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R&Q MANAGING AGENCY LIMITED

ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2014

SYNDICATE

3330

Contents

Administration

Managing Agent
R&Q Managing Agency Limited
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London EC3M 5JT

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City of London Office
PO Box 12258
1 Princes Street
London
EC2R 8PA

Citibank N.A
Citigroup Centre
25 Canada Square
Canary Wharf
London
E14 5LB

RBC Investor Services
PO Box 7500 Station A
Toronto
Ontario
M5W 1P9

Investment Manager
BNY Mellon Wealth Management
The Forum / Suite 950
3290 Northside Parkway NW
Atlanta, GA 30327

Syndicate and Agency Auditors
PKF Littlejohn LLP
Chartered Accountants and Registered Auditors
1 Westferry Circus
Canary Wharf
London E14 4HD

Managing agent's report

The directors of the managing agent present their report for the year ended 31 December 2014.

This annual report and accounts 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").

ACTIVITIES

Syndicate 3330 is managed by R&Q Managing Agency Limited ("RQMA"). On 1 January 2012, Syndicate 3330 accepted the RITC of syndicate 1208 for the 2007 year of account into its 2012 year of account.

With effect from 1 January 2014 the Syndicate reinsured Syndicate 102's 2011 year of account by creating a new 2014 year of account. Syndicate 102 was also managed by RQMA.

Randall & Quilter Investment Holdings Ltd ("RQIH") is the ultimate parent company of RQMA.

Directors

The directors of RQMA who served during the year ended 31 December 2014 and up to the date of this report were as follows:

M Bell	Executive director	Appointed 23.09.2005	
A G Chopourian	Executive director	Appointed 28.09.2012	
H N A Colthurst	Executive director	Appointed 26.04.2012	
J P Fox	Non-executive director	Appointed 01.05.2011	
M G Gardiner	Non-executive director	Appointed 22.08.2011	
P A G Green	Executive director	Appointed 01.01.2006	Resigned 31.03.2014
	Non-executive director	Re-appointed 02.09.2014	
C A Hewitt	Executive director	Appointed 02.09.2014	
R E McCoy	Executive director	Appointed 12.05.2004	
H R McKinlay Verzin	Group non-executive director	Appointed 12.12.2014	
K E Randall	Executive director	Appointed 28.03.2003	Resigned 29.01.2014
	Group non-executive director	Re-appointed 20.11.2014	
P M Sloan	Executive director	Appointed 11.01.2012	
J P Tilling	Non-executive director	Appointed 12.05.2004	

Managing agent's report

BUSINESS REINSURED

S3330 is a specialist syndicate underwriting Lloyd's legacy business. It accepted the Reinsurance to Close contract of Syndicate 1208 ("S1208") into its 2012 year of account and Syndicate 102 ("S102") into its 2014 year of account.

S1208 wrote a broad spread London market book of Property including onshore power utility risks, Non Marine Treaty, Brown Water Marine, Marine Energy & Liabilities, General Aviation, Professional Indemnity and General Liability business originally written between 1993 and 2002.

S102 wrote a broad spread account of Marine, Non-Marine and other Specialty areas originally written between 1994 and 2003. Although much of the business was short to medium tail, it included significant longer tail exposures particularly within the Creditor, Professional Indemnity, Political Risk and Contingent Cost Insurance ("CCI") books. The business was written on a world-wide basis both facultative and under delegated authorities. Reinsurance business was also written mainly on an excess of loss treaty basis with a few proportional treaties.

RESULT FOR THE YEAR

The total recognised loss for the year is £3.2m. The key financial performance indicators during the year were as follows:

£m	Gross written premiums	Underwriting profit	Investment income	Loss on exchange	Administrative expenses	Total
2012 Account	0.1	2.6	0.5	-	(0.8)	2.4
2014 Account	0.1	(5.2)	0.2	(0.2)	(0.5)	(5.6)
Total	0.2	(2.6)	0.7	(0.2)	(1.3)	(3.2)

The 2012 year of account ran off on a satisfactory basis as longstanding reserves continued their trend of steady release as remaining open items were either identified as redundant or finally settled as a result of negotiation or litigation. The result led to residual net reserves at year end totalling less than £3.5m. That steady improvement was reflected by a calendar year profit of £2.4m which contributed to the overall closing profit after three years of £17.4m, as the 2012 year was finally closed into the 2014 year.

The 2014 year of account experienced different fortunes. The calendar year loss of £5.6m arose primarily from the need to strengthen reserves for a small number of major items in litigation, as well as a need to adjust various reinsurance balances. Although the most material strengthening related to the CCI book where liabilities remain the subject of ongoing legal dispute, there was also need to increase specific reserves for a small number of disputed items in the UK, Italy and the USA all of which were the subjects of adverse legal developments. As a result of that strengthening, net reserves at year end totalled £17.0m.

It is hoped and expected that the most significant matters still in dispute will see final resolution during the first half of 2015, which will remove the most material sources of uncertainty governing final outcome.

Managing agent's report

PRINCIPAL RISKS AND UNCERTAINTIES

A robust risk framework has been established headed by the Chief Risk Officer who makes regular reports to the Board including a process to monitor emerging risks in conjunction with RQIH. The syndicate's activities expose it to a variety of financial and non-financial risks. The managing agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. The capital requirements for the syndicate are based on an agreed assessment with Lloyd's of the risks impacting the syndicate's business, and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are reflected in this assessment.

Insurance Risk

The very nature of the syndicate's business exposes it to the possibility that claims will arise on business written. The risk attaching to insurance contracts is based on the fortuity that events will occur which will lead to a claim under the contract. The main underwriting risk which affects the syndicate is reserving risk as described below.

Reserving

Reserves are established for expired risks, i.e. that part of the syndicate's business that is attributable to earned premium income, and for unexpired risk, i.e. that part of the business that is attributable to unearned premium. The reserves in relation to the former are claims reserves; in relation to the latter, there is an unearned premium reserve, and there may also be an additional unexpired risk provision. In addition a reserve for Unallocated Loss Adjustment Expenses ("ULAE") will also be established and an allowance made for bad and doubtful debts.

In order to mitigate reserving risk, the RQMA actuarial function uses a number of actuarial techniques, to project gross and net premiums and gross and net insurance liabilities. The results of these techniques are then subject to formal peer review. In addition, the managing agent annually commissions an external actuary to perform an independent assessment of the syndicate's ultimate gross and net premiums and insurance liabilities. The results of the external actuary's projections are then compared to those proposed by the RQMA actuarial function. The level of booked reserves requires formal approval by the Board and is subject to audit.

Investment and Interest Rate Risks

The syndicate's investment policy is established by the agency board following recommendations by the RQMA Investment Committee. In order to mitigate interest rate risk, the Board monitors the economic situation to seek to anticipate any future interest rate movements and to take appropriate action to mitigate its effect on the value of syndicate assets.

Managing agent's report

Liquidity Risk

To mitigate liquidity risk the agency board reviews cash flow projections and maintains cash levels consistent with the needs of the syndicate. The syndicate maximises the inflow of funds from reinsurance recoveries and outstanding premiums and controls costs through the reporting of the expense budget.

Currency Risk

The main exposure to foreign currency risk arises from insurance business originating overseas. The syndicate attempts to fully match assets with liabilities on a regular basis.

Financial Instruments Risk

The syndicate has debtors, creditors, bank balances and investments in various currencies in the normal course of its business. The risks with regard to these transactions are detailed above and none of these financial instruments are considered to present any risks that are exceptional in their nature for their type of instrument. The syndicate does not actively enter into derivatives, hedging or other uses of financial instruments as part of its financial risk management.

Solvency Risk

The Board sets the risk appetite in line with its strategy and ensures that sufficient capital resources are raised to cover those risks in line with Regulatory and Lloyd's capital setting processes. The RQMA Risk and Capital Committee monitors risk appetite and tolerances on behalf of the Board. In the event of extreme adverse claims experience, it is possible that the syndicate may not be able to settle its claim liabilities out of its own funds. In that event, the capital structure underpinning the syndicate is such that any deficits can be called from the syndicate's capital provider (member) in accordance with Lloyd's rules. In the event of the member being unable to fulfil its share of such a call, Lloyd's Central Guarantee Fund may, at Lloyd's discretion, be applied to make good any deficits for the benefit of policyholders.

Regulatory Risk

The managing agent is required to comply, inter alia, with the requirements of the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's. Failure to comply with applicable regulations could result in a variety of sanctions, the most extreme being a withdrawal of the right to underwrite business. The managing agent has established a business ethos in which best practice is the required standard for all operations, both in the commercial interests of the business and to ensure regulatory compliance. Management has also put in place appropriate monitoring structures to mitigate the risk of failing to meet this standard. The RQMA Compliance Committee monitors regulatory developments to ensure the managing agent remains compliant. In addition the risk management function monitors the position. The internal audit function supports the monitoring process, and directly reports into the RQMA Audit Committee, itself comprised of non-executive directors of the managing agent.

Managing agent's report

Operational Risk

Much of the effect of the syndicate's exposure to operational risks is reflected in the various other risk headings above, and is mitigated and managed through the exercise of the management controls and actions described above. The main additional exposures are in relation to business continuity, i.e. the risk that the ability of the syndicate to continue in business will be affected by events not reflected under other headings, for example the impact of terrorist activity, and in the management of relationships and arrangements with key individuals. In relation to the former, the managing agent maintains a Business Continuity Plan (BCP) which sets out the main anticipated risks, including those relating to the robustness and sustainability of IT infrastructure and business applications, and the arrangements to mitigate those risks. The BCP is monitored and updated regularly. In relation to the latter, the managing agent has established arrangements designed to achieve an appropriate commonality of interest between the syndicate and the individuals concerned, and these arrangements are reviewed periodically. In addition, the managing agent seeks to maintain a sufficient personnel resource with appropriate experience and expertise to reduce the dependence on any one individual so far as is practicably possible.

DISCLOSURE OF INFORMATION TO THE AUDITORS

The directors who held office at the date of the approval of this report confirm that, so far as they are individually aware, there is no relevant audit information, of which the syndicate's auditors are unaware and each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

PKF Littlejohn LLP has signified their willingness to continue in office as the Syndicate auditors.

Approved by the Board of Directors of RQMA

By order of the Board

R E McCoy

Chief Executive Officer

16 March 2015

Statement of managing agent's responsibilities

The managing agent is responsible for preparing the Annual Report and the Syndicate Annual Financial Statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Regulation 5 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations") requires the managing agent to prepare Syndicate Annual Financial Statements at 31 December each year which give a true and fair view of the state of affairs of the syndicate and of its profit or loss for that year.

In preparing those Syndicate Annual Financial Statements, the managing agent is required to:

- select suitable accounting policies, and apply them consistently except where relevant accounting requirements change;
- make judgments 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 Syndicate Annual Financial Statements; and
- prepare the Syndicate Annual Financial Statements on a going concern basis, unless it is inappropriate to 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 Financial Statements 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.

Independent auditors' report to the members of Syndicate 3330

We have audited the Syndicate Annual Financial Statements for the year ended 31 December 2014 which comprise the Profit & Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Statement of Accounting Policies and the related notes. 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 members of the syndicate as a body, in accordance with Regulations 10 to 14 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulation 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters that we are required to state to them in an auditors' 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 and the syndicate's members as a body for our audit work, for this report, or for the opinion we have formed.

Respective Responsibilities of the Managing Agent and the Auditors

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 8, the Managing agent is responsible for the preparation of the 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the Syndicate Annual Accounts

An audit involves obtaining evidence about the amounts and disclosures in the Annual 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 Annual 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 state of the syndicate's affairs as at 31 December 2014 and of its loss 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 Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Independent auditors' report to the members of Syndicate 3330 (continued)

Opinion on other matters 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 for which the Annual Financial Statements are prepared is consistent with the Annual Financial Statements.

Emphasis of matter

In forming our opinion on the Financial Statements, which is not modified, we have considered the adequacy of the disclosure made in note 21 in relation to the material disputed claim that is currently in arbitration. The narrative in note 21 describes the significant estimation uncertainty that exists in respect of the quantum required to settle this matter.

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.

John Perry (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP (Statutory Auditor)

1 Westferry Circus

Canary Wharf

London E14 4HD

16 March 2015

Profit & loss account: Technical account – General business
For the year ended 31 December 2014

	Notes	**£000**	***2014*** **£000**	£000	*2013* £000
Earned premiums, net of reinsurance					
Gross premiums written	3		78		61
Outward reinsurance premiums			106		47
Net premiums written			184		108
Earned premiums, net of reinsurance			184		108
Allocated investment return transferred from the non-technical account			765		857
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(5,340)		(906)	
Reinsurers' share		1,462		384	
Net claims paid		(3,878)		(522)	
Change in the provision for claims					
Gross amount		2,712		5,712	
Reinsurers' share		(1,481)		(994)	
Change in the net provision for claims		1,231		4,718	
Claims incurred, net of reinsurance			(2,647)		4,196
Net operating expenses	4		(1,300)		(1,508)
Balance on the technical account for general business			(2,998)		3,653

All business is discontinued.

Profit & loss account: Non-technical account
For the year ended 31 December 2014

	Notes	***2014***	*2013*
		£000	*£000*
Balance on the general business technical account		(2,998)	3,653
Investment income	7	769	857
Investment expenses and charges	7	(4)	-
Allocated investment return transferred to general business technical account		(765)	(857)
(Loss) / profit for the financial year	11	(2,998)	3,653

Statement of total recognised gains and losses
for the year ended 31 December 2014

		2014	*2013*
		£000	*£000*
(Loss) / profit for financial year		(2,998)	3,653
Currency translation differences on foreign currency net investment	11	(223)	36
Total recognised (losses) / gains relating to the financial year		(3,221)	3,689

The accounting policies and notes on pages 16 to 28 form part of these financial statements.

Balance sheet - Assets
at 31 December 2014

	Notes	£000	2014 £000	£000	2013 £000
Investments					
Financial investments	8		6,142		3,147
Reinsurers' share of technical provisions					
Claims outstanding			5,108		1,479
Debtors					
Debtors arising out of direct insurance operations		347		390	
Debtors arising out of reinsurance operations		1,160		302	
Other debtors		13,834		6,264	
	9		15,341		6,956
Other assets					
Cash at bank and in hand		544		602	
Other	10	729		337	
			1,273		939
Prepayments and accrued income			40		34
Total assets			27,904		12,555

Balance sheet - Liabilities
at 31 December 2014

	Notes	£000	2014 £000	£000	2013 £000
Member's balances	11		468		3,689
Technical provisions					
Claims outstanding			24,912		7,578
Creditors					
Creditors arising out of direct insurance operations		257		-	
Creditors arising out of reinsurance operations		390		282	
Other creditors		1,176		797	
	12		1,823		1,079
Accruals and deferred income			701		209
Total liabilities			27,904		12,555

The accounting policies and notes on pages 16 to 28 form part of these financial statements.

Approved by the Board of Directors and signed on its behalf by

R E McCoy
Chief Executive Officer

M Bell
Finance Director

16 March 2015

Statement of cash flows
for the year ended 31 December 2014

	Notes	**2014** **£000**	2013 £000
Net cash inflow / (outflow) from operating activities	13	3,362	(7,991)
Open year profit release		-	(11,253)
Net cash inflow / (outflow)	15	3,362	(19,244)
Cash flows were invested / (funded) as follows:			
Increase / (decrease) in cash holdings	14	87	(508)
Increase / (decrease) in overseas deposits	14	380	(645)
Increase / (decrease) in net portfolio investments	14	2,895	(18,089)
Decrease in deposits with credit institutions	14	-	(2)
Net funding of cash flows		3,362	(19,244)

The accounting policies and notes on pages 16 to 28 form part of these financial statements.

Notes to the annual accounts
at 31 December 2014

1. Basis of preparation

These annual accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable Accounting Standards in the United Kingdom and comply with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2006 ("the ABI SORP"), except that exchange differences are dealt with in the technical account as there are no non-technical items.

The syndicate's business activities, together with the factors likely to affect its future development are set out in the Business Review contained within the Report of the Directors. In addition the Risk Management section of the Report of the Directors provides details of the financial risks the syndicate is exposed to and how those risks are managed.

The directors have a reasonable expectation that the syndicate has adequate resources including the Funds at Lloyd's of the members supporting the syndicate (as detailed in Note 18) to continue in operational existence for the foreseeable future. The directors regard the business written by the syndicate as business in run-off and accordingly full provision has been made for future costs. This provision has been reduced by future investment income as required by the ABI SORP.

2. Basis of accounting

The underwriting results are determined on an annual basis of accounting. Under the annual basis of accounting, the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

(i) Premiums written

Premiums written comprise adjustments made in the year to premiums on contracts incepted in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet notified.

(ii) 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.

(iii) Claims incurred and reinsurers' share

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

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.

Notes to the annual accounts
at 31 December 2014

2. Basis of accounting (continued)

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 the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

The most critical assumption as regards claims provisions is that the past is a reasonable predictor of the likely level of claims development.

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.

A reinsurance to close contract of insurance which, in return for a premium paid by the closing year of account, transfers, normally to the following year of account, all known and unknown liabilities arising out of transactions connected with insurance business underwritten by the closing year of account. However, it should be noted that a reinsurance contract does not extinguish the primary liability of the original underwriter.

(iv) Net operating expenses (including acquisition costs)

Net operating costs include acquisition costs, profit and loss on exchange and amounts charged to members through the syndicate.

(v) Distribution of profits and collection of losses

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between syndicates and their members. Lloyd's continues to require membership of syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

Notes to the annual accounts
at 31 December 2014

2. Basis of accounting (continued)

(vi) Foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date or if appropriate at the forward contract rate.

Exchange differences arising on the retranslation of opening balance sheet items at the closing balance sheet rate and the retranslation of the profit and loss account for the year from the average rate to the closing balance sheet rate are taken to reserves and included in the Statement of Recognised Gains and Losses.

All other exchange differences are dealt with in the technical account and included within operating expenses.

(vii) Investments

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

(viii) Investment return

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

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

Investment return 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.

(ix) Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income of the syndicate. 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 members is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

Notes to the annual accounts
at 31 December 2014

2. Basis of Accounting (continued)

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 are included in the balance sheet under the heading "other debtors".

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

(x) Profit commission

Profit commission is charged as incurred to the member at 15% by the managing agent for the 2012 year of account. Profit commission may be paid to RQMA in advance of closure of the year of account if early profit releases are made (see note 2(v)). Profit commission is not chargeable on the 2014 year of account.

(xi) Pension costs

The group operates a defined contribution scheme**.** Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

(xii) CCI business disclosure

During 1999-2003 the reinsured Syndicate 102 underwrote policies which insured viatical companies mostly domiciled in the United States. For a lump sum viatical companies acquire the rights of individual policyholders to death benefits under life policies entered into by the policyholder with life Insurers. The syndicate insured the viatical companies against the risk that the individual policyholder would survive beyond a pre-determined date.

Under these policies, in the event of a policyholder surviving beyond the agreed date, the syndicate is required to pay to the viatical company an amount equivalent to the death benefit that the viatical company would otherwise have received. Such payments are accounted for as paid claims in these accounts.

In the case of each claim, the syndicate may take an assignment of the right to the death benefit under the underlying life policy, pay the necessary premiums, and receive the death benefit when the policyholder dies. These death benefit recoveries are accounted for as claims recoveries and the premiums to be paid are accounted for as claims recovery expenses.

Provision is made within outstanding claims for the anticipated claims payable to the viatical companies in respect of all policyholders expected to survive beyond the specified date(s). These outstanding claims are stated net of anticipated claims recoveries and claims recovery expenses.

Expected claims recoveries, less expected claims recovery expenses, relating to paid claims are included in other debtors.

Notes to the annual accounts
at 31 December 2014

3. Segmental analysis

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

	Gross written premiums £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
2014						
Direct insurance:						
Accident and health	17	17	232	8	(153)	104
Marine aviation and transport	13	13	755	(194)	574	1,148
Fire and other damage to property	(33)	(33)	919	(114)	(519)	253
Third party liability	42	42	(2,303)	(288)	566	(1,983)
Credit and suretyship	18	18	(2,634)	(489)	28	(3,077)
Legal expenses	-	-	256	27	-	283
Other	1	1	7	(178)	(44)	(214)
	58	58	(2,768)	(1,228)	452	(3,486)
Reinsurance	20	20	140	(72)	(365)	(277)
	78	78	(2,628)	(1,300)	87	(3,763)

	Gross written premiums £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
2013						
Direct insurance:						
Accident and health	3	3	439	(142)	(45)	255
Marine aviation and transport	(2)	(2)	1,198	(426)	(35)	735
Fire and other damage to property	2	2	1,088	(377)	2	715
Third party liability	(1)	(1)	503	(177)	(11)	314
Credit and suretyship	1	1	509	(183)	14	341
Other	-	-	19	(7)	10	22
	3	3	3,756	(1,312)	(65)	2,382
Reinsurance	58	58	1,050	(196)	(498)	414
	61	61	4,806	(1,508)	(563)	2,796

All premiums were concluded in the UK.

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4. Net operating expenses

	2014	*2013*
	£000	*£000*
Administrative expenses	1,300	1,508
	1,300	1,508

Administrative expenses include:
Fees payable to the syndicate's auditors for:

Audit of the syndicate annual accounts	88	76
Other services relating to regulations and Lloyd's byelaws	22	17

5. Employees

The following amounts were recharged to the syndicate in respect of salary and related costs:

	2014	*2013*
	£000	*£000*
Wages and salaries	1,689	142
Social security costs	226	19
Other pension costs	161	21
	2,076	182

6. Directors' emoluments

The following amounts in respect of emoluments paid to the directors of the managing agent were charged to the syndicate during the year:

	2014	*2013*
	£000	*£000*
Run-off manager's emoluments	285	182
Other directors' emoluments	257	-
	542	182

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7. Investment income and expenses

	2014	*2013*
	£000	*£000*
Investment income		
Income from investments	805	881
Gains on the realisation of investments	5	5
Losses on realisation of investments	(41)	(29)
	769	857
Investment management expenses	(4)	-

All investment income has been transferred to the technical account as this is derived from the net reserve assets held.

8. Financial investments

	Market value		*Cost*	
	2014	*2013*	***2014***	*2013*
	£000	*£000*	***£000***	*£000*
Listed securities				
Shares and other variable yield securities	2,092	254	2,092	254
Debt securities and other fixed income securities	2,479	563	2,516	564
Participation in investment pools	1,221	2,309	1,221	2,309
Deposits with credit institutions	350	21	350	21
	6,142	3,147	6,179	3,148

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at 31 December 2014

9. Debtors

	2014	*2013*
	£000	*£000*
Debtors due within one year		
Due from intermediaries		
Amounts arising out of direct insurance operations	347	390
Amounts arising out of reinsurance operations	1,160	302
Loan to Syndicate 1991 (see note 17(xi))	6,000	6,000
Other debtors	298	264
	7,805	6,956
Debtors due after one year		
Salvage & subrogation recoveries	7,536	-
	15,341	6,956

10. Other assets

	2014	*2013*
	£000	*£000*
Overseas deposits	729	337

Overseas deposits comprise amounts which were lodged as a condition of having underwritten business in certain countries.

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at 31 December 2014

11. Reconciliation of member's balances

	2014	*2013*
	£000	*£000*
Member's balances at 1 January	3,689	11,253
Distribution in the year	-	(11,253)
Other recognised gains and losses relating to the financial year	(223)	36
Profit for the financial year	(2,998)	3,653
Member's balances carried forward at 31 December	468	3,689

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.

12. Creditors

	2014	*2013*
	£000	*£000*
Creditors due within one year		
Amounts arising out of insurance operations		
Direct business with intermediaries	257	51
Reinsurance ceded	390	282
Other creditors	93	95
Profit commission due to managing agent	1,083	651
	1,823	1,079

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at 31 December 2014

13. Reconciliation of operating result to net cash outflow from operating activities

	2014	*2013*
	£000	*£000*
Operating (loss) / profit on ordinary activities	(2,998)	3,653
Changes to market value of debt and other fixed income securities	33	(137)
Decrease in debtors, prepayments and other assets	(8,391)	(6,205)
Increase / (decrease) in net technical provisions	13,704	(4,920)
Increase / (decrease) in creditors and accruals	1,237	(418)
Other movements	(223)	36
Net cash inflow / (outflow) from operating activities	3,362	(7,991)

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

	2014	*2013*
	£000	*£000*
Net cash inflow / (outflow) for the year	87	(508)
Cash flow		
Increase / (decrease) in overseas deposits	380	(645)
Increase / (decrease) in portfolio investments	2,895	(18,089)
Decrease in deposits with credit institutions	-	(2)
Movement arising from cash flows	3,362	(19,244)
Changes in market value and exchange rates	(33)	137
Total movement in portfolio investments	3,329	(19,107)
Portfolio at 1 January	4,086	23,193
Portfolio at 31 December	7,415	4,086

Notes to the annual accounts
at 31 December 2014

15. Movement in cash, portfolio investments and financing

	At 1 Jan 2014	*Cash flow*	*Changes to market value and currencies*	*At 31 Dec 2014*
	£000	*£000*	*£000*	*£000*
Cash at bank and in hand	603	87	(146)	544
Overseas deposits	337	380	12	729
Deposits with credit institutions	21	-	329	350
Portfolio investments:				
Shares and other variable yield securities and units in unit trusts	254	(409)	2,247	2,092
Debt securities and other fixed income securities	563	1,777	139	2,479
Participation in investment pools	2,308	1,527	(2,614)	1,221
Total cash, portfolio investments and financing	4,086	3,362	(33)	7,415

16. Net cash inflow on portfolio investments

	2014	*2013*
	£000	*£000*
Purchase of shares and other variable yield securities	(33,302)	(842)
Purchase of debt securities and other fixed income securities	(4,783)	(1,397)
Purchase of shares in investment pools	(4,475)	(3,337)
Sale of shares and other variable yield securities	33,712	2,819
Sale of debt securities and other fixed income securities	3,005	798
Sale of shares in investment pools	2,948	20,048
Net cash (outflow) / inflow from portfolio investments	(2,895)	18,089

Notes to the annual accounts
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17. Related parties

(i) RQMA is a wholly owned subsidiary of Randall & Quilter Underwriting Management Holdings Limited which in turn is a wholly owned subsidiary of Randall & Quilter Investment Holdings Ltd, a company incorporated in Bermuda, ("RQIH"). K E Randall has an individual shareholding of 22.65% (2013: 24.47%) in RQIH.

(ii) R&Q Capital No. 1 Limited ("RQC1"), the only member of Syndicate 3330, is controlled, by virtue of a majority shareholding (95%) by Randall & Quilter II Holdings Limited which is a wholly owned subsidiary of RQIH.

(iii) H N A Colthurst has a shareholding of 5% of RQC1.

(iv) K E Randall, H N A Colthurst and H R McKinlay Verzin are Directors of RQC1.

(v) J P Tilling is a Director of Cathedral Underwriting Limited, a Lloyd's managing agent which manages Syndicate 2010, which participated on the reinsurance programme of the syndicate under normal commercial terms.

(vi) A number of Executive Directors of the company are also Directors of other group companies.

(vii) During the year, the syndicate paid RQMA £1,837,838 (2013: £537,500) in relation to management fees and £238,188 (2013: £181,775) in relation to the run-off manager. These amounts have been charged at cost.

(viii) Profit commission due to the managing agent of £1,083,133 (2013: £651,075) has been accrued in respect of the 2012 year of account.

(ix) Apart from the outsourcing agreement that was in place between RQMA and RQIS, RQIS also provides a number of services to Syndicate 3330 including IT, Human Resources and Internal audit.

(x) A proportion of RQMA costs are recharged to other group companies at arms-length based on time spent by individuals. Similarly, other group companies have recharged costs to RQMA on a similar basis.

(xi) The syndicate has loaned £6m to Syndicate 1991 which is also managed by RQMA. The agreement has been arranged on normal commercial terms. Interest is payable at 2% above LIBOR and has been extended so that repayment is due by 31 July 2015.

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18. Funds at Lloyd's

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

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's according to the nature and the amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of that business. FAL is not hypothecated to any specific syndicate participation by a member, therefore there are no specific funds available to a syndicate which can be precisely identified as its capital.

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

19. Derivatives

During the year, the syndicate has not held or purchased any derivative contracts.

20. Off-balance sheet items

The syndicate has not been party to an arrangement, which is not reflected in its balance sheet, where material risks and benefits arise for the syndicate.

21. Contingent liabilities

Included within the technical reserves are amounts in connection with a disputed claim which is currently in arbitration. The outcome of this arbitration may have a material impact on the reserves established by the syndicate at 31 December 2014. The claim is reserved based on currently available information. Until the decision of the arbitration panel is known significant estimation uncertainty exists on the quantum that may be required to ultimately settle this claim.