the relevant mandates, counterparty limits, class limits and asset type limits. Meetings with investment managers are generally held every six to eight weeks and investment managers are also required to present formally to the IC once a year.

Also, at least quarterly, the IC reviews the modelled effect of credit failure or downgrade of individual investments or an individual counterparty upon NSL's members' balances.

Cash and cash equivalents, certificates of deposit and floating rate notes are also subject to credit risk and NSL regularly reviews counterparty concentrations.

b) Insurance and other receivables

NSL's appetite for credit risk from policyholders and their appointed intermediaries, including insurance business written on a delegated basis, is low. NSL mitigates the effect of credit risk from these sources by applying intermediary credit limits.

Policyholder credit risk is not considered significant, as in the majority of cases a clause in the contract states that a lack of payment by the policyholder will result in policy cancellation. However, where premiums are considered material or originate from a jurisdiction where political risk may affect payment, underwriting staff consider the use of credit checks or premium payment warranties within terms of trade. Policyholder credit risk is monitored by a dedicated credit control team.

Intermediary credit risk management is delegated from a Finance and Operations Committee ("F&O") to a Broker Vetting Group ("BVG"). This group determines whether it is appropriate to transact business with a particular intermediary and makes recommendations on whether or not an individual broking firm should be added to the approved list of intermediaries. Exception reporting is applied to ensure compliance with approved listings in addition to monitoring of excessive or inappropriate terms of trade. The BVG assesses quantitative and qualitative information regarding intermediaries that NSL transacts business with and employs a specialist third party insurance services company to assist it in this regard. For delegated underwriting arrangements, financial assessment is conducted by internal and external teams as part of initial and ongoing management review of these relationships.

Aggregation of broker credit risk on inwards business (inwards premiums and claims payable) is considered by the BVG. The BVG reviews aggregation on a rolling 12-month basis, ranking exposure by broker from premium receipts (average of premiums written on a three-month basis), claims paid (average of claims paid in a single month) and a combination of both tests in aggregate. The output is consolidated with quantitative and qualitative review to provide focused management of exposure across the business. Exposure to future large claims settlements is considered as part of the intermediary credit risk assessment of the BVG.

Intermediary entities do not tend to carry default ratings and no collective assessment for impairment is made on the basis that exposure in general is relatively immaterial. However, provisioning against specific insurance assets is considered when necessary.

c) Reinsurance assets

Reinsurance credit risk management is the responsibility of the Reinsurance Director, who reports to the URC. The URC has the authority to approve the use of reinsurers and the extent of exposure NSL is willing to accept from individual reinsurers.

A risk appetite is set for the maximum exposure (concentration) limits for all reinsurers, either by financial strength rating category or a specific restricted usage limit in conjunction with in-house credit assessments. In some cases usage is acceptable only if collateral in the form of a letter of credit or provision for an outstanding claim advance is in place from inception of the exposure. NSL's exposure to reinsurance credit risk is monitored by the Director of Reinsurance and considered in conjunction with individual limits on current business.

Unwillingness to perform contractual requirements also gives rise to credit risk. NSL seeks to mitigate risk from this source by:

i) working to ensure that contractual terms (for instance with reinsurers) are fit for purpose and that full disclosure of relevant information is made, and

ii) exerting significant contractual and other credit control measures in pursuit of premium and reinsurance recoverables due

Premium credit control is managed by the credit control team, supplemented by additional data and collection services supplied by a specialist outsourced firm. Delegated underwriting premium credit control is managed primarily through underwriting teams, assisted by the delegated underwriting management team. Contractual terms such as policy cancellation are considered and applied as appropriate. Aged premium debt listings and exception analyses are produced against established targets and performance reported regularly to the F&O Committee and the NSL Board.

Reinsurance recoveries on paid claims are monitored by the credit control team. An aged debt report is considered on a monthly basis and actively managed accordingly.

Responsibility for setting reinsurer bad debt provisions and monitoring thereon resides with the F&O Committee. At the end of each reporting period, individual reinsurance assets are assessed for any objective evidence of impairment. Such objective evidence may include, but is not limited to: significant financial difficulty of the issuer or obligor, a breach of contract, or adverse changes in the payment status of borrowers in the group. If no objective evidence of impairment exists for a particular RI asset when individually assessed, then the asset is included in a group of similar credit risk characteristics and collectively assessed for impairment. No general bad debt provision is applied.

The provisioning rates are reviewed periodically by the F&O Committee and the rates set are applied to the reinsurance recoverable total outstanding at the end of each quarter.

Market risk

Market risk is the risk that a firm may be exposed to fluctuations in the value of its assets, the amount of its liabilities, or the income from its assets as a result of market movements. The two major market risks faced by NSL arise from interest rate risk and currency risk, with reporting and timing risk presented as a result of the difficulties in placing values on less liquid securities. In addition, there is an element of operational risk that arises from the process of investment management.

a) Market risk: operational aspects

Investment funds are managed on a total return basis. The general objective is to manage financial assets on the basis that there should be less than a 10% probability of a total return worse than 2.0% below bank base rate. The IC reviews the monitoring of exposures and undertakes stress and scenario testing. Investment return and asset analyses are reported to the NSL Board and the IC quarterly.

The IC has the authority to decide on investment guidelines, including the neutral duration definition. While retaining oversight responsibility, the IC delegates day-to-day supervision and transactional execution to appointed investment managers, imposing clear objectives, restrictions and guidelines. Third party investment managers are appointed after a competitive selection process and must be PRA regulated (or equivalent), be of good standing and regarded as fit for purpose and be compliant with the International Standard on Assurance Engagements ISAE 3402 (or equivalent). Third party managers' investment performance and compliance with service level agreements are reviewed by the IC, on both a relative and absolute basis, at least annually. The IC meets at least four times a year and is responsible for monitoring investment manager performance and making recommendations where relevant to the NSL Board. The Board retain the right to make decisions in respect of any hedging actions proposed.

The management of surplus cash is either subcontracted to a smaller number of selected third party managers, who are subject to the same rules as above; or management is retained within the finance team, which is able to place short-term deposits on a bilateral basis with major clearing banks.

b) Market risk: interest rate risk

Interest rate risk is the risk that the value and/or future cash flows of a financial instrument will fluctuate due to changes in interest rates. NSL's exposure to interest rate risk is spread across its investment portfolio, borrowing and cash and cash equivalents. NSL seeks to mitigate interest rate risk through duration monitoring and interest rate hedging.

In managing interest rate risk, NSL currently invests in short duration financial investments, cash and cash equivalents.

Duration is a commonly used measure of volatility and gives an indication of the likely sensitivity of the portfolio of fixed interest securities to changes in interest rates. Weighted average duration during 2014 was in the order of one year.

The IC reviews quarterly the modelled effect of interest rate fluctuations on the valuation of the Syndicate Premiums Trust Funds and the consequential impact on NSL's members' balances.

c) Market risk: valuation risk

Valuation risk is the risk of deviation in asset values due to the valuation basis used, particularly where it is necessary to use data other than that directly observable from market information.

d) Market risk: currency risk

Foreign exchange risk is the risk that the value of future cash flows in the business will fluctuate due to changes in foreign exchange rates.

NSL seeks to mitigate currency risk by conducting business in five material transactional currencies, thereby looking to create an economic hedge, eliminating mismatches within those currencies as they arise from time to time by repatriation of profits or funding of losses. This approach represents an acceleration in the repatriation of profits as compared to that adopted in the past, and serves to reduce the exposure to currency movements. The management of foreign exchange risk is carried out by the treasury function, with oversight provided by the relevant functional committee.

The requirement in some jurisdictions to fund liabilities gross of reinsurance and in some cases with a margin in addition can constrain the practical ability of the NSL to maintain a hedged position. The territories where this is most likely to arise are Australia and Canada. NSL has defined a tolerance for this mismatch beyond which it will seek to control the exposure through the use of financial hedging instruments where available.

In cases where short term factors create a significant mismatch in currencies other than the five material transactional currencies NSL will purchase and hold the relevant currency to limit the currency exposure.

Liquidity risk

Liquidity risk is the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

Liquidity constraints emerge either as a result of an absolute shortfall of resources per se or as a result of a lack of marketability of investment or other assets. Specifically, liquidity risk exists to the extent that NSL is required to satisfy claims costs, fulfill regulatory solvency and funding requirements and meet working capital needs. The effects of catastrophic underwriting loss on the syndicate's liquidity, including the effects of overseas regulatory funding requirements, are modelled and reviewed on a monthly basis.

The principal mitigation techniques applied to manage liquidity risk are appropriate asset/liability and liquidity monitoring.

NSL's approach to the management of interest rate risk in recent years has been to hold assets of shorter duration than the mean duration of its liabilities. This reflects NSL's desire to limit accounting volatility through mark to market fluctuations in asset values and more recently to reduce risk in an environment where the potential for significant interest rate rises is probably greater than that for reductions. The consequence of this approach is a significant liquidity surplus in the short term.

NSL's market risk appetite dictates the quality of investment assets held and, as a result, liquidity risk is mitigated by the retention of financial assets that are highly marketable.

Capital risk

Capital risk can arise from two primary reasons: (1) capital resources might be inadequate to support regulatory capital requirements of historic, current or future business plans; and (2) insufficient capital might be available to support increased requirements arising out of regulatory change or intervention. The second of these includes specific risks relating to the implementation of the EU-wide solvency regime ("Solvency II"). The principal mitigation techniques applied to manage capital risk are the setting and monitoring of appropriate capital buffers.

The Corporation of Lloyd's determines the amount of capital required at the market level to meet the market's commercial objectives and in particular to sustain the market's financial strength rating at the target level. This capital requirement is met from the aggregate of central resources - the Lloyd's Central Fund plus reinsurances - and capital provided by underwriting members, who are required to deposit assets at Lloyd's equal to the member's Economic Capital Assessment ("ECA").

It is now confirmed that Solvency II will be implemented from 1 January 2016. The regime offers insurers the option of calculating the Solvency Capital Requirement ("SCR") using either a standard formula or by use of an Internal Model. Lloyd's has determined that an Internal Model will be used for the market as a whole, and each managing agency is required to develop an Internal Model to calculate syndicate capital requirements using a variant of the SCR, known as the ultimate Solvency Capital Requirement ("uSCR"). This is used by Lloyd's as a basis for calculating the member ECA.

a) Capital risk: adequate capital to support regulatory business plan

The regulatory capital requirement in relation to Syndicate 2007 is subject to a multiplicity of factors. Some are under NSL's control, such as the volume and lines of business transacted, and some are outside NSL's control, for instance changes in interest rates or insurance market conditions. In addition, the available resources at each point in the future will depend upon the profits and losses made up to that time.

The risk of a shortfall in capital resources against regulatory requirements is mitigated through the combination of a number of activities instigated by Novae Group plc as principal capital provider to the syndicate.

b) Capital risk: changes in capital requirements as a result of regulatory change or intervention

The uSCR is prepared using the Internal Model, which uses stochastic modelling techniques, supplemented by scenario testing, under the control of the Group Actuary. The resultant uSCR is submitted to Lloyd's for review, together with the annual business plan. Lloyd's and the PRA have the power to apply balancing charges to an individual syndicate's calculated capital requirement if they believe the capital is inadequate or to ensure that the Society of Lloyd's as a whole is adequately capitalised. There is a risk therefore that inadequate modelling techniques could underestimate the capital requirement.

Two principal sets of actions are undertaken in mitigation of this risk:

- Significant effort is made throughout the process of model development and SCR calculation to test and validate the model and the parameters used. This is achieved both through the involvement of experts from relevant areas of the business in setting parameters and refining the model, and through the review of the model and SCR by the Model Technical Assurance Group and ultimately the NSL Board.

- Close relationships are maintained with Lloyd's so as to enable NSL to be aware of, and make early allowance for, any issues that develop at the market level and are likely to be the subject of focus in the Lloyd's review process. Such close contacts are maintained by the Actuarial, Risk and Compliance functions.

An additional source of risk arises in the context of the implementation of Solvency II. Lloyd's is seeking approval from the PRA for the Lloyd's Internal Model ("LIM"), which addresses risk at the Lloyd's market level, and takes input from individual syndicate

Internal Models. These in turn require approval from Lloyd's, with the PRA having oversight of the approval process. There is a risk that either NSL fails to meet the required standards for the Internal Model under the new regime, or that the LIM does not receive approval from the PRA. The consequences of either are potentially significant for the business. The Solvency II Implementation Group is responsible for managing this risk and reports on a regular basis to the Risk Committee and the NSL Board. NSL seeks to mitigate, so far as it can, the risks arising from Solvency II by monitoring regulatory developments, significantly investing in appropriate resource and by maintaining an ongoing and open dialogue with regulators and other stakeholders.

Regulatory and operational risk

The Risk Committee has delegated the management of regulatory and operational risk to the relevant functional committee. Five major risks categorised as regulatory or operational have been identified.

a) Regulatory and operational risk: regulatory and legal risk

NSL is required to discharge its regulatory and non-insurance legal obligations and failure to do so could give rise to risk that it might have to curtail significantly its business operations and/or face fines or penalties.

Regulatory and legal risk may arise due to:

- regulatory jurisdiction of NSL, certain subsidiary companies of the Novae Group and or the Novae Group itself as controller with the PRA, FCA, Lloyd's and other overseas regulators
- data protection regulations and adherence with requirements of the Data Protection Act
- compliance with Money Laundering Regulations, Proceeds of Crime Act, Serious Organised Crime and Police Act and more recently the Bribery Act
- amendment to employment law under contract or statutory provision
- failure to comply with conduct standards.

To mitigate this risk NSL maintains continuous dialogue with regulators and monitors regulatory and legislative developments.

b) Regulatory and operational risk: business continuity

NSL has an established Business Continuity Plan ("BC Plan") which seeks to address and mitigate the impact of material operational failure on NSL's business. The BC Plan is designed to provide sufficient flexibility to respond to a variety of events and requires essential services to be restored within 48 hours and a near normal service to be available within one week. The BC Plan is reviewed once every two years by a third party business continuity adviser. The plan is tested at least annually by senior business continuity team members. The effectiveness of the BC Plan is challenged internally by the use of evacuation, communications, IT recovery and business scenario tests. Novae's business continuity staff also engage in wider market and financial services tests on a regular basis.

c) Regulatory and operational risk: key staff risk

NSL is dependent on key employees, both directly within its underwriting business and to fulfil the wider operational, regulatory, financial and compliance functions. There is little desire to carry material risk arising from the loss of any one person for whatever reason. NSL may however be exposed to the loss or actions of a key individual or groups of individuals which may impact upon its ability to operate, at least in the short term. In mitigation, NSL maintains, reviews and monitors a full succession plan to seek to ensure that NSL does not become over reliant on one single employee or team of employees. NSL looks to adopt appropriate employment contracts and compensation policy. Remuneration policy is in line with business and risk strategy and policy.

d) Regulatory and operational risk: outsourcing risk

NSL aims to outsource only where there is a clear benefit, either because NSL does not have the resources, or could not get such resources, where the cost of outsourcing is considerably less than retaining the function in-house, or where the perceived relevance of the work is of a temporary nature and to retain the work would require hiring staff only to have to make them redundant at a future date.

Outsourcing risk can arise from both the transaction of insurance business under delegated underwriting authority and other non-underwriting outsourcing arrangements. Risk can arise from third parties not complying with specified procedures or requirements, including poor regulatory and legal oversight. NSL looks to mitigate outsourcing risk by central review, control monitoring of contracts and by the imposition of contractual service level agreements specifying key performance and risk indicators where appropriate.

e) Regulatory and operational risk: failure of project or change management

The delivery failure of projects or change management can have significant implications for the business in terms of opportunity costs and mis-allocated resources.

This risk is mitigated by a robust project governance process, overseen by the relevant functional committee with specific involvement from the Risk Management and Internal Audit functions where appropriate.

Enterprise risk

Under certain conditions, the outcome with respect to one risk category can be expected to influence another. There are a number of specific dependencies which NSL models:

- A major loss event leading to widespread failures within the reinsurance market. The loss would need to be very large since the reinsurance market, particularly that part of the market to which NSL is exposed, has in the past shown itself to be robust enough to withstand major losses, such as those arising from World Trade Centre and major hurricanes
- A major loss event combined with an appreciation in the affected currency
- A number of operational risks combined with major natural catastrophe losses. For example, the consequences of inadequately monitoring liquidity are only likely to be suffered should there be a significant call on liquidity (which is likely to happen after a major loss event)
- A major loss event which has adverse effects on investment markets; however, the effect tends to be felt principally in the equity markets, to which NSL has no direct exposure

- In terms of other loss types, an aggregation of casualty claims might coincide with a weak economy thereby depressing the attraction of writing casualty business. The timing of the claims experience is also far from clear; in some instances recessionary claims emerge with clarity only with a time-lag (even under claims-made cover). This could mean that a period of adverse underwriting conditions might in reality be even worse than what is implied by a low level of interest rates.

Losses associated with one or more enterprise risks are also considered through the use of stress and scenario testing.

Disclosure of information to the auditor

Each person who is a director of the managing agent at the date of approval of this report confirms that, so far as the director is aware, there is no relevant audit information of which the syndicate's auditor is unaware, and each director has taken all the steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the syndicate's auditor is aware of that information.

Syndicate Annual General Meeting and reappointment of auditor

As permitted under the Syndicate Meeting (Amendment No.1) Byelaw (No. 18 of 2000), it is not proposed to hold a Syndicate Annual General Meeting of members of Syndicate 2007. Members may object to the matters set out above within 21 days of the issue of these accounts. Any such objections should be addressed to S J Heming, Compliance Officer, at the managing agent's registered address set out below.

KPMG LLP acted as auditor of Syndicate 2007 during the period under review and their reports on the Annual Accounts and the 2012 Year of Account are at pages 27 and 49 respectively. A resolution will be proposed at the Annual General Meeting of Novae Group plc, the ultimate parent company of Novae Syndicates Limited, to appoint PricewaterhouseCoopers LLP as auditor for Novae Group plc with effect from 13 May 2015. If the appointment of PricewaterhouseCoopers is approved by Novae Group plc, a proposal to appoint them as auditor to Syndicate 2007 will be given to members of Syndicate 2007 in accordance with the requirements of the Audit Arrangements Byelaw (No.7 of 1998).

General

The directors wish to express their appreciation to all the staff for their efforts and support during the last year.

Approved by the directors of Novae Syndicates Limited on 16 March 2015.

J R Adams
Chief Executive Officer

Novae Syndicates Limited
71 Fenchurch Street
London EC3M 4HH

ANNUAL ACCOUNTS AT 31 DECEMBER 2014

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing the syndicate annual report and accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate annual accounts for Syndicate 2007 at 31 December each year in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice). The syndicate annual accounts are required by law to give a true and fair view of the state of affairs of Syndicate 2007 as at that date and of its profit for that year.

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

a) select suitable accounting policies and then apply them consistently, subject to changes arising on the adoption of new accounting standards in the year;

b) make judgements and estimates that are reasonable and prudent;

c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the syndicate annual accounts; and

d) prepare these financial statements on the going concern basis unless it is inappropriate to presume that there will be future years of account of the syndicate.

The managing agent is responsible for keeping proper accounting records that 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 website. Legislation in the UK governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Syndicate 2007

We have audited the Syndicate 2007 annual accounts for the year ended 31 December 2014, as set out on pages 28 to 46. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the members of the syndicate, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Managing Agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 26, 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

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate .

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 UK 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 require 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.

Timothy Butchart (Senior Statutory Auditor),
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants, London
16 March 2015

PROFIT AND LOSS ACCOUNT: TECHNICAL ACCOUNT

For the year ended 31 December 2014

	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Earned premiums, net of reinsurance					
Gross premiums written	3	**659,413**		607,858	
Outward reinsurance premiums		**(73,411)**		(61,026)	
Change in the provision for unearned premiums					
Gross amount	17	**(54,914)**		(10,779)	
Reinsurers' share	17	**2,412**		(2,615)	
			533,500		533,438
Allocated investment return transferred from the non-technical account			**11,102**		8,630
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		**(307,940)**		(348,804)	
Reinsurers' share		**42,315**		53,334	
Change in the provision for claims					
Gross amount	17	**20,454**		(35,803)	
Reinsurers' share	17	**(12,034)**		19,849	
	4		**(257,205)**		(311,424)
Net operating expenses	5		**(216,821)**		(186,670)
Balance on the technical account			**70,576**		43,974

All results for the year and prior year relate to continuing activities.

The notes on pages 33 to 46 form part of these financial statements.

PROFIT AND LOSS ACCOUNT: NON-TECHNICAL ACCOUNT
For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Balance on the technical account		**70,576**	43,974
Investment income	9	**16,236**	20,676
Unrealised gains on investments		**3,706**	2,673
Investment expenses and charges	10	**(4,787)**	(6,455)
Unrealised losses on investments		**(4,053)**	(8,264)
Allocated investment return transferred to the technical account		**(11,102)**	(8,630)
Profit for the financial year		**70,576**	43,974

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Profit for the financial year		**70,576**	43,974
Currency translation differences		**7,054**	(10,074)
Total recognised gains and (losses) since last annual report	16	**77,630**	33,900

The notes on pages 33 to 46 form part of these financial statements.

BALANCE SHEET: ASSETS

As at 31 December 2014

Assets	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Investments					
Financial investments	11		856,309		803,858
Reinsurers' share of technical provisions					
Unearned premiums	17	25,522		22,385	
Claims outstanding	17	321,238		328,660	
			346,760		351,045
Debtors					
Debtors arising out of direct insurance operations	12	137,521		133,723	
Debtors arising out of reinsurance operations	13	130,982		119,306	
Other debtors	14	493		1,216	
			268,996		254,245
Other assets					
Cash at bank and in hand	21	79,457		75,008	
Other assets	15	2,085		2,843	
			81,542		77,851
Prepayments and accrued income					
Accrued interest		4,218		4,492	
Deferred acquisition costs		114,601		92,052	
Other prepayments and accrued income		11,503		9,741	
			130,322		106,285
Total assets			1,683,929		1,593,284

The notes on pages 33 to 46 form part of these financial statements.

BALANCE SHEET: LIABILITIES
As at 31 December 2014

Liabilities	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Capital and reserves					
Members' balances	16		**126,887**		87,278
Technical provisions					
Unearned premiums	17	**338,054**		275,905	
Claims outstanding	17	**1,162,555**		1,170,467	
			1,500,609		1,446,372
Creditors					
Creditors arising out of direct insurance operations	18	**20,163**		29,946	
Creditors arising out of reinsurance operations	19	**22,319**		20,166	
Other creditors	20	**11,341**		8,557	
			53,823		58,669
Accruals and deferred income			**2,610**		965
Total liabilities			**1,683,929**		1,593,284

The financial statements were approved by the Board of Novae Syndicates Limited on 16 March 2015 and were signed on its behalf by:

M A Hudson
Director

The notes on pages 33 to 46 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit on ordinary activities		**70,576**	43,974
Realised / unrealised (gains) / losses on cash and investments		**(19,003)**	13,209
Increase in net technical provisions		**58,523**	9,662
(Increase) / decrease in debtors		**(38,031)**	7,532
(Decrease) in creditors		**(3,201)**	(1,630)
Other movements		**7,054**	(10,074)
Net cash inflow from operating activities		**75,918**	62,673
Transfer to members in respect of underwriting participations		**(38,074)**	(34,310)
Financing:			
Non-standard personal expenses		**53**	(444)
Net cash inflow	21	**37,897**	27,919
Cash flows were invested as follows:			
Increase / (decrease) in cash holdings	21	**5,261**	(48,963)
(Decrease) in overseas deposits	22	**(14,609)**	(15,046)
Increase in net portfolio investments	22	**47,245**	91,928
Net investment of cash flows		**37,897**	**27,919**

The notes on pages 33 to 46 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation

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

The annual accounts comprise the calendar year movement in the 2012, 2013 and 2014 years of account of Syndicate 2007.

2 Accounting policies

Basis of accounting

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the syndicate's annual accounts.

The financial statements have been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses is charged against the earned proportion of premiums, net of reinsurance as follows:

(i) Gross Premiums written

Generally, written premiums comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums recognised in respect of binder or consortium agreements are recognised linearly over the duration of the agreement. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. Premiums written include adjustments to contracts entered into in prior accounting periods as well as estimates for future premiums.

An estimate is made at the balance sheet date to recognise retrospective adjustments to premiums or commissions.

(ii) Unearned premium provision

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent accounting periods, computed separately for each insurance contract in line with the risk exposure profile. Reinsurance premiums ceded are recognised in line with the related inward business and the unearned portion included within reinsurance contract assets.

(iii) Outwards reinsurance premiums

The syndicate cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of risk. Outward reinsurance premiums are accounted for in the same period as the premiums for the related insurance or inwards reinsurance business.

(iv) Claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(v) Claims provisions and related recoveries

Claims outstanding comprise provisions for the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not, and related internal and external claims handling expenses.

The ultimate liability as a result of outstanding claims will vary due to subsequent information and events and 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, and disclosed separately if material.

(vi) Deferred acquisition costs

Acquisition costs comprise all direct costs arising from the conclusion of insurance and reinsurance contracts. Deferred acquisition costs represent the proportion of acquisition costs which will be expensed in subsequent years; the deferral is calculated in the same manner as the unearned premiums provision. Acquisition costs are deferred only to the extent that available future margins are expected to cover them.

(vii) Liability adequacy testing

At each balance sheet date, liability adequacy tests are performed at class of business and reviewed at whole account level to ensure the adequacy of the liabilities from insurance and reinsurance contracts net of deferred acquisition costs. In performing these tests, current best estimates are used of future contractual cash flows, claims handling and administration expenses as well as investment income from the assets backing such liabilities. Any deficiency is immediately expensed, initially by writing off deferred acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (unexpired risk provision).

(viii) Reinsurance

The syndicate buys reinsurance in the normal course of business for the purpose of limiting its net loss potential.

Reinsurance assets include amounts recoverable from reinsurers for losses and loss adjustment expenses. If a reinsurance asset is impaired, NSL reduces its carrying amount accordingly, and immediately recognises the impairment loss in the income statement. A reinsurance asset will be deemed to be impaired if there is objective evidence, as a result of an event occurring after initial recognition of the asset, that NSL may not receive all amounts due to it under the terms of the contract, and that the event has a reliable measurable impact on the amounts that NSL will receive from the reinsurer.

(ix) Foreign exchange

Items included in the financial statements are measured using sterling as this is the functional and presentational currency, being the primary currency of the economic environment in which NSL operates. Transactions in foreign currencies are translated using the average exchange rates applicable to the period in which the transaction occurs. NSL considers these to be a reasonable approximation of the rate at which the transaction actually took place.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

(x) Investments

Investments are stated at current value at the balance sheet date. For this purpose, listed investments are stated at market bid-value and deposits with credit institutions and overseas deposits are stated at Market value. 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.

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

Investment return is initially recorded in the non-technical account. A transfer is then made to the general business technical account to reflect the investment return on funds supporting the underwriting business. All investment return is considered to arise on such funds.

(xii) 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 'members' balances' pending recovery from members via the Lloyd's Members' Services unit through consolidated personal accounts.

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

(xiii) Net operating expenses

Net operating expenses consist of acquisition costs (see 2(vi)), Lloyd's charges and processing costs and any profit or loss on foreign exchange (see 2(ix)) arising in the period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The syndicate is charged a managing agency fee at a rate of 0.75% of stamp capacity with all necessary and reasonable expenses incurred in the administration of the syndicate being charged to the syndicate. Where expenses do not relate solely to Syndicate 2007, they are allocated between other Novae group companies on such a basis as may be equitable for each type of expense. Where expenses do not relate to any specific year of account they may be 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 between the syndicate and other Novae group companies, they are apportioned to the syndicate as appropriate.

Profit-related remuneration of certain underwriting and non-underwriting employees was charged to the syndicate during the year. Profit-related remuneration relating to the directors is not charged to the syndicate.

3 Segmental analysis

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

2014	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Result before investment return £'000
Direct insurance:						
Marine, aviation and transport	59,737	51,894	(24,074)	(17,791)	103	10,132
Fire and other damage	130,881	122,981	(46,802)	(52,711)	(9,883)	13,585
Third party liability	122,433	117,267	(63,834)	(44,790)	(2,282)	6,361
Miscellaneous	54,603	55,870	(29,336)	(18,997)	(1,391)	6,146
Direct insurances	**367,654**	**348,012**	**(164,046)**	**(134,289)**	**(13,453)**	**36,224**
Reinsurance acceptances	**291,759**	**256,487**	**(123,440)**	**(82,532)**	**(27,265)**	**23,250**
Total	**659,413**	**604,499**	**(287,486)**	**(216,821)**	**(40,718)**	**59,474**

2013	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Result before investment return £'000
Direct insurance:						
Marine, aviation and transport	40,977	40,538	(16,422)	(12,594)	(3,067)	8,455
Fire and other damage	117,285	106,413	(47,245)	(41,203)	(6,035)	11,930
Third party liability	124,671	123,249	(133,175)	(41,114)	46,732	(4,308)
Miscellaneous	53,371	53,530	(28,920)	(15,131)	(7,958)	1,521
Direct insurances	336,304	323,730	(225,762)	(110,042)	29,672	17,598
Reinsurance acceptances	271,554	273,349	(158,845)	(76,628)	(20,130)	17,746
Total	607,858	597,079	(384,607)	(186,670)	9,542	35,344

NOTES TO THE FINANCIAL STATEMENTS (continued)

The analyses in the tables above have been prepared in accordance with the requirements of Schedule 3 of *The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008*: *Insurance Companies* and do not necessarily reflect how the Board of NSL presents and uses information in its management of the syndicate.

Geographical origin of direct insurance gross premiums written

An analysis of gross direct premiums written by reference to the location of the risk is provided below:

	2014 £'000	2013 £'000
Risks located in UK	**113,973**	107,314
Risks located in other member states of the EU	**25,736**	25,569
Risks located in other countries	**227,945**	203,421
	367,654	336,304

4 Net claims incurred in the calendar year and reserve movements on prior years

Claims incurred, net of reinsurance, totalled £257.2 million during the calendar year (2013: £311.4 million).

This includes an amount of £26.8 million in respect of increases to reserves on 2013 and prior underwriting years (2013: £10.8 million in respect of reserve releases from 2012 and prior underwriting years).

5 Net operating expenses

	2014 £'000	2013 £'000
Acquisition costs	**161,237**	131,394
Change in deferred acquisition costs	**(20,850)**	(5,372)
Administrative expenses	**60,026**	54,096
Personal expenses	**7,956**	9,241
Profit commission payable	**293**	78
Loss / (profit) on foreign exchange	**8,159**	(2,767)
	216,821	186,670

Average commission rates for direct insurance, as a proportion of gross premiums written in the year, amounted to 26.8% (2013: 25.0%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

Auditor's remuneration payable to KPMG LLP and its associates in respect of audit and other services provided to the syndicate is as follows:

	2014 £'000	2013 £'000
Fees payable to the syndicate's auditor for the audit of the syndicate	**225**	212
Fees payable to the syndicate's auditor for other services:		
Actuarial review	**165**	159
	390	371

6 Staff numbers and costs

All staff were employed by Novae Management Limited, a wholly owned subsidiary of Novae Group plc (the ultimate parent company of the managing agent). The following amounts were incurred by the syndicate in respect of staff costs.

	2014 £'000	2013 £'000
Wages and salaries	**22,686**	21,422
Profit-related remuneration	**10,643**	8,225
Social security costs	**2,493**	2,501
Pension costs	**3,796**	2,663
Other	**2,130**	1,831
	41,748	36,642

The average number of employees working for the syndicate during the year was as follows:

	2014 Number	2013 Number
Support	**128**	116
Underwriting	**99**	98
Claims and reinsurance	**50**	49
	277	263

7 Directors' emoluments

The directors of Novae Syndicates Limited received the following remuneration charged to the syndicate and included within net operating expenses:

	2014 £'000	2013 £'000
Wages and salaries	**1,632**	1,783
Post-employment benefits	**316**	340
Other benefits	**32**	33
	1,980	2,156

The highest paid director received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	2014 £'000	2013 £'000
Wages and salaries	240	240
Post-employment benefits	47	47
Other benefits	3	3
	290	290

8 Joint Active Underwriters' emoluments

The Joint Active Underwriters received the following remuneration charged to the syndicate and included within net operating expenses:

	2014 £'000	2013 £'000
Wages and salaries	414	387
Post-employment benefits	74	69
Other benefits	9	8
	497	464

9 Investment income

	2014 £'000	2013 £'000
Income from investments	13,925	15,692
Gains on the realisation of investments	2,311	4,984
	16,236	20,676

	2014 '000	2013 '000
Average syndicate funds available for investment during the year (original currency):		
Sterling (including converted minor currencies)	350,875	299,385
Australian dollar	107,346	128,846
Euro	113,312	101,538
US dollar	478,868	508,416
Canadian dollar	166,404	154,906
Combined sterling	882,568	884,185
Aggregate investment return for the calendar year	11,102	8,630

The Australian dollar, Euro, US dollar and Canadian dollar figures above are in original currency

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2014	2013
Calendar year investment yield:		
Sterling (including converted minor currencies)	**1.4%**	0.4%
Australian dollar	**4.0%**	3.6%
Euro	**0.8%**	0.4%
US dollar	**0.6%**	0.8%
Canadian dollar	**1.4%**	1.4%
Combined sterling	**1.3%**	1.0%

The average amount of syndicate funds available for investment has been calculated as the monthly average balance of financial investments and cash at bank and in hand.

10 Investment expenses and charges

	2014 £'000	2013 £'000
Investment management expenses	**1,314**	919
Losses on realisation of investments	**3,473**	5,536
	4,787	6,455

11 Financial investments

	Market value		Cost	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Debt securities and other fixed income securities	**785,018**	716,436	**784,063**	718,388
Overseas deposits	**71,620**	87,372	**71,620**	87,372
Other investments	**(329)**	50	**(329)**	50
	856,309	803,858	**855,354**	805,810

12 Debtors arising out of direct insurance operations

	2014 £'000	2013 £'000
Due within one year	**137,396**	133,668
Due after one year	**125**	55
	137,521	133,723

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Debtors arising out of reinsurance operations

	2014 £'000	2013 £'000
Due within one year	**130,965**	119,286
Due after one year	**17**	20
	130,982	119,306

14 Other debtors

	2014 £'000	2013 £'000
Amounts due from Novae group companies	**447**	1,191
Other	**46**	25
	493	1,216

All are due within one year (2013: all due within one year)

15 Other assets - other

	2014 £'000	2013 £'000
Collateralised letter of credit	**2,085**	2,843

16 Reconciliation of members' balances

	2014 £'000	2013 £'000
Total recognised gains since last annual report	**77,630**	33,900
Transfers to members' personal reserve funds	**(38,021)**	(34,754)
Members' balances brought forward at 1 January	**87,278**	88,132
Members' balances carried forward at 31 December	**126,887**	87,278

Each member participates on a syndicate by reference to individual years of account and its ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account. Transfers to members' personal reserve funds include foreign exchange movements on balances due (to) / from members.

17 Technical provisions

	2014			2013		
	Gross provisions £'000	Reinsurance assets £'000	Net provisions £'000	Gross provisions £'000	Reinsurance assets £'000	Net provisions £'000
Claims outstanding						
Balance at 1 January	1,170,467	(328,660)	841,807	1,153,792	(313,908)	839,884
Change in claims outstanding	(20,454)	12,034	(8,420)	35,803	(19,849)	15,954
Effect of movements in exchange rates	12,542	(4,612)	7,930	(19,128)	5,097	(14,031)
Balance at 31 December	1,162,555	(321,238)	841,317	1,170,467	(328,660)	841,807
Consisting of:						
Claims notified	664,974	(210,544)	454,430	680,686	(234,079)	446,607
Claims incurred but not reported	497,581	(110,694)	386,887	489,781	(94,581)	395,200
Balance at 31 December	1,162,555	(321,238)	841,317	1,170,467	(328,660)	841,807
Unearned premiums						
Balance at 1 January	275,905	(22,385)	253,520	271,163	(25,382)	245,781
Change in unearned premiums	54,914	(2,412)	52,502	10,779	2,615	13,394
Effect of movements in exchange rates	7,235	(725)	6,510	(6,037)	382	(5,655)
Balance at 31 December	338,054	(25,522)	312,532	275,905	(22,385)	253,520

The gross and net provisions at 31 December 2014 include margin held above actuarial best estimate of £40.1 million (2013: gross and net provisions included margin of £43.9 million). No margin was held in the reinsurance assets.

18 Creditors arising out of direct insurance operations

	2014 £'000	2013 £'000
Due within one year	20,122	29,938
Due after one year	41	8
	20,163	29,946

19 Creditors arising out of reinsurance operations

	2014 £'000	2013 £'000
Due within one year	22,313	20,166
Due after one year	6	-
	22,319	20,166

20 Other creditors

	2014 £'000	2013 £'000
Amounts due to Novae group companies	**11,341**	8,557

All creditors are due within one year (2013: all due within one year)

21 Movement in opening and closing portfolio investments net of financing

	2014 £'000	2013 £'000
Movement in cash at bank and in hand	**5,261**	(48,963)
Cash flow on portfolio investments	**32,636**	76,882
Net cash inflow	**37,897**	27,919
Changes in market value and exchange rates	**19,003**	(13,208)
Total movement in portfolio investments, net of financing	**56,900**	14,711
Balance brought forward at 1 January	**878,866**	864,155
Balance carried forward at 31 December	**935,766**	878,866

	1 Jan 2014 £'000	Cashflow £'000	Changes to market value and currencies £'000	31 Dec 2014 £'000
Cash at bank and in hand	**75,008**	**5,261**	**(812)**	**79,457**
Financial investments	**803,858**	**32,636**	**19,815**	**856,309**
Total portfolio investments	**878,866**	**37,897**	**19,003**	**935,766**

22 Net cash inflow on portfolio investments

	2014 £'000	2013 £'000
Purchase of debt securities and other fixed income securities	**575,616**	648,452
Sale of debt securities and other fixed income securities	**(528,371)**	(556,524)
Movement in portfolio investments	**47,245**	91,928
Movement in overseas deposits	**(14,609)**	(15,046)
Net cash inflow on portfolio investments	**32,636**	76,882

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 Related parties

(a) Directors' interests in other Novae group companies

The ultimate parent company of NSL is Novae Group plc. Consolidated accounts for Novae Group plc are available from the Company Secretary at 71 Fenchurch Street, London EC3M 4HH. The immediate holding company of NSL is Novae Holdings Limited, which also owns Novae Corporate Underwriting Limited, a corporate member of Lloyd's and the principal capital provider to Syndicate 2007.

Details of NSL directors, who were also directors of other relevant Novae companies at any time between 1 January 2012 and 31 December 2014, are shown below:

Novae Group plc

J R Adams	resigned 31 December 2014
L P Adams	
M C Phibbs	appointed 8 November 2012
Sir Bryan Carsberg	
R D C Henderson	
D J Pye	

Novae Corporate Underwriting Limited

J R Adams	appointed 31 December 2013
S J Heming	appointed 1 May 2012
M A Hudson	resigned 31 December 2014
C L Murray	resigned 31 December 2013

Novae Underwriting Limited

J R Adams	appointed 31 January 2014
J L J Butcher	resigned 31 December 2012
S J Heming	
M A Hudson	
M Metcalfe	resigned 1 May 2012
C L Murray	appointed 23 July 2012, resigned 31 December 2013

The interests of current NSL directors and persons connected with them in the share capital of Novae Group plc as at 31 December 2014 amounted to 2.42% of the share capital of that company.

(b) Directors' interests in related party transactions

D J Pye is a non-executive director of Independent Services Group Limited and its subsidiary Independent Broking Solutions Limited, which places business in Lloyd's for a number of appointed representatives. The cover is provided on normal commercial terms and on an arm's length basis. The risks placed with Syndicate 2007 totalled £277,889 (2013: £167,019)

R D C Henderson is a director of Majedie Investment Trust plc which purchased insurances that are partially underwritten by Syndicate 2007. The cover is provided on normal commercial terms and on an arm's length basis. The premium paid to Syndicate 2007 in 2014 totalled £16,081 (2013: £6,595)

NOTES TO THE FINANCIAL STATEMENTS (continued)

M C Phibbs is a director of Morgan Stanley & Co International plc. A company within the Morgan Stanley group purchased insurances that are partially underwritten by Syndicate 2007. The cover is provided on normal commercial terms and on an arm's length basis. The premium paid to Syndicate 2007 in 2014 totalled US $93,831 (2013: US $32,687)

(c) Other related party transactions

Details shown below relate to transactions concerning the relevant years of account for the syndicate during the period(s) under review:

(i) Novae Underwriting Limited

Novae Underwriting Limited ("NUL") is a Lloyd's service company. It has been granted consent by Lloyd's under the Related Parties Byelaw (No. 2 of 1986) to act as a coverholder for Lloyd's managed syndicates and is authorised and regulated by the Financial Conduct Authority.

NUL is a subsidiary of Novae Group plc ("the Group"). During the period it serviced business arising from certain underwriting units within the Group. A principal source of income of NUL was from credit scoring fees arising from the Group's UK trade credit business, "CIFS". On 1 January 2013, the Group sold its operational interest in CIFS to a third party and as a result this source of income was not received in 2013.

For the relevant periods under review NUL placed the following premiums with Syndicate 2007:

	£m
2014 Calendar Year	86.3
2012 Year of Account	142.3

At 31 December 2014, an aggregate amount of £10.2 million was payable from NUL (2013: £14.3 million). This balance relates to timing differences arising from the processing of premiums and claims. Balances will vary on a monthly basis in line with outstanding transaction volumes.

ii) Novae Corporate Underwriting Limited

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

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

Novae provided all of the capacity on Syndicate 2007 for the 2012 year of account and 96.85% for the 2013 and 2014 years of account, with the balance being provided by two direct corporate member participants on a limited tenure basis. For the 2015 year of account Novae is again providing all of the capacity.

iii) Novae Management Limited

Novae Management Limited ("NML") is a wholly owned subsidiary of Novae Group plc and acts as a management company.

Expenses of £48.3 million (2013: £44.9 million) were recharged to and retained by Syndicate 2007 from NML during the year. At 31 December 2014 an amount of £0.1 million (2013: £0.9 million receivable) was payable to NML.

There were no other transactions or arrangements involving the managing agent or any of its directors or executives that require disclosure under the provision of Schedule 4, Paragraph 42 of the Syndicate Accounting Byelaw (No. 18 of 1994) as amended.

24 Foreign exchange rates

The following currency exchange rates have been used for principal foreign currency transactions

	2014 Year-end rate	**2014 Average rate**	2013 Year-end rate	2013 Average rate
Australian dollar	**1.91**	**1.83**	1.85	1.62
Canadian dollar	**1.81**	**1.82**	1.76	1.61
Euro	**1.29**	**1.24**	1.20	1.18
US dollar	**1.56**	**1.65**	1.66	1.56

25 Post balance sheet events

The following amounts are proposed to be transferred to members' personal reserve funds. The figures stated are before members' charges.

	2014 £'000	2013 £'000
2012 closing year of account	**54,445**	-
2011 closing year of account	**-**	38,074
	54,445	38,074

2012 CLOSED YEAR OF ACCOUNT - UNDERWRITING YEAR ACCOUNTS

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008 (the "Lloyd's Regulations") require the managing agent to prepare syndicate underwriting year accounts for each syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December.

The managing agent must prepare the syndicate underwriting year accounts which give a true and fair view of the result of the closed year of account.

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

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

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

(c) make judgements and estimates that are reasonable and prudent;

(d) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate underwriting year accounts comply with the Lloyd's Regulations. It also has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the syndicate and to prevent and detect fraud or any other irregularities.

INDEPENDENT AUDITOR'S REPORT

To the member of Syndicate 2007 - 2012 closed year of account

We have audited the syndicate underwriting year accounts for the 2012 year of account of Syndicate 2007 for the three years ended 31 December 2014, as set out on pages 50 to 59. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the member of the syndicate, as a body, 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 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 as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Managing Agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 48, the Managing Agent is responsible for the preparation of 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

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on syndicate underwriting year accounts

In our opinion the syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2012 closed year of account;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Matters on which we are required to report by exception

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

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

Timothy Butchart (Senior Statutory Auditor),
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants, London
16 March 2015

PROFIT AND LOSS ACCOUNT: TECHNICAL ACCOUNT

For the 36 months ended 31 December 2014

	Notes	£'000	2012 year of account £'000
Syndicate allocated capacity			**575,000**
Earned premiums, net of reinsurance			
Gross premiums written and earned	5	597,617	
Outward reinsurance premiums written and earned		(71,689)	
			525,928
Reinsurance to close premiums received, net of reinsurance			533,730
Allocated investment return transferred from the non-technical account			11,700
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(326,574)	
Reinsurers' share		43,017	
Reinsurance to close premium payable, net of reinsurance	3	(546,641)	
			(830,198)
Net operating expenses	6		(186,715)
Balance on the technical account			**54,445**

PROFIT AND LOSS ACCOUNT: NON-TECHNICAL ACCOUNT

For the 36 months ended 31 December 2014

	Notes	2012 year of account £'000
Balance on the technical account		54,445
Investment income		18,789
Realised gains on investments		3,107
Investment expenses and charges		(6,081)
Realised (losses) on investments		(4,115)
Allocated investment return transferred to the technical account		(11,700)
Profit for the 2012 closing year of account	9	54,445

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

All results for the closed year relate to continuing activities.

The notes on pages 53 to 59 form part of these financial statements.

BALANCE SHEET
As at 31 December 2014

	Notes	2012 year of account £'000
Assets		
Investments	7, 11	548,417
Debtors	8	32,119
Reinsurance premium payable to close the account	3	283,351
Cash at bank and in hand	11	35,882
Other assets	11	2,086
Accrued interest		2,733
Prepayments and other accrued income		365
Total assets		**904,953**
Liabilities		
Amounts due to members	9	53,214
Reinsurance premium payable to close the account	3	831,675
Creditors	10	19,970
Accruals and deferred income		94
Total liabilities		**904,953**

The syndicate underwriting year accounts were approved by the Board of Novae Syndicates Limited on 16 March 2015 and were signed on its behalf by:

M A Hudson
Director

The notes on pages 53 to 59 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the 36 months ended 31 December 2014

	Notes	2012 year of account £'000
Reconciliation of closing year result to net cash inflow from the operations of the closing year		
Profit for the closing year of account on ordinary activities		54,445
Increase in reinsurance to close		548,324
(Increase) in debtors		(35,217)
Increase in creditors		20,064
Net cash inflow from operating activities		587,616
Transfer to members' personal reserve funds		(1,231)
Net cash inflow	11	586,385
Cash flows were invested as follows:		
Increase in cash holdings	11	37,968
Net portfolio investment	11	548,417
Net investment of cash flows		586,385

The notes on pages 53 to 59 form part of these financial statements.

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

1 Basis of preparation

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

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture.

These accounts relate to the 2012 year of account which has been closed by reinsurance to close at 31 December 2014; consequently the balance sheet represents the assets and liabilities of the 2012 year of account and the profit and loss account and cash flow statement reflect the transactions for that year of account during the 36 months period until closure.

As each syndicate year of account is a separate annual venture, comparatives do not exist and are therefore not included in these accounts.

2 Accounting policies

Underwriting transactions

(i) Reinsurance to close the year of account

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

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 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 could be at variance from the premium so determined.

The reinsurance to close premium 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 therein) to the members of the receiving 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 previous accounts.

(ii) Gross Premiums written

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, line slips 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.

(iii) Claims paid

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.

(iv) Claims provisions and related recoveries

Claims outstanding comprise provisions for the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not, and related internal and external claims handling expenses.

The ultimate liability as a result of outstanding claims could vary due to subsequent information and events and 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, and disclosed separately if material.

(v) Deferred acquisition costs

Acquisition costs comprise all direct costs arising from the conclusion of insurance and reinsurance contracts. Deferred acquisition costs represent the proportion of acquisition costs which will be expensed in subsequent years; the deferral is calculated in the same manner as the unearned premiums provision. Acquisition costs are deferred only to the extent that available future margins are expected to cover them.

(vi) Reinsurance

The syndicate buys reinsurance in the normal course of business for the purpose of limiting its net loss potential.

Reinsurance assets include amounts recoverable from reinsurers for losses and loss adjustment expenses. If a reinsurance asset is impaired, NSL reduces its carrying amount accordingly, and immediately recognises the impairment loss in the income statement. A reinsurance asset will be deemed to be impaired if there is objective evidence, as a result of an event occurring after initial recognition of the asset, that NSL may not receive all amounts due to it under the terms of the contract, and that the event has a reliable measurable impact on the amounts that NSL will receive from the reinsurer.

(vii) Foreign exchange

Items included in the financial statements are measured using sterling as this is the functional and presentational currency, being the primary currency of the economic environment in which the NSL operates. Transactions in foreign currencies are translated using the average exchange rates applicable to the period in which the transaction occurs. NSL considers these to be a reasonable approximation of the rate at which the transaction actually took place.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

NOTES TO THE UNDERWRITING YEAR ACCOUNTS (continued)

(viii) Investments

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

(ix) 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 on overseas deposits are allocated to the year of account which funded these deposits.

Realised gains and losses on investments carried at current 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 the underwriting of business. All investment return is considered to arise on such funds.

(x) 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 & Customs.

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.

(xi) Net operating expenses

Net operating expenses consist of acquisition costs (see 2(v)), Lloyd's charges and processing costs and any profit or loss on foreign exchange (see 2(vii)) arising in the period.

The syndicate is charged a managing agency fee at a rate of 0.75% of stamp capacity with all necessary and reasonable expenses incurred in the administration of the syndicate being charged to the syndicate. Where expenses do not relate solely to Syndicate 2007, they are allocated between other Novae managed syndicates or other Novae group companies on such a basis as may be equitable for each type of expense.

NOTES TO THE UNDERWRITING YEAR ACCOUNTS (continued)

Where expenses do not relate to any specific year of account they may be 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 between the syndicate and other Novae group companies, they may be apportioned to the syndicate as appropriate.

Profit-related remuneration of certain underwriting and non-underwriting employees was charged to the syndicate on the closing year. Profit-related remuneration relating to the directors is not charged to the syndicate.

3 Reinsurance to close premium payable, net of reinsurance

	£'000	2012 year of account £'000
Gross noted outstanding claims	543,254	
Less: reinsurance recoveries anticipated	(199,163)	
Net noted outstanding claims		**344,091**
Provision for gross incurred but not reported claims	276,517	
Less: reinsurance recoveries anticipated	(86,087)	
Provision for net incurred but not reported claims		**190,430**
Bad debt provision		1,899
Claims handling expense provision		11,904
Reinsurance premium to close the 2012 account		**548,324**

Reinsurance to close premium	2012 year of account £'000
Technical provision movement in 2012 calendar year	154,477
Technical provision movement in 2013 calendar year	20,975
Reinsurance to close premium received at 31 December 2013	533,730
Technical provision movement in 2014 calendar year	(162,541)
Reinsurance to close premiums payable, net of reinsurance	**546,641**
Foreign exchange movements	1,683
Reinsurance premium to close the 2012 account	**548,324**

Foreign exchange movements arise from applying average exchange rates in the profit and loss account and closing exchange rates in the balance sheet.

4 Analysis of result before investment return

	Pure year of account £'000	Prior year of account £'000	2012 year of account £'000
Net earned premium	528,723	(2,795)	**525,928**
Net claims incurred	(322,405)	25,937	**(296,468)**
Net operating expenses	(187,120)	405	**(186,715)**
Result before investment return	**19,198**	**23,547**	**42,745**
Investment return	4,479	7,221	**11,700**
Balance on the technical account	**23,677**	**30,768**	**54,445**

Net operating expenses includes currency translation gains/losses

5 Segmental analysis

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

2012 Year of Account	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Result before investment return £'000
Direct insurance:						
Marine, aviation and transport	39,258	39,258	(16,760)	(12,813)	235	**9,920**
Fire and other damage	99,720	99,720	(43,355)	(39,668)	(6,225)	**10,472**
Third party liability	116,737	116,737	(53,443)	(41,243)	(5,206)	**16,845**
Miscellaneous	61,084	61,084	(30,737)	(14,949)	(6,519)	**8,879**
Direct insurance	**316,799**	**316,799**	**(144,295)**	**(108,673)**	**(17,715)**	**46,116**
Reinsurance acceptances	**280,818**	**280,818**	**(174,009)**	**(78,042)**	**(32,138)**	**(3,371)**
Total	**597,617**	**597,617**	**(318,304)**	**(186,715)**	**(49,853)**	**42,745**

The analysis above have been prepared in accordance with the requirements of Schedule 3 of *The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008: Insurance Companies* and does not necessarily reflect how the Board of NSL presents and uses information in its management of the syndicate.

NOTES TO THE UNDERWRITING YEAR ACCOUNTS (continued)

Geographical origin of gross direct insurance premiums written
An analysis of gross direct insurance premiums written by reference to the location of the risk is provided below:

	2012 year of account £'000
Risks located in UK	102,819
Risks located in other member states of the EU	24,007
Risks located in other countries	189,973
	316,799

6 Net operating expenses

	2012 year of account £'000
Acquisition costs	144,676
Administrative expenses	25,454
Loss on exchange	8,697
Standard personal expenses	7,888
	186,715

7 Investments

	2012 year of account £'000
Debt securities and other fixed income securities	502,448
Overseas deposits	45,969
	548,417

8 Debtors

	2012 year of account £'000
Arising out of direct insurance operations	16,671
Arising out of reinsurance operations	15,435
Other debtors	13
	32,119

All debtors, with the exception of £6k, are due within a year.

NOTES TO THE UNDERWRITING YEAR ACCOUNTS (continued)

9 Amounts due to members

	2012 year of account £'000
Profit for the 2012 closing year of account	54,445
Transfers to members' personal reserve funds in calendar years 2012, 2013 and 2014	(1,231)
Amounts due to members at 31 December 2014	53,214

10 Creditors

	2012 year of account £'000
Arising out of direct insurance operations	11,848
Arising out of reinsurance operations	8,087
Other creditors	35
	19,970

All creditors, with the exception of £1k, are due within a year.

11 Movement in cash, portfolio investments and financing

	At 1 January 2012 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 December 2014 £'000
Cash at bank and in hand	-	35,882	-	35,882
Other assets	-	2,086	-	2,086
Financial investments	-	548,417	-	548,417
Total portfolio investments	-	586,385	-	586,385

12 Related parties

Relevant information regarding related parties as they affect the 2012 closed year of account is detailed in note 23 of the annual accounts on pages 44 to 46.

SUMMARY OF RESULTS

	2006	2007	2008	2009	2010	2011	2012
Syndicate allocated capacity (£m)	240.000	360.000	360.000	360.000	525.000	575.000	575.000
Number of underwriting members	1	18	18	2	1	1	1

Results for illustrative share of £10,000

	£	£	£	£	£	£	£
Gross premium	6,358	8,421	9,781	9,855	11,155	11,211	10,393
Net premiums	4,591	6,292	7,080	7,070	9,501	9,911	9,147
Premiums for the reinsurance to close the previous year of account	6,689	3,915	3,616	4,702	10,302	8,643	9,282
Net claims	(2,422)	(3,628)	(3,560)	(3,108)	(6,733)	(5,281)	(4,931)
Premiums for the reinsurance to close the year of account	(5,872)	(3,616)	(4,702)	(5,272)	(9,645)	(9,474)	(9,507)
Profit / (loss) on exchange	397	201	5	53	(39)	(8)	(151)
Syndicate operating expenses	(1,249)	(2,082)	(2,397)	(2,469)	(3,003)	(3,162)	(2,959)
Balance on technical account	2,134	1,082	42	977	383	629	881
Investment return	453	387	408	356	434	196	203
Profit before personal expenses	**2,587**	**1,469**	**450**	**1,333**	**817**	**825**	**1,084**
Standard personal expenses							
Managing agency fee	(600)	(75)	(75)	(75)	(75)	(75)	(75)
Managing agent's profit commission	-	(218)	(52)	(206)	-	-	-
Lloyd's central fund	(100)	(100)	(39)	(41)	(44)	(44)	(21)
Lloyd's subscription	(50)	(50)	(39)	(41)	(44)	(44)	(41)
	(750)	(443)	(205)	(362)	(163)	(163)	(137)
Profit after standard personal expenses	**1,837**	**1,026**	**245**	**970**	**654**	**662**	**947**

Percentage applicable for an illustrative share of £10,000

	%	%	%	%	%	%	%
Gross premiums	63.6%	84.2%	97.8%	98.5%	111.6%	112.1%	103.9%
Net premiums	45.9%	62.9%	70.8%	70.7%	95.0%	99.1%	91.5%
Balance on technical account to gross premiums	33.6%	12.8%	0.4%	9.9%	3.4%	5.6%	8.5%

Gross and net premiums and syndicate operating expenses are inclusive of brokerage and commission costs unless otherwise stated

Profit commission is calculated on a fully non-aligned basis and charged across the participation for this exhibit.

Novae

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