


IMPORTANT INFORMATION ABOUT THE SYNDICATE REPORT AND ACCOUNTS

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ANNUAL REPORT
AND
ACCOUNTS
2014

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DIRECTORS AND ADMINISTRATION

Managing Agent

Managing Agent

Allied World Managing Agency Limited (AWMA) is the managing agent of Syndicate 2232. AWMA is a wholly owned subsidiary (indirectly held) of Allied World Assurance Company Holdings, AG.

Directors

J Baldwin (Non-Executive Chairman)

P Gates

J James

N Macmillan (Non-Executive)

E McCusker (Non- Executive)

D Newman

D Powell

D Russell

Company secretary

Sean O'Riordan

Managing agent's registered office:

20 Fenchurch Street

London

EC3M 8BY

Managing agent's registered number

07249766

Syndicate

Active underwriter

D Powell

Bankers

Barclays Bank plc - London

Citibank NA - London, New York and Singapore

RBC Dexia - Toronto

Statutory auditor

Deloitte LLP

Appointed actuary

KPMG LLP

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The directors of Allied World Managing Agency Limited (AWMA), the managing agent, present their report for Syndicate 2232 ('the Syndicate') for the year ended 31 December 2014.

AWMA was approved by the regulatory authorities to become the managing agent of the Syndicate from 1 April 2014, replacing Capita Managing Agency Limited (CMA).

Basis of Preparation

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').

Results

The result for the year ended 31 December 2014 was a profit of £4.4m (2013: loss £9.9m).

The Syndicate's key financial performance indicators during the year were as follows:

	2014	2013
	£000	£000
Gross premiums written	116,235	96,026
Gross premiums earned	103,060	83,174
Net premiums earned	85,244	64,094
Profit/(loss) for the financial year	4,435	(9,924)

Principal Activities

The principal activity of the Syndicate is the transaction of general insurance and reinsurance business. The Syndicate underwrites a broad range of classes of business concentrating mainly on property and casualty business written on both a direct and reinsurance basis.

Review of the Business

An indication of the geographical analysis of gross written premium by territory of original insured, for Direct & Facultative (D&F) business and territory of original cedant for treaty business is shown below:

	2014	2013
	£000	£000
UK	7,179	1,772
Other EU member states	7,423	2,190
Europe excluding EU member states	1,133	1,292
United States of America	9,658	3,536
Canada	4,944	3,510
Asia Pacific	53,278	52,317
Central & South America	27,794	28,283
Middle East & Africa	4,826	3,126
Total	116,235	96,026

The Syndicate continued underwriting business at Lloyd's, via the Lloyd's Asia platform in Singapore and a Miami cover-holder, Allied World Reinsurance Management Company. The Syndicate has been approved by Lloyd's to underwrite premium income through external agents to whom a binding authority is given to accept risks on behalf of the Syndicate.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (CONTINUED)

Review of Business (continued)

The overall balance on the technical account was a profit of £4.4m (2013: loss of £9.9m). The Syndicate produced a positive underwriting result in 2014 of £42.0m (2013: £18.7m).

The underwriting result is set out in the table below.

Gross written premium emanating from London has risen to 61%, (2013: 49%) of the Syndicate's total and contributed approximately 52% (2013: 44%) of the underwriting result. This is driven by growth in London and Miami business and the launch of a new Marine line of business. Of the £22.1m underwriting result derived from the Lloyd's London platform, the main contributing class of business was Treaty Property written through our Miami Coverholder. Premium written in Singapore contributed £19.9m of the underwriting result and the main contributing class of business was Treaty Property.

	2014	2014	2013	2013
	Gross written	Underwriting	Gross written	Underwriting
	premium	result	premium	result
	£000	£000	£000	£000
LONDON (incl Miami):				
Aviation (incl Liability & Hull)	7,123	1,032	2,670	(113)
Property D&F	11,281	2,720	12,979	(868)
Treaty Property Latin America	14,339	9,849	9,656	5,985
Treaty Casualty Latin America	7,275	2,986	9,816	2,201
Marine	5,470	738	-	-
Casualty (incl E&O,D&O, General)	24,902	4,755	12,459	1,060
Total London	70,390	22,080	47,580	8,265
SINGAPORE				
Treaty Property	40,836	18,354	20,731	5,204
Treaty Casualty	3,583	1,265	26,501	5,143
Non-Treaty Casualty	1,426	311	1,214	40
Total Singapore	45,845	19,930	48,446	10,387
TOTAL SYNDICATE	116,235	42,010	96,026	18,652
Allocated investment return		642		687
Net Syndicate operating expenses, including net acquisition costs and foreign exchange movements		(36,193)		(27,384)
Member's personal expenses		(2,024)		(1,879)
Balance on the technical account		4,435		(9,924)

Underwriting result includes earned premiums, net of reinsurance and less claims incurred net of reinsurance.

Of the Gross Written Premium of £116.2m (2013: £96.0m), £20.3m (2013: £17.9m) was ceded to reinsurers.

Net Syndicate operating expenses includes a loss on foreign exchange of £1.6m (2013: £5.4m).

Member's personal expenses include New Central Fund Contributions and Lloyd's Subscriptions.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (CONTINUED)

Review of the Business (continued)

Calendar year 2014 experienced a lower frequency of insured catastrophe or major losses when compared to 2013. The Syndicate is, however, exposed to a number of these catastrophes as well as various other large losses, the cumulative effect of which has reduced the level of 2014's underwriting profitability. The underwriting result for 2014 benefits from profitable developments on the 2013 and prior years of account.

The table below sets out the Syndicate's gross and net ultimate claims (paid and notified outstanding claims and IBNR, before and after all reinsurances, respectively), in respect of catastrophe losses incurred.

The table below shows only those insured catastrophes which have been coded by Xchanging and which have impacted the Syndicate. Note that there are many other insured catastrophe losses which have been assigned a code by Xchanging but which have not impacted the Syndicate.

It can be seen that those catastrophes suffered in prior years continue to develop at a net level.

Catastrophe	XIS CAT Code	Lloyd's year of account	Gross ultimate claims as at 31.12.14 £000	Gross ultimate claims as at 31.12.13 £000	Net ultimate claims as at 31.12.14 £000	Net ultimate claims as at 31.12.13 £000
New Zealand earthquake, 4 Sept 2010	10P	2010	1,633	1,047	816	524
Queensland floods, 21 Dec 2010 – 14 Jan 2011	10T	2010	3,024	3,091	1,131	1,157
Victoria, Australia flooding, 12 Jan 2011	11A	2010	1,236	1,040	472	407
Cyclone Yasi, 2 Feb 2011	11B	2010	1,654	1,661	823	826
New Zealand earthquake, 22 Feb 2011	11C	2010	8,858	8,765	3,984	3,941
Japanese earthquake & ensuing tsunami, Mar 2011	11D	2010	203	205	70	71
Total 2010 Year of account			16,608	15,809	7,296	6,926
Queensland floods, 21 Dec 2010 – 14 Jan 2011	10T	2011	689	726	344	363
Victoria, Australia flooding, 12 Jan 2011	11A	2011	692	706	346	353
New Zealand earthquake, 22 Feb 2011	11C	2011	5,187	5,338	2,593	2,669
Japanese Earthquake & Tsunami, 11 Mar 2011	11D	2011	30	29	30	29
New Zealand earthquake, 13 Jun 2011	11N	2011	1,625	1,593	944	917
Melbourne Hailstorms 25 Dec 2011	11T	2011	3,357	3,355	1,652	1,650
Cyprus naval base explosion, 11 Jul 2011	11Z	2011	101	215	101	215
Thailand flooding, 1 Oct 2011	11R & RX	2011	4,473	5,466	2,524	3,275
Total 2011 Year of account			16,154	17,428	8,534	9,471
Hurricane Sandy	12J	2012	1,526	1,214	644	513
Cyclone Oswald, Australia 27 Jan 2013	13A	2012	2,790	3,348	1,383	1,663
Total 2012 Year of account			4,316	4,562	2,027	2,176
SK Hynix Semiconductors, China 4 Sep 2013	13K	2013	8,357	7,911	8,357	7,911
Hurricane Ingrid Gulf of Mexico, 12 Sep 2014	13L	2013	1,255	3,400	1,255	3,400
Hurricane Manuel Mexico, 13 Sep 2014	13M	2013	1,332	838	1,304	838
Typhoon Haiyan Phillipines, 8 Nov 2014	13N	2013	2,573	2,427	2,573	2,427
Macon factory fire USA, 1 May 2014	13ZG	2013	2,749	2,596	2,749	2,596
Total 2013 Year of account			16,266	17,172	16,238	17,172
Hurricane Odile, 13 Sept 2014	14D	2014	1,757	0	1,757	0
Queensland storm, 27 Aug 2014	14F	2014	2,951	0	2,951	0
Attacks on Tripoli Airport, 13 July 2014	14B	2014	197	0	197	0
Total 2014 Year of account			4,905	0	4,905	0

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (CONTINUED)

Review of the Business (continued)

The levels of “Gross brokerage and commissions” and “other acquisition costs” (which typically include overseas taxes and levies) when expressed as a ratio of gross written premium are higher in 2014 when compared to 2013 at 18.3% and 14.3% respectively. This increase is due to a change in the business mix as the business has grown and especially reflects the increase in binder business which has higher acquisition costs than direct business.

Operating expenses have increased during 2014 driven by the administrative expense ratio which has increased to 26.5% (2013: 25.1%). This is due to additional expenses incurred in growing the business.

The Syndicate is in its fifth underwriting year and consequently it continues to build up its overall cash and investment balances. The net cash inflow during 2014 was £27.1m (2013: £11.5m) from all operations.

The majority of surplus funds continue to be held in interest bearing current bank accounts or short-term deposits, providing the Syndicate with quick access to working capital. The Syndicate has been reviewing its investment strategy and in December £13.9m of surplus cash was invested in fixed income securities. It is anticipated that further surplus cash will be invested in similar securities in 2015.

Given the low interest rates prevailing throughout most of the World’s money markets, investment return achieved during the year was a nominal amount of £0.6m (2013: £0.6m).

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (CONTINUED)

Principal Risks and Uncertainties

The major risks and uncertainties that the Syndicate faces are presented below.

Insurance Risk:

Insurance risk relates to underwriting, claims management and the risk that arises from inherent uncertainties as to the occurrence, amount and timing of Insurance liabilities. Risk management and loss mitigation techniques have been developed to manage and consequently reduce this risk, including underwriting models, aggregation tools and policy wordings to prevent unplanned concentrations of risk.

The Syndicate competes against major international groups and there will be occasions when some of these groups may choose to underwrite for cash flow or market share purposes and at prices that sometimes fall short of our minimum acceptable technical price. In common with all insurers, the Syndicate is exposed to this potential price volatility. Any extended periods of low premium rating levels and/or high levels of competition in the insurance markets are likely to have a negative impact on the Syndicate's ability to write business and consequently its financial performance. The Syndicate monitors pricing levels and is committed to rejecting any business that is unlikely to generate an underwriting profit.

Reserving risk includes the risk that the estimates of claims might subsequently prove to be insufficient. Establishing an appropriate level of loss reserves is an inherently uncertain process. It is therefore possible that our reserves at any given time might prove to be inadequate. Reserve adequacy is monitored through quarterly internal actuarial review. Reviews are required annually by an external actuary. The underwriting committee oversees underwriting risk and the risk committee oversees reserve risk.

Operational Risk:

This is the risk that errors caused by people, processes and/or systems might lead to financial losses to the Syndicate. AWMA manages this risk by reference to and use of a risk register including a regular review process with those executives who have authority and responsibility for identifying, assessing and controlling operational risks effectively.

AWMA has developed and implemented a risk reporting and risk governance system to ensure that effective risk management of operational risk is carried out. Management receives regular operational risk updates and the board oversees the risk system.

AWMA has entered into a number of outsourcing arrangements, the performance of which are monitored by the board.

It is critical for the Syndicate that the key resources required to support its underwriting and other essential business activities continue to be available. A number of contingency plans are in place to mitigate any loss of key resources from disrupting the ongoing operations of the Syndicate.

Market Risk (including interest rate and currency):

This is the risk of financial loss which arises from any fluctuations in market factors, including:

1. The value of investment holdings themselves;
2. Movements in interest rates; and
3. Movements in foreign exchange rates.

As the Syndicate develops, its exposure is likely to increase in respect of each of the above. AWMA, through its Risk Committee, will seek to mitigate any such exposure and therefore reduce any associated risk by reviewing, as and when appropriate, investment performance, and seeking to reduce as far as is practicable any currency asset/liability mismatches which might have arisen.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (CONTINUED)

Principal Risks and Uncertainties (continued)

Credit Risk:

This is the risk of financial loss if another party fails to honour its financial obligations, including failing to meet them in a timely manner. Credit risk can arise from the failure to receive inwards premium and the failure to collect outwards reinsurance claims recoveries. All Syndicate premium receivable balances are reported on an ongoing basis to senior management and the board to enable them to assess their recoverability.

The Syndicate purchases reinsurance protection to contain exposure from single claims and the aggregation of claims from catastrophic events. If a reinsurer fails to pay a claim for any reason, the Syndicate remains liable for the payment to the policyholder. The creditworthiness of reinsurers is therefore regularly reviewed throughout the year. The Syndicate currently has no direct experience of bad debt losses arising from its reinsurance arrangements. The Syndicate has direct access to and use of its aligned capital provider's group reinsurance security committee.

Other areas of exposure to credit risk include:

1. Amounts due from insurance intermediaries; and
2. Counterparty risk with respect to investments and other deposits.

AWMA seeks to actively manage and reduce the Syndicate's exposure to this risk by introducing limits on its exposure to either a single counterparty, or groups of counterparties, and to geographical and industry segments wherever practicable or considered appropriate. Such limits will be subject to an annual or more frequent review as appropriate. It is considered that the current levels of concentration of credit risk are acceptable given the Syndicate's short period of operation. The Operations and Finance committee monitors and manages the Syndicate exposure to credit risk.

Liquidity Risk:

Liquidity risk arises where cash may not be available to enable the Syndicate to pay its obligations as they fall due and at a reasonable cost. The Syndicate is exposed to daily cash calls on its available cash resources, including the settlement of claims, the payment of reinsurance premiums and also various operating expenses. The current approach is to maintain cash at short notice without any risk of significant capital loss. These funds are monitored by management on a regular basis. The directors do not consider that there is a significant risk of a material loss arising from liquidity risk. The Operations and Finance committee monitors and manages the Syndicates exposure to liquidity risk.

Regulatory and Compliance Risk:

This is the risk of there being a financial loss owing to a breach of regulatory requirements and/or a failure to respond to a regulatory change. Management receives regular regulatory and compliance risk updates and the Non- Executive Directors Committee reviews and monitors these risks on a quarterly basis.

The Syndicate is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (CONTINUED)

Principal Risks and Uncertainties (continued)

Capital management

With effect from the 2014 year of account Lloyd's has determined underwriting capital requirements for the first time by reference to each Syndicate's own Solvency II internal capital model.

Lloyd's is responsible for setting both member and central capital to achieve a level of capital that is robust and allows members the potential to earn high returns. Three levels of security were established for the Lloyd's Syndicates comprising: Premium Trust Funds (PTF); Funds at Lloyd's (FAL) and The New Central Fund (NCF).

1. Liquid resources held in PTF are the first resource for paying policyholder claims.
2. Capital provided by members to support its underwriting at Lloyd's is held in trust, known as FAL, and is primarily intended to cover circumstances where the Syndicate assets prove insufficient to meet participating members' underwriting liabilities. Since FAL is not under the control of the managing agent, no amount has been shown in these financial statements for such capital resources. However, the managing agent is able to make calls on the members' FAL to meet liquidity requirements or to settle losses.
3. The NCF comprises central assets funded by members' annual contributions and subordinated debt. Lloyd's regularly reviews and determines the optimum level of central assets, seeking to balance the need for robust financial security against the members' desire for cost-effective mutuality of capital.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (CONTINUED)

Rating Agencies

Syndicate 2232 does not have its own security rating, however it does benefit from the Lloyd's global A (Excellent) rating from A.M. Best.

Directors

The directors set out in the table below have held office for the whole period from 1 January 2014 to the date of this report unless stated otherwise.

J Baldwin (appointed 31 March 2014)
F D'Orazio (resigned 7 March 2014)
W Dupont (resigned 7 March 2014)
P Gates (appointed 7 March 2014)
J James (appointed 7 March 2014)
N Macmillan (appointed 31 March 2014)
E McCusker (appointed 31 March 2014)
D Newman (appointed 7 March 2014)
D Powell (appointed 7 March 2014)
D Russell (appointed 7 March 2014)
B Zurbuchen (resigned 7 March 2014)

Working Capital

AWMA liaises closely with the Syndicate's aligned capital provider concerning working capital requirements. AWMA will provide advance notice whenever there might be a need to make a cash call in order to improve the Syndicate's working capital position.

Cash Call

CMA, the former managing agent made an advance cash call on the open 2013 pure year of account for £4.6m which was settled on 31 March 2014.

Syndicate Annual General Meeting

It is not proposed to hold an Annual General Meeting this year and the Syndicate's sole participating underwriting member has been notified to this effect.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (CONTINUED)

Disclosure of Information to the Auditor

The directors of the managing agent who held office at the date of approval of this managing agent's report confirm that, so far as they are each aware, there is no relevant audit information of which the Syndicate's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Auditor

The managing agent proposes the re-appointment of Deloitte LLP as the Syndicate auditor.

By order of the Board

D G Russell
Director
17th March 2015

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing the Syndicate annual report and financial statements in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the 2008 Regulations') require the managing agent to prepare Syndicate annual accounts for each financial year. Under that law the managing agent has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the managing agent must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period.

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

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

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 2232

We have audited the Syndicate annual financial statements for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Syndicate's member, in accordance with regulation 10 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Syndicate's member those matters we are required to state to it 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 managing agent and auditor

As explained more fully in the Statement of Managing Agent's Responsibilities, the managing agent is responsible for the preparation of Syndicate annual financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the Syndicate annual financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Syndicate's annual financial statements

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

Opinion on Syndicate annual financial statements

In our opinion the annual financial statements:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 2232 (CONTINUED)

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 Managing Agent's Report for the financial year in which the Syndicate's annual financial statements are prepared is consistent with the annual financial statements.

Matters on which we are required to report by exception

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

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

Andrew Downes ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

17th March 2015

**PROFIT AND LOSS ACCOUNT:
TECHNICAL ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 £000	2013 £000
Earned premiums, net of reinsurance			
Premiums written			
Gross premiums written	3	116,235	96,026
Outward reinsurance premiums		(20,281)	(17,915)
Net premiums written		95,954	78,111
Change in the provision for unearned premiums:			
Gross amount		(13,175)	(12,852)
Reinsurers' share		2,465	(1,165)
Change in the net provision for unearned premiums		(10,710)	(14,017)
Earned premiums, net of reinsurance		85,244	64,094
Allocated investment return transferred from the non-technical account		641	687
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(33,695)	(24,368)
Reinsurers' share		6,378	7,930
Net claims paid		(27,317)	(16,438)
Change in the provision for claims:			
Gross amount		(15,464)	(25,046)
Reinsurers' share		(453)	(3,958)
Change in the net provision for claims	4	(15,917)	(29,004)
Claims incurred net of reinsurance		(43,234)	(45,442)
Net Syndicate operating expenses	5	(36,192)	(27,384)
Member's personal expenses	8	(2,024)	(1,879)
Balance on the technical account for general business		4,435	(9,924)

**PROFIT AND LOSS ACCOUNT:
NON-TECHNICAL ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 £000	2013 £000
Balance on the general business technical account		4,435	(9,924)
Income from investments		648	720
Unrealised gains on investments		41	0
Losses on the realisation of investments		(48)	(33)
Investment return (net of expenses and charges)		641	687
Allocated investment return transferred to general business technical		(641)	(687)
Profit/(Loss) for the financial period	13	4,435	(9,924)

All operations relate to continuing activities.

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts. Accordingly a statement of total recognised gains and losses is not presented.

The notes on pages 20 to 30 form an integral part of these financial statements.

BALANCE SHEET – ASSETS

AT 31 DECEMBER 2014

	Notes	2014 £000	2013 £000
Investments			
Financial investments	9	74,710	50,296
Reinsurers' share of technical provisions			
Claims outstanding		21,542	21,172
Provision for unearned premium		9,807	7,767
		31,349	28,939
Debtors			
Debtors arising out of direct insurance operations		1,627	345
Debtors arising out of reinsurance operations	10	38,323	32,170
Other debtors	11	146	69
		40,096	32,584
Other assets			
Cash at bank and in hand		12,949	10,436
Overseas deposits	12	4,325	2,975
		17,274	13,411
Prepayments and accrued income			
Accrued interest and rent		37	22
Deferred acquisition costs		10,516	7,341
Other prepayments and accrued income		68	629
		10,621	7,992
Total assets		174,050	133,222

The notes on pages 20 to 30 form an integral part of these financial statements.

BALANCE SHEET – LIABILITIES

AT 31 DECEMBER 2014

	Notes	2014 £000	2013 £000
Capital and reserves			
Balance due (from) Member	13	(10,347)	(14,782)
Technical provisions			
Claims outstanding		114,483	93,799
Provision for unearned premium		54,727	43,954
		169,210	137,753
Creditors			
Creditors arising out of direct insurance operations		41	-
Creditors arising out of reinsurance operations	14	3,303	1,388
Other creditors	15	6,817	4,063
		10,161	5,451
Accruals and deferred income	16	5,026	4,800
Total liabilities		174,050	133,222

The notes on pages 20 to 30 form an integral part of these financial statements.

The financial statements on pages 15 to 30 were approved by the board of Allied World Managing Agency Limited on 17th March 2015 and were signed on its behalf by:

D G Russell
Director
17th March 2015

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £000	2013 £000
Net cash inflow from operating activities	17 & 18	27,058	11,474
Distribution profit		-	(652)
Open year cash call made in year		-	13,000
Net cash inflow for the period		27,058	23,822
Cash flows were invested as follows:			
Increase in cash holdings		2,466	514
Increase in portfolio investments		24,592	23,308
Net investment of cash flows		27,058	23,822

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2014

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 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.

Having taken into account the risks and uncertainties and the performance of the Syndicate as disclosed in the Report of the Directors and making inquiries, the managing agent has a reasonable expectation that the Syndicate will continue to write business for the foreseeable future. Moreover, the managing agent expects that continued capital support will be in place in order to do so. Accordingly, the financial statements have been prepared on the going concern basis.

2. Accounting Policies

The principal accounting policies are described below. These accounting policies have been applied consistently throughout the current and preceding reporting period.

2(a) Premiums written and reinsurance premiums ceded

Written gross and outwards reinsurance premiums comprise premiums on contracts incepting during the financial year. Written premiums are disclosed gross of commission payable to intermediaries and exclude taxes and duties levied on premiums. Outwards reinsurance premiums are disclosed gross of commissions and profit participations recoverable from reinsurers. Premiums written include estimates for 'pipeline' premiums. Reinstatement premiums related to property catastrophe reinsurance are estimated and accrued based upon contractual terms applied to the amount of losses expected to be paid.

2(b) Unearned premiums

The provision for unearned premium comprises the proportion of gross and outwards reinsurance premiums written, which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro-rata method.

2(c) Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the acquisition of insurance contracts. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the proportion of gross premiums written which is unearned at the balance sheet date.

2(d) Claims provisions and related recoveries

The provision for claims and claims expenses includes estimates for unpaid claims and claims expenses on reported losses as well as an estimate of losses incurred but not reported (IBNR). The provision is based upon individual claims, case reserves and other reserve estimates reported by insured's and ceding companies as well as management estimates of ultimate losses. Inherent in the estimates of ultimate losses are expected trends in claims severity and frequency and other factors which could significantly vary as claims are settled.

The directors of the managing agency consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, ultimate losses may vary materially from the amounts provided in the financial statements. Ultimate loss estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are reflected in the financial statements of operations in the period in which they become known and are accounted for as changes in estimates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AT 31 DECEMBER 2014

Amounts recoverable from reinsurers are calculated in a manner consistent with the claim liability associated with the reinsured policies. The amounts recoverable from reinsurers are recorded net of bad debt provision for estimated uncollectable recoveries.

2(e) Unexpired risk

Provision is made for unexpired risks arising from general business where the expected value of the claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premiums provision in relation to such policies after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated separately by classes of business which are managed together, after taking into account the relevant investment return.

2(f) Investments

Investments are carried at their current market value.

2(g) Investment return

Investment return comprises income received and receivable on fixed income securities, interest earned and accrued on cash, realised gains on disposal of investments and unrealised gains on investments held.

All investment return is initially recognised in the non-technical account. It is then transferred to the technical account as it all relates to funds supporting underwriting business.

2(h) Rates of exchange

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Revenues, costs and non-monetary assets and liabilities are translated at the exchange rates ruling at the dates of the transactions. Profits and losses arising from foreign currency translation and on settlement of amounts receivable and payable in foreign currencies are dealt with through the profit and loss account. Monetary assets and liabilities are defined as money or securities held and amounts to be received or paid in money. All other assets and liabilities are non-monetary, examples of which include unearned premium and deferred acquisition costs.

2(i) 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 the member 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 are included in the balance sheet under the heading 'other debtors'.

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

2(j) Bad debts

Bad debts are provided for only where specific information is available to suggest a debtor may be unable or unwilling to settle its debt to the Syndicate. The provision is calculated on a case by case basis.

2(k) Reinsurers' commissions and profit participations

Reinsurers' commissions and profit participations, which include reinsurance profit commission and overrides, have been treated as a contribution to expenses, rather than as a premium adjustment.

2(l) Reporting currency

The financial statements are expressed in United Kingdom Sterling (£).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AT 31 DECEMBER 2014

3. Segmental Analysis

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

2014	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Net operating expenses £000	Reinsurance balance £000	Total £000
Direct Insurance:						
Aviation	2,018	1,529	(1,683)	(648)	36	(766)
Transport	4,674	2,443	(1,710)	(1,366)	(112)	(745)
Fire and other damage to property	2,855	2,635	1,800	(1,015)	149	3,569
Third-party liability	27,117	18,107	(11,120)	(8,030)	(2,159)	(3,202)
Pecuniary loss	147	108	(81)	(46)	(7)	(26)
	36,811	24,822	(12,794)	(11,105)	(2,093)	(1,170)
Reinsurance	79,424	78,239	(36,364)	(27,112)	(9,798)	4,965
Total	116,235	103,061	(49,158)	(38,217)	(11,891)	3,795

Of the £116.2m gross premiums written, £70.4m were underwritten in the UK and £45.8m in Singapore.

2013	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Net operating expenses £000	Reinsurance balance £000	Total £000
Direct Insurance:						
Aviation	775	89	(63)	(157)	(58)	(189)
Fire and other damage to property	2,872	2,930	633	(770)	(3,104)	(311)
Third-party liability	10,939	6,722	(4,365)	(2,327)	(1,409)	(1,379)
Pecuniary loss	0	130	(85)	(17)	(23)	5
	14,586	9,871	(3,880)	(3,271)	(4,594)	(1,874)
Reinsurance	81,440	73,303	(45,534)	(25,992)	(10,514)	(8,737)
Total	96,026	83,174	(49,414)	(29,263)	(15,108)	(10,611)

Of the £96m gross premiums written, £47.6m were underwritten in the UK and £48.4m in Singapore.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AT 31 DECEMBER 2014

4. Change in Net Provision for Claims

The change in net provision for claims is made up of the following:

	2014 £000	2013 £000
Gross reported outstanding claims	9,638	6,912
Gross claims incurred but not reported	5,553	17,712
Provision for unallocated loss adjustment expenses	273	422
	15,464	25,046
Reinsurers' share	453	3,958
Total	15,917	29,004

The 2014 underwriting result benefits from profitable developments on the 2013 and prior years of account totaling £22.5m (2013: prior year profitable developments of £20.0m)

5. Net Syndicate Operating Expenses

	2014 £000	2013 £000
Brokerage and commissions	19,441	12,381
Other acquisition costs	1,837	1,392
Change in deferred acquisition costs	(3,526)	(2,915)
<i>Gross acquisition costs</i>	17,752	10,858
Reinsurers' commissions and profit participations	(3,714)	(3,097)
<i>Net acquisition costs</i>	14,038	7,761
Administrative expenses – loss on exchange	1,626	5,422
Administrative expenses – other	20,528	14,201
Total	36,192	27,384

Administrative expenses include fees payable to the auditors and its associates (exclusive of VAT)

An analysis of the auditor's remuneration is as follows:

Audit fees:

Fees payable to the Syndicate's auditor for the audit of these financial statements

Non-audit fees:

Other services pursuant to legislation

Statement of actuarial opinion

Total non audit fees

	2014 £000	2013 £000
Fees payable to the Syndicate's auditor for the audit of these financial statements	88	85
Other services pursuant to legislation	112	79
Statement of actuarial opinion	-	85
Total non audit fees	112	164

Other services pursuant to legislation include fees for the Syndicate half year review, half year review and year-end audit of Solvency II balance sheet and fees payable to an affiliate of the Syndicate auditor in respect of Singapore branch regulatory return.

External Auditors did not provide the Statement of actuarial opinion in 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AT 31 DECEMBER 2014

6. Staff Numbers and Costs

All staff are employed by Allied World Group Companies.

Average number of employees employed by these companies but working for the Syndicate during the year was as follows:

	2014	2013
Administration and Finance	24	9
Underwriting and Claims	29	1
Total	53	10

The 2013 comparatives relate to CMA as they were the Managing Agent at that time.

CMA received a Managing Agent's fee for the three months it acted as Managing Agent of £448k (2013: £1.2m) which was charged to the Syndicate. These amounts included estimated amounts for directors and staff related costs. No emoluments of the directors of CMA were directly charged to the Syndicate.

AWMA does not charge a Managing Agent fee, it has recharged various expenses which have been properly incurred on the Syndicate's behalf. These amounted to £9.4m (2013: £5.3m) for the financial period.

7. Emoluments of the Directors of AWMA

The directors of AWMA received the following aggregate remuneration of £780k (2013: Nil) charged to the Syndicate and included within net operating expenses.

The amount recharged to the Syndicate in respect of the aggregate remuneration of the active underwriter for the year ended 31 December 2014 was £304k (2013: £359k).

8. Member's Personal Expenses

	2014	2013
	£000	£000
Managing agent's fee	448	1,171
Managing agent's profit commission	458	-
New Central Fund (NCF)	496	325
Lloyd's Subscriptions	622	383
Total	2,024	1,879

Syndicate 2232 with effect from the 2014 year of account pays contributions to the NCF at the standard market rate as opposed to the higher rate set for new members during their first three years of trading.

The Managing agent's fee and profit commission is payable to the former Managing Agent CMA.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2014

9. Financial investments

	Market Value 2014 £000	Cost 2014 £000	Market Value 2013 £000	Cost 2013 £000
Shares and other variable yield securities	18,447	18,447	20,435	20,435
Debt securities and other fixed income securities	14,046	13,940	-	-
Deposits with credit institutions	42,217	42,217	29,861	29,861
	74,710	74,604	50,296	50,296

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

10. Debtors Arising Out of Reinsurance Operations

	2014 £000	2013 £000
Amounts due from intermediaries – within one year	38,323	32,170
Total	38,323	32,170

11. Other Debtors

	2014 £000	2013 £000
Amounts due - within one year	146	69
Total	146	69

12. Overseas Deposits

Overseas deposits comprise funds which are lodged as a condition of conducting underwriting business in certain countries. Certain overseas deposits relating to Australian Situs business previously funded by the Syndicate were replaced in 2013 by a letter of credit (LOC) funded by Allied World Assurance Company, Ltd. The amount of LOCs provided at 31 December 2014 was AUS\$20.9m (31 December 2013: AUS\$34.1m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2014

13. Reconciliation of Member's Balances

	2014	2013
	£000	£000
Member's balances at 1 January	(14,782)	(17,206)
Cash calls made in year	-	13,000
Profit distribution	-	(652)
Profit for the financial period	4,435	(9,924)
Member's balances carried forward at 31 December	(10,347)	(14,782)

The member participates on the Syndicate by reference to years of account and its ultimate results, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of its membership of a particular year.

14. Creditors Arising Out of Reinsurance Operations

	2014	2013
	£000	£000
Amounts due from intermediaries - within one year	3,303	1,388
Total	3,303	1,388

15. Other Creditors

	2014	2013
	£000	£000
Amounts due within one year	6,817	4,063
Total	6,817	4,063

The balance above comprises mainly Syndicate expense recharges.

16. Accruals and Deferred Income

	2014	2013
	£000	£000
Amounts due within one year	5,026	4,800
Total	5,026	4,800

The balance above relates to various operating expenses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AT 31 DECEMBER 2014

17. Reconciliation of Operating Profit (Loss) to Net Cash Inflow from Operating Activities

	2014	2013
	£000	£000
Operating profit/ (loss) on ordinary activities	4,435	(9,924)
Realised and unrealised (gains)/ losses on cash and investments	(1,220)	4,999
Increase in debtors, prepayments and accrued Income	(10,140)	(7,702)
Increase in net technical provisions	29,047	39,862
Increase / (decrease) in creditors	4,936	(15,761)
Net cash inflow from operating activities	27,058	11,474

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AT 31 DECEMBER 2014

18. Movement in the Opening and Closing Portfolio of Investments, Net of Financing

	2014 £000	2013 £000
Cash flow from operating activities	27,058	11,474
Distribution profit	-	(652)
Open year cash call made	-	13,000
Net cash inflow for the period	27,058	23,822
Increase in cash holdings	2,466	514
Increase in portfolio investments	24,592	23,308
Portfolio at 31 December	27,058	23,822

Movement in cash, portfolio investments and financing:

	At 1 January 2014 £000	Cash flow £000	Changes to Market Value and Currency revaluations £000	At 31 December 2014 £000
Cash at bank and in hand	10,436	2,466	47	12,949
Overseas deposits	2,975	1,463	(112)	4,326
	13,411	3,929	(65)	17,275
Shares and other variable yield securities and units in unit trusts	20,435	(2,995)	1,007	18,447
Debt securities and other fixed income securities	-	13,947	99	14,046
Deposits with credit institutions	29,861	12,177	179	42,217
	50,296	23,129	1,285	74,710
Total cash, portfolio investments and financing	63,707	27,058	1,220	91,985

19. Post Balance Sheet Events

There have been no post balance sheet events which require disclosure or an adjustment to the financial statements for the year ended 31 December 2014.

20. Funds at Lloyd's

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

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on UK regulatory 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. For its first three years of trading, the Syndicate's capital requirement was determined by Lloyd's.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AT 31 DECEMBER 2014

20. Funds at Lloyd's (continued)

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 member's FAL to meet liquidity requirements or to settle losses.

21. Foreign Exchange Rates

The following currency exchange rates illustrate the main foreign currency rates of exchange which were used for currency translation.

Simple average rate to current period end for profit and loss account movements and period end rate for principal monetary balance sheet foreign currency transactions:

	2014 Simple average rate to year end	2014 Year end rate	2013 Simple average rate to year end	2013 Year end rate
Australian Dollar	1.82	1.85	1.61	1.86
US Dollar	1.65	1.56	1.56	1.65
Canadian Dollar	1.83	1.81	1.61	1.76

22. Related Parties

Ultimate parent company

The immediate holding company of AWMA is Allied World Europe Holdings, Ltd, which is incorporated in Bermuda.

The ultimate holding company, controlling party and the largest group for which consolidated accounts are prepared is Allied World Assurance Company Holdings, AG, a company registered in Switzerland. This company is listed on the New York Stock Exchange.

Consolidated group financial statements are available from Allied World Assurance Company Holdings, AG, Park Tower 15th Floor, Gubelstrasse 24, 6300, Zug, Switzerland.

AWMA

AWMA is the managing agent of the Syndicate. It does not charge a set managing agent fee but receives a mark-up on expenses recharged to the Syndicate. Expenses recharged, including mark up, in 2014 were £9,393k (2013: £5,294k).

Allied World Syndicate Services (Singapore) PTE Ltd ("AWSS")

The Syndicate underwrites business via the Lloyd's Asia Singapore platform. From 1 April 2014, AWSS has acted as the Lloyd's Asia service company to facilitate the Syndicate's underwriting in Singapore. The fees charged by AWSS in 2014 were £1,388k.

David Russell and Julian James are directors of AWSS but do not receive any remuneration in this capacity.

Allied World Reinsurance Management Company ("ARM")

ARM acts as a cover-holder for the Syndicate underwriting business in Central and South America including the Caribbean. The fees charged by ARM in 2014 were £1,695k (2013: £941k)

Allied World Assurance Company (Europe) Limited ("AWE")

The Syndicate is serviced in terms of accommodation, staff and other overhead costs by AWE. The Syndicate is charged its share of these central costs. In 2014 the total recharge from AWE was £3,354k (2013: £ 1,096k)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2014

22. Related Parties (continued)

Allied World Assurance Company Ltd (“AWA”)

The Syndicate participates in an intra-group reinsurance contract with AWA. The effect of this contract on the profit and loss account in 2014 was a charge of £6,696k (2013: £9,971k)

The Syndicate also had a stop loss contract protecting one line of business in 2014; the premium paid was £237k.

