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SHELBOURNE
SYNDICATE SERVICES

SYNDICATE 2008

Annual Report and Financial Statements
31 December 2014

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Directors and Administration

MANAGING AGENT

MANAGING AGENT

Shelbourne Syndicate Services Limited

DIRECTORS

N P Bernard	Independent Non-Executive Director	
P Carruthers	Chief Financial Officer	Resigned 7 August 2014
A D Elliott	Director	
G L Griffiths	Independent Non-Executive Director	
E H Gilmour	Chief Executive Officer	
R J Harris	Non-Executive Director	
P C Martin	Chief Risk Officer	
G H Nokes	Non-Executive Director	
P J O'Shea	Chairman, Non-Executive Director	
N A Packer	Non-Executive Director	Resigned 13 November 2014
R L Phinn	Interim Chief Financial Officer	Appointed 31 July 2014
D C Sharp	Chief Actuary	
D S Truman	Chief Operating Officer	

COMPANY SECRETARY

S M Hextall

BUSINESS ADDRESS

America House, 2 America Square, London EC3N 2LU

REGISTERED OFFICE

Avaya House, 2 Cathedral Hill, Guildford, Surrey GU2 7YL

REGISTERED NUMBER

2960086

SYNDICATE

UNDERWRITER

A D ELLIOTT

Statutory AUDITOR

KPMG LLP, London, United Kingdom

CONSULTING ACTUARY

Ernst & Young LLP, London, United Kingdom

Managing Agent's Report

Shelbourne Syndicate Services Limited ("SSSL"), the managing agent, presents its report for the year ended 31 December 2014.

BASIS OF PRESENTATION

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No. 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations"). The corporate member on the 2011 year of account, SGL 1, has exercised its right to waive the requirement to prepare separate accounts for this closed underwriting year of account.

PRINCIPAL ACTIVITY

The principal activity of the business of syndicate 2008 ("the syndicate") is to provide finality solutions for Lloyd's run off business through either reinsurance to close or quota share agreements.

RESULTS AND REVIEW OF THE BUSINESS

At 1 January 2008, the syndicate was successful in providing reinsurance to close in respect of Lloyd's syndicates 205, 588, 861 and 1236. The following syndicates were subsequently reinsured to close:

As at 1 January 2009: syndicate 1121.

As at 1 January 2010: syndicates 53 and 991, and as at 1 July 2010: syndicate 529.

As at 1 January 2011: syndicates 5500, 1243, 6101 and 6102.

Effective 31 December 2012, the syndicate entered into a 100% quota share reinsurance agreement with syndicate 1200 in respect of the majority of the reserves of the 2009 and prior underwriting years of account. The quota share has been novated and replaced with a traditional RITC arrangement with effect from 1 January 2014.

As at 1 January 2013: syndicate 1231's 2009 and prior years of account were reinsured, and there was a 100% quota share reinsurance agreement with syndicate 5820 in respect of the 2010 underwriting year.

As at 1 January 2014: syndicate 1110's 2011 and prior years of account were reinsured.

As at 1 January 2015: syndicate 1965's 2011 and prior years of account and syndicate 2243's 2012 and prior years of account have been reinsured.

The result for the calendar year 2014 is a profit of £11,653,289 (2013- £10,006,769) which is summarised as follows:

Year of Account	2012	2013	2014	All Years
	£'000	£'000	£'000	£'000
Net premiums earned	955	0	179	1,134
Total technical charges	13,944	1,363	2,851	18,158
Technical profit				
Investment income	2,485	114	184	2,783
Profit/(Loss) on exchange	(169)	177	(85)	(77)
Net expenses	(8,913)	(634)	(798)	(10,345)
Net profit	8,302	1,020	2,331	11,653

The 2012, 2013 and 2014 years of account have all shown a profit, with syndicate 1200 being the only syndicate showing a loss. The incoming 2011 and 2012 years of account of RITC produced a technical surplus following continuing favourable incurred development at an attritional level in a number of classes as well as favourable developments on certain individual losses.

2014 continued to show stability of our reserves on all syndicates reinsured into syndicate 2008 with all syndicates reporting a profit, with the exception of syndicate 1200. Syndicate 1200 continues to demand the claims and reinsurance teams' high level of attention, to those claims where we are a lead or an agreement party.

The syndicate continues to maintain a conservative approach to the valuation of the reinsurance asset.

Syndicates 861 and 588 are fully reinsured and, as a result, any gross or net technical movements do not impact the syndicate's result.

FUTURE DEVELOPMENTS

The intention of the board is to continue to pursue reinsurance to close opportunities and other Lloyd's closure solutions as they arise, and to manage the ongoing liabilities of the syndicate as economically and efficiently as possible.

Managing Agent's Report

INVESTMENT RETURN

Investment return	2014	2013
Average fund £000	297,046	343,264
Gross investment yield (before expenses) £000	3,126	3,497
Calendar year investment yield	1.05%	1.02%

The average fund is the average of bank balances, overseas deposits and investments held by the syndicate at the end of each quarter during the calendar year.

Amundi (UK) Limited has been the Investment Manager for the syndicate since December 2009. The majority of the syndicate funds are investments, predominantly invested in short-term high quality fixed income securities. Any potential exposure to adverse price movements is controlled by limiting the overall duration of the portfolio. The syndicate holds a significant amount of unencumbered cash.

Analysis of calendar year investment yield by currency	2014	2013
Sterling	1.25%	1.22%
Euro	1.17%	0.97%
United States dollar	0.72%	0.80%
Canadian dollar	1.51%	1.44%

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of SSSL sets risk appetite annually as part of the syndicate's business planning and Individual Capital Assessment process. The Board of the managing agent has established procedures to review and update the risk register regularly and to monitor performance against the risk appetite using a series of key risk indicators. The principal risks and uncertainties facing the syndicate are as follows:

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). Given that the business of the syndicate is reinsuring syndicates in run-off, the remaining insurance risk is primarily claims and reserving risk. Reserve adequacy is monitored through quarterly review.

Credit risk

The key aspect of credit risk is the risk of default by one or more of the syndicate's reinsurers. The syndicate has inherited the reinsurance programs of the reinsured syndicates, so the risk is largely the exposure to reinsurers on past reinsurance rather than new purchases of reinsurance. Intra-group reinsurance arrangements are in place in relation to one portfolio (syndicates 588/861) and are collateralised 100% on a funds withheld basis. Any new purchase of reinsurance may only be carried out with the Board's prior approval of the related security.

Market risk

One key aspect of market risk is that the syndicate incurs losses on its investment portfolio as a result of changes to market pricing of investments. The agency's Finance and Investment Committee meets quarterly to review the performance of the investments held and the return achieved on the syndicate's cash deposits. The Finance and Investment Committee decided in December 2009 that it would be appropriate to appoint investment managers to act on behalf of the syndicate and accordingly Amundi (UK) Limited was appointed. The other key aspect of market risk is that the syndicate could incur losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. This has been mitigated by the currency matching of assets and liabilities as far as can be achieved allowing for regulatory funding restrictions.

Liquidity risk

This is the risk that the syndicate will not meet its liabilities as they fall due, owing to a shortfall in cash. To mitigate this risk the Finance and Investment Committee reviews cash flow forecasts quarterly. The only source of additional funds currently available to the syndicate is a cash call though other options may be investigated in due course.

Operational Risk

This is the risk that errors caused by people, processes or systems lead to losses to the syndicate. The agency seeks to manage this risk through the use of detailed procedure manuals and a structured programme of compliance testing of processes and systems, including those of sub-contractors used.

Managing Agent's Report

Regulatory Risk

The managing agent is required to comply with the requirements of the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to a regulatory change. The agency monitors regulatory developments and assesses their impact on agency policy and procedures. In addition, the agency carries out a compliance monitoring programme.

Group risk

This is the risk that changes in group strategy or the fortunes of other group companies will lead to losses to the syndicate. This risk is reviewed quarterly as part of the regular review processes.

Solvency II

Solvency II is a fundamental review of the capital adequacy regime for the European insurance industry. It aims to establish a revised set of EU-wide capital requirements and risk management standards that will replace the current Solvency I requirements. SSSL continues to work with regulators in the development of its implementation plan and expect to be fully compliant with the requirements under Solvency II prior to implementation on 1 January 2016.

DIRECTORS

The current directors of the managing agent are set out on Page 2.

UNDERWRITER

A D Elliott was appointed as Underwriter from inception.

DIRECTORS' PARTICIPATIONS

None of the directors participate directly on the syndicate.

DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as each person who was a director of the managing agent at the date of approval of this report is aware, there is no relevant audit information, being information needed by the auditor in connection with its report, of which the auditor is unaware. Having made enquiries of the fellow directors of the agency and the syndicate's auditor, each director has taken all the steps that he or she is obliged to take as a director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR AND SYNDICATE MEETING

The managing agent hereby gives formal notification of a proposal to re-appoint KPMG LLP as auditor of syndicate 2008 for a further year. In addition, the managing agent confirms that it does not propose to hold an annual general meeting of the members of the syndicate.

Approved by the Board of Directors of Shelbourne Syndicate Services Limited



E H Gilmour
Chief Executive Officer

17th March 2015

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 the syndicate annual accounts at 31 December each year in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice). The annual accounts are required by law to give a true and fair view of the state of affairs of the syndicate as at that date and of its profit or loss for that year.

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

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

The managing agent is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate annual report and 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.

Independent Auditor's Report**Independent auditor's report to the member of syndicate 2008**

We have audited the syndicate 2008 annual accounts for the year ended 31 December 2014, as set out on pages 8 to 22. 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 6, 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 (Lloyd'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.



Jonathan Bell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
London
KPMG LLP
15 Canada Square, London, E14 5GL
17th March 2015

Profit and Loss Account: Technical Account – General Business

Year ended 31 December	Note	2014	2013
		£000	£000
Earned premiums, net of reinsurance			
Gross premiums written	4	17,776	25,137
Outward reinsurance premiums		232	(1,410)
Net premiums written		<u>18,008</u>	<u>23,727</u>
Change in the provision for unearned premiums			
Gross amount		-	-
Reinsurers' share		-	-
Change in the net provision for unearned premiums		<u>-</u>	<u>-</u>
Earned premiums, net of reinsurance		<u>18,008</u>	<u>23,727</u>
Allocated investment return transferred from the non-technical account		2,783	3,447
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(59,824)	(72,644)
Reinsurers' share		14,373	17,132
		<u>(45,451)</u>	<u>(55,512)</u>
Change in the provision for claims			
Gross amount		43,714	59,200
Reinsurers' share		3,021	(8,461)
		<u>46,735</u>	<u>50,739</u>
Claims incurred, net of reinsurance		<u>1,284</u>	<u>(4,773)</u>
Net operating expenses	5	(10,345)	(11,582)
Balance on the technical account – general business		<u>11,730</u>	<u>10,819</u>

All items within the technical account are attributable to continuing operations.

Profit and Loss Account: Non-Technical Account

Year ended 31 December	Note	2014	2013
		£000	£000
Balance on technical account – general business		11,730	10,819
Investment income	8	6,144	6,700
Unrealised gains on investments		289	462
Investment expenses and charges	9	(2,118)	(1,949)
Unrealised losses on investments		(1,532)	(1,766)
		<u>2,783</u>	<u>3,447</u>
Allocated investment return transferred to technical account – general business		(2,783)	(3,447)
Profit for the financial year		<u>11,730</u>	<u>10,819</u>

All items within the non-technical account are attributable to continuing operations.

Statement of Total Recognised Gains and Losses

Year ended 31 December	Note	2014	2013
		£000	£000
Profit for the financial year		11,730	10,819
Currency translation differences		(77)	(812)
Total recognised gains and losses		<u>11,653</u>	<u>10,007</u>

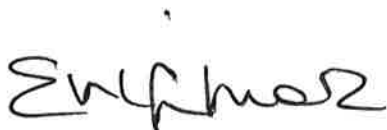
Balance Sheet
ASSETS**As at 31 December**

	Note	2014	2013
		£000	£000
Investments			
Financial investments	10	232,523	212,822
Reinsurers' share of technical provisions			
Claims outstanding		81,579	76,772
Debtors			
Debtors arising out of direct insurance operations	13	1,017	1,320
Debtors arising out of reinsurance operations	14	7,105	91,350
Other debtors		3,897	2,398
		<u>12,019</u>	<u>95,068</u>
Other assets			
Cash at bank and in hand		8,657	9,615
Overseas deposits	15	17,615	4,476
		<u>26,272</u>	<u>14,091</u>
TOTAL ASSETS		<u>352,393</u>	<u>398,753</u>

Balance Sheet
LIABILITIES

As at 31 December	Note	2014	2013
		£000	£000
Capital and reserves			
Members' balances attributable to underwriting participations	16	12,263	10,356
Technical provisions			
Claims outstanding		308,138	348,328
Deposits received from reinsurers			
		28,232	36,239
Creditors			
Creditors arising out of direct insurance operations	17	1,547	1,539
Creditors arising out of reinsurance operations	18	1,578	1,529
Other creditors including taxation and social security		635	762
		<u>3,760</u>	<u>3,830</u>
TOTAL LIABILITIES		<u>352,393</u>	<u>398,753</u>

The financial statements on pages 8 to 22 were approved by the Board of Shelbourne Syndicate Services Limited on 17th March 2015 and were signed on its behalf by:



E Gilmour
Chief Executive Officer



R Phinn
Interim Chief Financial Officer

Cash Flow Statement

Year ended 31 December	Note	2014	2013
		£000	£000
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit on ordinary activities		11,730	10,819
Realised/unrealised (losses)/gains on cash and investments including FX		(89)	5,267
(Decrease) in net technical provisions		(44,996)	(54,155)
Decrease in debtors		83,049	105,238
(Decrease) in creditors		(70)	(2,908)
(Decrease) in deposits received from reinsurers		(7,909)	(8,381)
Open year profit release		(9,746)	(13,697)
Other movements		(77)	(811)
Net cash (outflow)/inflow from operating activities	19	31,892	41,372
Cash flows were invested as follows:			
(Decrease) in cash holdings	20	(768)	(3,685)
Increase/(Decrease) in overseas deposits	20	12,950	(4,926)
Increase in investment portfolio	21	19,710	49,983
Net investment of cash flows		31,892	41,372

Notes to the Financial Statements**1. Basis of preparation**

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations"), and applicable Accounting Standards in the United Kingdom. They comply with the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers, with the exception of exchange differences which are included in the technical account.

The managing agent has prepared the financial statements on the expectation that continued capital support will be in place such that the syndicate will continue to write new RITC business in future underwriting years of account.

2. Accounting policies**Premiums written**

Premiums written comprise the reinsurance to close and quota share reinsurance premiums on contracts inception during the financial year as well as adjustments made in the year to premiums written in prior accounting periods by the reinsured syndicates. Premiums exclude taxes and duties levied on them.

Unearned premiums

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

Reinsurance premium ceded

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

Claims provisions and related recoveries

Claims incurred are comprised of claims and settlement expenses (both internal and external) paid in the year and the movement in provisions for outstanding claims and settlement expenses. Claims outstandings are reduced by anticipated salvage and other recoveries.

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

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

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

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

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

The overall movement in net claims provisions is stated after taking into account the impact of incoming RITC and quota share portfolios.

Acquisition costs

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

Net operating expenses

All expenses that are directly attributable to the syndicate have been specifically charged. Expenses which are jointly incurred for the agency and the managed syndicates are apportioned according to the time spent on syndicate matters and resources used.

Notes to the Financial Statements**Managing agent's fee**

In 2014, a fixed fee of £100,000 (2013: £60,000) was charged to the syndicate by SSSL. This amount is included in "net operating expenses".

Foreign currencies

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

Monetary and non-monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Realised exchange differences are included in the technical account within "net operating expenses".

Exchange differences to translate the result from average rates of exchange to closing rates of exchange are taken through the balance sheet within members' balances and reflected in the Statement of Total Recognised Gains and Losses.

Restatement of the result brought forward are also taken through the balance sheet within members balances and reflected within the Statement of Total Recognised Gains and Losses.

Investments

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

Objectives of the investment policy are to:

- Cash flow and currency match the liability structure of the Company so that it has sufficient liquidity to settle claims, complete commutations and pay its debts as and when they are due
- Maximise portfolio investment returns consistent with the investment guidelines, benchmarks, regulatory framework and cash flows.

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their value 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 made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

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 or by the syndicates reinsured are included in the balance sheet under the heading 'other debtors'.

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

Pension costs

Enstar (EU) Limited, which employs the staff utilised by SSSL, operates a defined contribution pension scheme. Pension costs relating to staff performing syndicate duties are charged to the syndicate and included within "net operating expenses".

Notes to the Financial Statements

3. Foreign exchange rates

Year end currency rates used in the preparation of these accounts were as follows:

Year end currency rates	2014 Rates		2013 Rates	
	Average	Closing	Average	Closing
United States Dollar	1.6476	1.5577	1.5649	1.6562
Canadian Dollar	1.8199	1.8102	1.6120	1.7598
Euro	1.2401	1.2876	1.1780	1.2020

4. Segmental analysis

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

2014 Calendar Year	Gross premiums written	Gross premium earned	Gross claims incurred	Net operating expenses	Re-insurance balance	Net technical result
	£000	£000	£000	£000	£000	£000
Accident and Health	140	140	(52)	(987)	1,820	921
Motor (third party liability)	2	2	(11)	(199)	360	153
Motor (other classes)	14	14	(22)	(413)	750	329
Marine, Aviation and Transport	39	39	(51)	(971)	1,766	783
Fire and other damage to property	(148)	(148)	(64)	(1,208)	2,146	726
Third party liability	(233)	(233)	(269)	(5,100)	9,161	3,559
Other	16,874	16,874	(15,564)	-	(1,310)	-
Total direct	16,688	16,688	(16,033)	(8,878)	14,694	6,471
Reinsurance acceptances	1,088	1,088	(77)	(1,467)	2,932	2,476
Total	17,776	17,776	(16,110)	(10,345)	17,626	8,947
2013 Calendar Year	Gross premiums written	Gross premium earned	Gross claims incurred	Net operating expenses	Re-insurance balance	Net technical result
	£000	£000	£000	£000	£000	£000
Accident and Health	17	17	1,984	(1,036)	154	1,119
Motor (third party liability)	(39)	(39)	668	(349)	34	314
Motor (other classes)	1	1	1,338	(699)	100	740
Marine, Aviation and Transport	59	59	1,991	(1,041)	173	1,182
Fire and other damage to property	(799)	(799)	2,375	(1,240)	(149)	187
Third party liability	(2,624)	(2,624)	10,394	(5,429)	(295)	2,046
Other	28,598	28,598	(35,617)	-	7,019	-
Total direct	25,213	25,213	(16,867)	(9,794)	7,036	5,588
Reinsurance acceptances	(76)	(76)	3,423	(1,788)	225	1,784
Total	25,137	25,137	(13,444)	(11,582)	7,261	7,372

The premiums written in respect of the RITC agreement on syndicate 1110 (£16,874,478) are included in 'Other' gross premiums and gross premium earned. The gross liabilities accepted of £15,564,254 are included in 'Other' gross claims incurred and the reinsurance assets accepted of £1,310,224 are included in 'Other' reinsurance balance.

In 2013, the premiums written in respect of the RITC agreement on syndicate 1231 (£21,725,914) and quota share agreement on syndicate 5820 (£6,879,239) are included in 'Other' gross premiums and gross premium earned. The gross liabilities accepted

Notes to the Financial Statements

of £35,616,959 are included in 'Other' gross claims incurred and the reinsurance assets accepted of £7,018,826 are included in 'Other' reinsurance balance.

All premiums were written in the UK. The directors regard the transaction of general insurance business in the UK as the only business segment and therefore no further disclosure is provided in respect of turnover, net assets or profit. Gross written premium by destination would not be materially different to the analysis by business origin.

5. Net operating expenses

	2014	2013
	£000	£000
(Loss) on exchange	(10)	(1,142)
Administrative expenses	(10,335)	(10,440)
	<u>(10,345)</u>	<u>(11,582)</u>

Administrative expenses include:

	2014	2013
	£000	£000
Auditors' remuneration - Audit services	213	172
Auditors' remuneration - Other services	24	23
Standard personal expenses	27	11
Fee paid to managing agent	100	60

6. Staff numbers and costs

During 2014, all staff continued to be employed on behalf of Shelbourne Syndicate Services Limited ("SSSL") by Enstar EU Limited ("EEUL"). EEUL charged a management fee that covered all salary, pension, accommodation, computer and other costs as a single amount. SSSL recharges to the syndicate all of the management fee. The total amount of EEUL management fees recharged to the syndicate amounts to £6,988,595 (2013 - £7,419,793).

The average number of employees employed by EEUL but working mainly for SSSL and syndicate 2008 under its management were as follows:

	2014	2013
Administration and finance	9	10
Underwriting	1	1
Claims	16	14
Total	<u>26</u>	<u>25</u>

7. Emoluments of the directors and underwriter of Shelbourne Syndicate Services Limited

Emoluments and pension contributions were paid by EEUL under the management fee referred to in Note 6. Disclosures regarding directors' emoluments and staff costs are contained in the financial statements of EEUL.

The underwriter, during the year, received the following aggregate remuneration charged to the syndicate:

	2014	2013
	£000	£000
Emoluments	333	298
Contributions to pension schemes	17	12
	<u>350</u>	<u>310</u>

Notes to the Financial Statements

8. Investment income

	2014	2013
	£000	£000
Income from investments	5,801	6,498
Gains on the realisation of investments	343	202
	<u>6,144</u>	<u>6,700</u>

9. Investment expenses and charges

	2014	2013
	£000	£000
Investment management expenses, including interest	171	255
Losses on realisation of investments	1,947	1,694
	<u>2,118</u>	<u>1,949</u>

10. Financial Investments

	2014		2013	
	Market Value	Cost	Market value	Cost
	£000	£000	£000	£000
Debt securities and other fixed income securities	195,275	195,471	166,957	166,675
Shares and other variable yield securities	10,313	10,313	12,654	12,654
Deposits with credit institutions	26,935	26,935	33,211	33,211
	<u>232,523</u>	<u>232,719</u>	<u>212,822</u>	<u>212,540</u>

All debt securities and other fixed income securities are listed on recognised stock exchanges.

11. Financial Investments – Security Rating

	2014	2013
	Market Value	Market Value
	£000	£000
Debt securities and other fixed income securities	195,275	166,957
Security Rating		
Aaa	71,273	56,579
Aa1-3	56,085	56,521
A1-3	42,307	40,760
Baa1-3	16,156	8,374
Not Rated	9,454	4,723
	<u>195,275</u>	<u>166,957</u>
Shares and other variable yield securities	10,313	12,654
Deposits with credit institutions	26,935	33,211
	<u>232,523</u>	<u>212,822</u>

All debt securities are valued using Moody's rating other fixed income securities are listed on recognised stock exchanges.

Notes to the Financial Statements

12. Financial Investments - Currency Exposure

		2014	2013
		Market Value £000	Market Value £000
Currency			
	GBP	33,802	42,361
	EUR	43,842	48,728
	CAD	38,507	15,652
	USD	79,124	60,216
Debt securities and other fixed income securities		195,275	166,957
	GBP	-	2,500
	USD	9,612	9,244
	CAD	701	910
Shares and other variable yield securities		10,313	12,654
	GBP	10,000	10,000
	USD	16,935	23,211
Deposits with credit institutions		26,935	33,211
		232,523	212,822

13. Debtors arising out of direct insurance operations

	2014	2013
	£000	£000
Due within one year		
- intermediaries	1,017	1,320
	1,017	1,320

14. Debtors arising out of reinsurance operations

	2014	2013
	£000	£000
Due within one year	7,105	91,350
	7,105	91,350

The majority of this balance at 2013 is in relation to premiums receivable on Argo syndicate 1200. Premiums were received in 2014 in line with the novation from quota share to RITC and subsequent releases from the underlying syndicate 1200 trust funds. The 2014 balance is loss funds held on Argo Syndicate 1200.

Notes to the Financial Statements

15. Overseas deposits

Overseas deposits are amounts lodged in various overseas countries or states as a condition of conducting business in those countries or states.

16. Reconciliation of members' balances

	2014	2013
	£000	£000
Members' balances brought forward at 1 January	10,356	14,046
Profit for the financial year	11,653	10,007
Distribution to members	(9,746)	(13,697)
Members' balances carried forward at 31 December	<u>12,263</u>	<u>10,356</u>

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

17. Creditors arising out of direct insurance operations

	2014	2013
	£000	£000
Due within one year		
- intermediaries	1,547	1,539
	<u>1,547</u>	<u>1,539</u>

18. Creditors arising out of reinsurance operations

	2014	2013
	£000	£000
Due within one year	<u>1,578</u>	<u>1,529</u>

19. Movement in opening and closing cash, overseas deposits and portfolio investments net of financing

	2014	2013
	£000	£000
Net cash (outflow)/inflow this year	12,182	(8,611)
Cash flow – portfolio investments	19,710	49,983
Movement arising from cash flows	31,892	41,372
Changes in market value and exchange rates	(10)	(5,828)
Total movement in portfolio investments net of financing	<u>31,882</u>	<u>35,544</u>
Portfolio at 1 January	<u>226,913</u>	<u>191,369</u>
Portfolio at 31 December	<u>258,795</u>	<u>226,913</u>

Notes to the Financial Statements

20. Movement in cash, portfolio investments and financing

	At 31 Dec 2013	Cash flow	Changes to market value and currency	At 31 Dec 2014
	£000	£000	£000	£000
Cash at bank and in hand	9,615	(768)	(191)	8,656
Overseas deposits	4,476	12,950	190	17,616
Shares and other variable yield securities	12,654	(2,888)	547	10,313
Debt and other fixed income securities	166,957	29,920	(1,602)	195,275
Deposits with credit institutions	33,211	(7,322)	1,046	26,935
	<u>226,913</u>	<u>31,892</u>	<u>(10)</u>	<u>258,795</u>

	At 31 Dec 2012	Cash flow	Changes to market value and currency	At 31 Dec 2013
	£000	£000	£000	£000
Cash at bank and in hand	13,060	(3,685)	240	9,615
Overseas deposits	9,427	(4,926)	(25)	4,476
Shares and other variable yield securities	9,514	3,432	(292)	12,654
Debt and other fixed income securities	125,210	47,078	(5,331)	166,957
Deposits with credit institutions	34,158	(527)	(420)	33,211
	<u>191,369</u>	<u>41,372</u>	<u>(5,828)</u>	<u>226,913</u>

21. Net cash inflow on portfolio investments

	2014	2013
	£000	£000
Purchase of shares and other variable yield securities	(2,888)	3,431
Purchase of debt securities and other fixed income securities	175,050	212,445
Sale of shares and other variable yield securities	-	-
Sale of debt securities and other fixed income securities	(145,130)	(165,365)
Purchase of deposits with credit institutions	(7,322)	(528)
Net cash inflow/(outflow) on portfolio investments	<u>19,710</u>	<u>49,983</u>

Notes to the Financial Statements

22. Related parties

SSSL is a subsidiary of Shelbourne Group Limited ("SGL"). The ultimate parent company of SSSL and SGL is Enstar Group Limited, a company registered in Bermuda under number 30916. Copies of the ultimate parent company's consolidated financial statements may be obtained from The Secretary, Enstar Group Limited, Windsor Place, 18 Queen Street, Hamilton, Bermuda HM JX.

Expenses totalling £8,455,522 (2013 - £8,590,309) were recharged to the syndicate by SSSL. The main component of expenses recharged was EEUL management fees of £6,988,595 (2013 - £7,419,793) as explained in note 6.

At 31 December 2014 syndicate 2008 owed SSSL £147,535 in respect of expenses. This is included in "other creditors" in the balance sheet (2013 - £44,835). No amount of Profit commission (2013 - £Nil) is due to SSSL at 31 December 2014.

R J Harris, G H Nokes, and R Phinn are directors of SGL No.1 Limited which provides 100% (£10,000,000) of the nominal stamp capacity of the syndicate.

In 2008 the syndicate ceded to Fitzwilliam (SAC) Insurance Limited ("FW") a 100% quota share in respect of the reinsurance to close of syndicates 588 and 861. No reinsurance premiums were ceded during 2014 (2013 - £nil) and the amount owing to FW at 31 December 2014 is £30,619,468 (2013 - £33,272,965). This amount is collateralised on a "funds withheld" basis. R J Harris is also a director of FW.

23. Post Balance Sheet Event

The following amounts will be transferred to members' personal reserve funds on or after 17th March 2015:

2012 year of account	£9,714,936
2013 year of account	£0
2014 year of account	£1,106,130

24. Funds at Lloyd's

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000 and in accordance with Solvency II legislation.

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II, and beyond that to meet its own financial strength, licence and ratings objectives.

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly the capital requirement in respect of Syndicate 2008 is not disclosed in these financial statements.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2016 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), held within and managed within a syndicate (funds in syndicate) or as the member's share of the members' balances on each syndicate on which it participates.