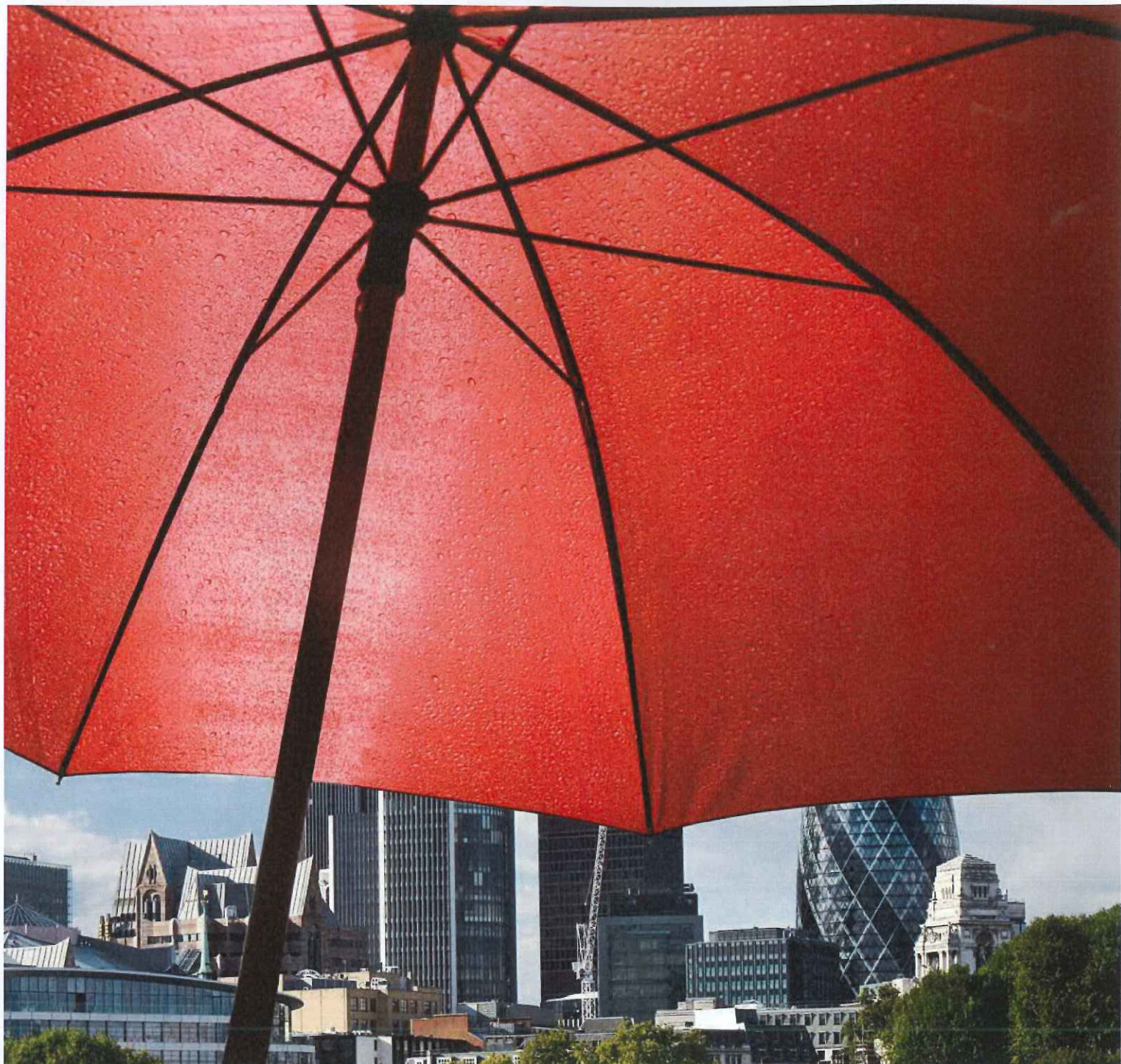


Important information about Syndicate Reports and Accounts

Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The syndicate reports and accounts set forth in this section of the Lloyd's website, which have been filed with Lloyd's in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd's, and Lloyd's has no responsibility for their accuracy or content. Access to the syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd's or membership on any syndicate of Lloyd's, and no offer to join Lloyd's or any syndicate is being made hereby. Members of Lloyd's are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate's performance in any subsequent syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the syndicate reports and accounts. You also agree that you will not provide any person with a copy of any syndicate report and accounts without also providing them with a copy of this acknowledgment and agreement, by which they will also be bound.



TRAVELERS 

Syndicate 5000

ANNUAL ACCOUNTS AS AT DECEMBER 2014

CONTENTS

	Page
Directors and administration	1
Strategic Report of the Directors of the Managing Agent	2
Report of the Directors of the Managing Agent	6
Statement of Managing Agent's responsibilities	7
Independent Auditor's report to the members of Syndicate 5000	8
Profit and loss account: technical account – general business	9
Profit and loss account: non-technical account	10
Statement of total recognised gains and losses	10
Balance sheet	11
Cash flow statement	12
Notes to the financial statements	13

DIRECTORS AND ADMINISTRATION

Managing agent

Travelers Syndicate Management Limited

Directors

Sir J Carter (Independent Non-Executive Director)
G W Conway (Independent Non-Executive Director – resigned 4 November 2014)
A G Coughlan (Independent Non-Executive Director – appointed 4 November 2014)
G S Dibb (Independent Non-Executive Director)
S G Eccles
P H Eddy (Non-Executive Director)
S M Genden
M J Gent
G J McKean (Independent Non-Executive Director)
K T Purvis (Non-Executive Director)
K C Smith (Chairman)

Company secretary

J M Abramson

Managing agent's registered office

Exchequer Court, 33 St. Mary Axe, London EC3A 8AG

Managing agent's registered number

3207530

SYNDICATE:

Active underwriter

S G Eccles

Bankers

Citibank N.A.
Royal Bank of Canada
Barclays Bank Plc
National Westminster Bank Plc

Investment manager

The Travelers Indemnity Company

Statutory auditor

KPMG LLP,
Chartered Accountants, Statutory Auditor,
15 Canada Square, London, E14 5GL

STRATEGIC REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors of Travelers Syndicate Management Limited present their Strategic Report for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of Syndicate 5000 (the Syndicate) during the year continued to be the transaction of insurance in its chosen direct and predominantly non-liability classes, namely Accident and Special Risks, Aviation, Global Property, Power & Utilities, Marine, Financial Institutions and Professional Indemnity insurance for major law firms.

The Syndicate's business is produced through the Lloyd's broker network and written in the subscription market, in either a 'lead' or 'follow' capacity. Opportunities in allied classes of business are being sought continuously.

REVIEW OF THE BUSINESS

The result for the year was a profit of £40.5m (2013: profit of £62.3m). The Managing Agent considers this to be another strong result. It reflects the benefit of the significant actions taken over the last four years to re-underwrite certain parts of the syndicate portfolio and enhance underwriting disciplines. The combined ratio for 2014 was 87.3% (2013 79.9%). The 2013 and 2014 results both benefitted from an absence of major catastrophe losses and favourable development of prior year reserves. Prior year reserve releases in 2014 were £22.9m (2013 £40.3m). The combined ratio excluding prior year development was 95.5% (2013 93.5%).

Gross written premiums in 2014 were £19.2m, or 6%, lower than the prior year at £311.6m. This reduction is driven largely by changes in foreign exchange rates.

Premium rate change across the Syndicate was 2% negative in 2014 compared with 1% positive in 2013. Rate reductions accelerated in the latter part of 2014. Renewal retention levels were in line with the prior year and new business was up, principally in the Marine and Property business units.

The Syndicate's capacity for 2014 is £300m, the same as for 2013. We will continue to maintain a disciplined approach to underwriting as competition continues to increase.

We continue to prepare for the full implementation of Solvency II in 2016 and we believe we are well prepared to meet the requirements. Our state of preparedness continues to be rated green by Lloyd's.

INVESTMENT REPORT

The Syndicate's investment portfolio is managed by The Travelers Indemnity Company, a subsidiary of The Travelers Companies, Inc. A summary of the funds and returns is as follows:

	2014 £'m	2013 £'m
Total investment return	<u>5.0</u>	<u>2.7</u>
Cash and investment balance at 1 January	<u>451.6</u>	<u>471.2</u>
Cash and investment balance at 31 December	<u>491.9</u>	<u>451.6</u>

Cash and investments increased over the year by £40.3m, driven by a reduction in the level of paid claims during the year.

STRATEGIC REPORT OF THE DIRECTORS OF THE MANAGING AGENT

INVESTMENT REPORT (continued)

The Syndicate's total investment return was £5.0m compared to the prior year return of £2.7m. The US dollar portfolio forms 80% of all assets and thus is the main driver of investment return.

Central banks maintained low official interest rates during the year as follows:

US Federal Reserve from 0% to 0.25%
 UK Monetary Policy Committee - 0.5% Bank rate
 European Central Bank – 0.05% Main Refinancing Rate (decreased by 0.20%)
 Bank of Canada - 1% Overnight Rate.

During the year we modestly increased corporate credit exposure. These actions allowed us to incrementally increase investment yields and were done well within the constraints of our conservative investment policy. We do not anticipate any material changes to our investment strategy in 2015.

The currency mix of the portfolio as at 31 December was:

	2014	2013
US dollars	80%	80%
Euro	14%	14%
Canadian dollars	6%	6%
Total	<u>100%</u>	<u>100%</u>

The credit risk in the portfolio is actively managed. Investment guidelines are designed to mitigate credit risk by ensuring a diversification of holdings and setting average credit rating targets across the whole portfolio.

The stratification of the portfolio's credit quality at 31 December was:

	2014	2013
AAA	56%	65%
AA	26%	21%
A	18%	14%
TOTAL	<u>100%</u>	<u>100%</u>
Average Credit Quality	AA+	AA+

The reduction in the component of the portfolio that is AAA rated reflects a modest realignment of the portfolio during the year from government bonds to high quality corporate bonds

The average duration across the portfolio was 2.03 years at 31 December 2014 (2013 1.88 years).

The total gross investment returns achieved were as follows:

	2014	2013
US dollars	1.0%	0.3%
Euro	1.9%	0.3%
Canadian dollars	1.8%	1.6%

Investment returns are largely driven by prevailing market yields which remain low by historic standards. This has been the case for all three currencies we invest in.

The portfolio is solely comprised of fixed income assets.

STRATEGIC REPORT OF THE DIRECTORS OF THE MANAGING AGENT**INVESTMENT REPORT (continued)****PRINCIPAL RISKS AND UNCERTAINTIES**

The Managing Agent sets the risk appetite and approves it on a formal basis annually as part of the Syndicate's business planning process. The risk appetite is reviewed on an ongoing basis as part of its regular business review processes. The Managing Agent has a Board Risk and Remuneration Committee and an Executive Risk Committee which meet regularly to review and update risks and issues arising from the risk register and to monitor performance against risk appetite using a series of key risk indicators. The principal risks and uncertainties facing the Syndicate are in respect of insurance risk, credit risk, operational risk, market risk, regulatory risk, and conduct risk.

Insurance Risk

Insurance risk relates to underwriting, claims management and the risk that arises from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities.

The Managing Agent manages insurance risk by setting an appetite annually through the business planning process, which sets down the Syndicate's targets for underwriting classes, underwriting volumes, pricing sufficiency, line sizes and retentions by class of business. The Managing Agent subsequently monitors performance against the business plan throughout the year. The Syndicate uses catastrophe modelling software to model probabilities of loss from catastrophe exposed business.

Reserve adequacy is monitored through quarterly internal actuarial review. Reserves are reviewed annually by an independent external actuary. The Underwriting Risk Committee oversees underwriting risk and the Finance Committee oversees reserving risk.

Credit Risk

The primary source for credit risk arises from the risk of default by one or more of the Syndicate's reinsurers or from one or more of the Syndicate's investment counterparties. The Syndicate operates a rigorous policy for the rating and selection of reinsurers and managing the quantum of exposure ceded to any one reinsurer. The Syndicate has a conservative appetite to credit risk from investment counterparties and maintains a very high quality investment portfolio with an average credit rating of AA+. The Finance Committee monitors and manages the Syndicate's exposure to credit risk.

Market Risk

The primary source of market risk is the risk of adverse movements in net assets due to movements in interest rates, currency rates and the market value of securities. Market risk exposures are monitored through the Finance Committee.

Operational Risk

The primary source of operational risk is the failure of people, processes or systems. These risks are managed through well documented policies and procedures, sound internal control processes and business continuity management procedures. The Operational Risk Committee oversees this risk type.

Regulatory Risk

Regulatory risk comprises the failure to comply with relevant regulations and laws. Adoption of the Solvency II regulatory requirements is currently a major priority for the Syndicate and good progress has been made. This risk is overseen by the Executive Risk Committee.

STRATEGIC REPORT OF THE DIRECTORS OF THE MANAGING AGENT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Conduct Risk

Conduct risk is the risk that the Syndicate will fail to pay due regard to the interest of its customers or will fail to treat them fairly at all times. Conduct risk exposures are monitored through the Executive Risk Committee.

Approved by the Board of Travelers Syndicate Management Limited on 11 March 2015.



S M Genden
Chief Executive Officer

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors of the Managing Agent present their Managing Agent's report for the year ended 31 December 2014.

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) which draw on the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008.

The Managing Agent has agreed with the Syndicate's members to take advantage of the dispensation available and will not be producing separate underwriting year accounts for Syndicate 5000 (the Syndicate).

RESULTS

The result for the year ended 31 December 2014 was a profit of £40.5m (2013 £62.3m).

PRINCIPAL ACTIVITIES

The principal activities of the Syndicate are contained within the Strategic Report of the Directors of the Managing Agent.

BUSINESS REVIEW

An analysis of the performance of the Syndicate is contained within the Strategic Report of the Directors of the Managing Agent.

DIRECTORS AND DIRECTORS' INTERESTS

All of the directors set out on page 1 served throughout the year with the exception of GW Conway who resigned on 4 November 2014 and AG Coughlan who was appointed on 4 November 2014.

No director participated in the Syndicate during the period under review.

The directors benefited from qualifying third party indemnity provisions.

ACTIVE UNDERWRITER

S G Eccles was the Active Underwriter of the Syndicate during the period to the date of this report.


DISCLOSURE OF INFORMATION TO THE AUDITORS

The directors of the Managing Agent who held office at the date of approval of this Directors' 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.

AUDITORS

It is intended that KPMG LLP will be re-appointed as the Syndicate's auditor.

Approved by the Board of Travelers Syndicate Management Limited on 11 March 2015.


J M Abramson
Company Secretary

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Managing Agent is responsible for preparing the Syndicate annual report and annual accounts in accordance with applicable law and regulations.

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

In preparing the Syndicate annual accounts, the Managing Agent is required to:

1. select suitable accounting policies and then apply them 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the Syndicate annual accounts; and
4. prepare the Syndicate annual accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

The managing agent is responsible for keeping proper accounting records 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 safekeeping the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the website. Legislation in the UK governing the preparation and dissemination of the Syndicate annual accounts may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SYNDICATE 5000

We have audited the Syndicate 5000 (the Syndicate) annual accounts for the year ended 31 December 2014, as set out on pages 9 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of the Managing Agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 7, the Managing Agent is responsible for the preparation of syndicate annual accounts which give a true and fair view. Our responsibility is to audit, and express an opinion on, the syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate annual accounts

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

Opinion on syndicate annual accounts

In our opinion the annual accounts:

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

Opinion on other matter prescribed by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

In our opinion the information given in the Managing Agent's Directors' and Strategic Reports for the financial year in which the annual accounts are prepared is consistent with the annual accounts.

Matters on which we are required to report by exception

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

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



Jonathan Bell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
London
11 March 2015

PROFIT AND LOSS ACCOUNT: TECHNICAL ACCOUNT – GENERAL BUSINESS
for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Earned premiums, net of reinsurance			
Gross premiums written	4	311,604	330,820
Outward reinsurance premiums		<u>(28,917)</u>	<u>(25,547)</u>
Net premiums written		<u>282,687</u>	<u>305,273</u>
Change in the gross provision for unearned premiums	14	(6,074)	(3,246)
Change in the provision for unearned premiums, reinsurers' share	14	<u>2,821</u>	<u>(5,421)</u>
Earned premiums, net of reinsurance		279,434	296,606
Allocated investment return transferred from the non-technical account		4,008	2,453
Claims incurred, net of reinsurance			
Gross claims paid		(138,176)	(198,243)
Reinsurers' share		<u>7,645</u>	<u>15,223</u>
Net claims paid		<u>(130,531)</u>	<u>(183,020)</u>
Change in the gross provision for claims	14	10,390	75,712
Reinsurers' share	14	<u>(2,793)</u>	<u>(2,216)</u>
Change in the net provision for claims		<u>7,597</u>	<u>73,496</u>
Claims incurred, net of reinsurance		(122,934)	(109,524)
Net operating expenses	6	<u>(121,045)</u>	<u>(127,566)</u>
Balance on the technical account for general business		<u>39,463</u>	<u>61,969</u>

All operations relate to continuing activities.

The accompanying notes form an integral part of these financial statements

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

	Notes	2014 £'000	2013 £'000
Balance on the technical account for general business		39,463	61,969
Investment Income	9	8,032	9,189
Unrealised gains on investments		1,384	21
Investment expenses and charges	10	(2,995)	(1,653)
Unrealised losses on investments		(1,383)	(4,816)
		5,038	2,741
Allocated investment return transferred to technical account for general business		(4,008)	(2,453)
Profit for the financial year	13	<u>40,493</u>	<u>62,257</u>

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

	Notes	2014 £'000	2013 £'000
Profit for the financial year		40,493	62,257
Currency translation differences	13	<u>2,170</u>	<u>(6,926)</u>
Total recognised gains and losses		<u>42,663</u>	<u>55,331</u>

The accompanying notes form an integral part of these financial statements

BALANCE SHEET
as at 31 December 2014

	Notes	2014 £'000	2013 £'000
Investments	11		
Financial investments		451,573	412,964
Reinsurers' share of technical provisions	14		
Provision for unearned premium		4,798	2,099
Claims outstanding		<u>51,231</u>	<u>54,810</u>
		56,029	56,909
Debtors	12		
Arising out of direct insurance operations.		102,441	82,349
Arising out of reinsurance operations		5,540	11,312
Other debtors		<u>2,537</u>	<u>3,997</u>
		110,518	97,658
Other assets			
Cash at bank and in hand		20,783	14,049
Overseas deposits		<u>19,532</u>	<u>24,626</u>
		40,315	38,675
Prepayments and accrued income			
Accrued interest		2,414	2,629
Deferred acquisition costs		41,268	34,866
Other prepayments and accrued income		<u>625</u>	<u>609</u>
		44,307	38,104
Total assets		<u>702,742</u>	<u>644,310</u>
Capital and reserves			
Members' balances	13	125,094	79,481
Technical provisions	14		
Provision for unearned premiums		167,601	155,913
Claims outstanding		<u>365,387</u>	<u>368,747</u>
		532,988	524,660
Creditors	15		
Arising out of direct insurance operations.		14,147	7,985
Arising out of reinsurance operations		18,744	19,673
Other creditors		<u>11,626</u>	<u>10,652</u>
		44,517	38,310
Accruals and deferred income		<u>143</u>	<u>1,859</u>
Total liabilities		<u>702,742</u>	<u>644,310</u>

The annual accounts were approved at a meeting of the Board of Travelers Syndicate Management Limited on 11 March 2015 and were signed on its behalf by:

M J GENT
Director

The accompanying notes form an integral part of these financial statements

CASH FLOW STATEMENT
for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow from operating activities	16	21,979	1,754
Transfer from / (to) members in respect of underwriting participations		<u>3,199</u>	<u>(7,147)</u>
Net cash inflows / (outflows)		<u>25,178</u>	<u>(5,393)</u>
Cash flows were invested as follows:			
Increase / (decrease) in cash holdings	17,18	6,367	(9,286)
Decrease in overseas deposits	17,18	(5,239)	(5,273)
Increase in net portfolio investment	17,18	<u>24,050</u>	<u>9,166</u>
Net investment of cash inflows / (outflows)		<u>25,178</u>	<u>(5,393)</u>

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS**1. BASIS OF PREPARATION**

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, 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 2005 (as amended in 2006).

The Syndicate has considerable financial resources together with prudent investment guidelines, high quality of assets, sound underwriting procedures, controls and risk mitigating processes (including, but not limited to, reinsurance) and the support of a very financially strong capital provider. The Directors are confident that the Syndicate has adequate resources to continue in operational existence for the foreseeable future. This opinion does not change when consideration is given to the application of the principles of Solvency II to the valuation of the Syndicate's insurance assets and liabilities. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

2. REPORTING BASIS

The result for the year is determined on the annual basis of accounting in accordance with UK GAAP.

3. ACCOUNTING POLICIES**a) Basis of accounting**

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

b) Premiums written

Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

c) Unearned premiums

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

d) Reinsurance premiums ceded

Outwards reinsurance premiums are accounted for in the accounting period in which the underlying reinsurance treaty or facultative contract incepts.

NOTES TO THE FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES (*continued*)e) **Claims provisions and related recoveries**

The provision for claims comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR).

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 provisions relating to previous years.

The provision for claims outstanding is assessed on an individual case basis for reported claims 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 IBNR at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced from more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted, and assessments of underwriting conditions, together with a contract by contract assessment of problematical areas and major catastrophes that do not lend themselves to projection based methods.

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

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

f) **Unexpired risks provision**

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date are expected to exceed the unearned premiums after the deduction of any acquisition costs deferred.

g) **Acquisition costs**

Acquisition costs, comprising commission, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES (*continued*)**h) Basis of foreign currency translation**

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

The Syndicate translates monetary assets and liabilities denominated in foreign currencies at the rate of exchange at the balance sheet date.

Exchange adjustments arising from translating the opening balance sheet and net income for the year in US dollars, Canadian dollars and Euros into closing rates of exchange are dealt with in reserves. All other foreign exchange differences are taken to the technical account.

i) Investments

Financial investments are stated at the market value ruling at the balance sheet date using the bid price.

j) Overseas deposits

Overseas deposits are stated at the market value ruling at the balance sheet date.

k) Investment return

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

Realised gains and losses on investments are calculated as the difference between sale proceeds and cost.

Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date.

Investment return is initially recorded in the non-technical account. The investment return relating to the profits on closed years retained within the Syndicate is allocated to the non-technical account. The balance of the investment return is allocated to the technical account. A transfer is made from the non-technical account to the general business technical account.

l) Taxation

Under Schedule 19, Finance Act 1993, managing agents are not required to deduct basic rate income tax from trading income, including capital appreciation, of syndicates.

It remains the responsibility of members to agree their corporation tax liabilities with HM Revenue & Customs.

No provision has been made for any United States Federal Income Tax or Canadian Federal Income Tax payable on underwriting results and investment income. The Syndicate is required to fund on account assessments of US dollar and Canadian dollar source income and these amounts are then recovered by reimbursements from the Members Services Unit. Any payments on account made by the Syndicate during the year are included in the balance sheet under the heading 'Other debtors.'

NOTES TO THE FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES (*continued*)

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

m) Syndicate operating expenses

Where expenses are incurred by the Managing Agent, or on behalf of the Managing Agent on the administration of the managed syndicate, these expenses are apportioned using various methods depending on the type of expense. Expenses which are incurred jointly for the Managing Agent and managed syndicate are apportioned between the Managing Agent and the Syndicate depending on the amount of work performed, resources used and the volume of business transacted.

n) Pension costs

Travelers Management Limited, a service company and fellow group subsidiary, operates a group personal pension plan. Pension contributions relating to syndicate staff are charged to the Syndicate and included within net operating expenses or, where applicable, as claims handling costs within gross claims paid.

o) Insurance debtors and creditors

In the normal course of business, the Syndicate settles accounts with insurance brokers through Central Accounting, the market settlement bureau. Settlement is made on the basis of the aggregate net amount owed rather than on the basis of the amounts due to or from the individual parties.

The legal status of this practice of net settlement is uncertain and in the event of insolvency it is generally abandoned. FRS 5, "Reporting the Substance of Transactions", requires that offset is legally enforceable and would survive the insolvency of the other party. Accordingly insurance debtors and creditors, as presented, comprise respectively the totals of all the Syndicate's individual outstanding debit and credit transactions before any offset. No account has been taken of any offsets, which may be applicable in calculating the net amounts due between the Syndicate and each of its insureds, reinsurers or intermediaries as appropriate. The resultant totals give no indication of future cash flows.

NOTES TO THE FINANCIAL STATEMENTS

4. SEGMENTAL ANALYSIS

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

2014	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total	Net technical provisions
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Direct Insurance							
Accident & Health	29,202	28,114	(6,938)	(15,455)	(3,664)	2,057	(47,659)
Marine, Aviation and Transport	60,292	58,046	(38,536)	(24,087)	3,917	(660)	(85,144)
Fire and other damage to property	73,736	70,989	(24,236)	(25,213)	(5,571)	15,969	(92,288)
Third party liability	35,920	34,582	(10,401)	(10,965)	(7,146)	6,070	(69,080)
Energy	24,698	23,778	(10,382)	(10,018)	(1,293)	2,085	(32,551)
Other	1,686	1,624	(516)	(741)	(59)	308	(14,814)
	<u>225,534</u>	<u>217,133</u>	<u>(91,009)</u>	<u>(86,479)</u>	<u>(13,816)</u>	<u>25,829</u>	<u>(341,536)</u>
Reinsurance	86,070	88,397	(36,777)	(34,566)	(7,428)	9,626	(135,423)
	<u>311,604</u>	<u>305,530</u>	<u>(127,786)</u>	<u>(121,045)</u>	<u>(21,244)</u>	<u>35,455</u>	<u>(476,959)</u>
2013	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total	Net technical provisions
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Direct Insurance							
Accident & Health	31,677	36,043	(9,995)	(19,616)	(1,029)	5,403	(45,784)
Marine, Aviation and Transport	64,091	63,506	(24,676)	(25,915)	(4,861)	8,054	(83,617)
Fire and other damage to property	75,063	73,388	(31,871)	(24,489)	(6,292)	10,736	(88,895)
Third party liability	40,415	36,050	(13,040)	(11,492)	(2,431)	9,087	(66,629)
Energy	20,475	19,850	(3,088)	(7,684)	(978)	8,100	(31,552)
Other	1,500	1,533	(853)	(648)	(64)	(32)	(14,372)
	<u>233,221</u>	<u>230,370</u>	<u>(83,523)</u>	<u>(89,844)</u>	<u>(15,655)</u>	<u>41,348</u>	<u>(330,849)</u>
Reinsurance	97,599	97,204	(39,008)	(37,722)	(2,306)	18,168	(136,902)
	<u>330,820</u>	<u>327,574</u>	<u>(122,531)</u>	<u>(127,566)</u>	<u>(17,961)</u>	<u>59,516</u>	<u>(467,751)</u>

NOTES TO THE FINANCIAL STATEMENTS

4. SEGMENTAL ANALYSIS (continued)

Notes:

- a) All premiums were written in the UK.
- b) The reinsurance balance comprises reinsurance recoveries receivable less reinsurance earned premiums.
- c) The Syndicate does not allocate investment return by segment, as such, no segmental analysis of investment return has been provided.

Geographical origin of gross premium written:

An analysis of gross premiums written by reference to the domicile of the insured is provided below:

	2014 £'000	2013 £'000
Risks located in UK	84,060	84,744
Risks located in other member states of the EU	34,720	39,306
Risks located in other countries	<u>192,824</u>	<u>206,770</u>
	<u>311,604</u>	<u>330,820</u>

5. CLAIMS OUTSTANDING

The surpluses following the reassessment of claims outstanding held at the end of the previous year are as set out below:

	2014 £'000	2013 £'000
Accident & health	1,021	3,514
Marine, aviation and transport	2,313	12,968
Fire and other damage to property	8,201	2,759
Third party liability	4,693	5,249
Energy	69	3,851
	<u>16,297</u>	<u>28,341</u>
Total direct	16,297	28,341
Reinsurance acceptances	<u>6,657</u>	<u>11,957</u>
	<u>22,954</u>	<u>40,298</u>

6. NET OPERATING EXPENSES

	2014 £'000	2013 £'000
Acquisition costs – commissions	75,790	78,324
Change in deferred acquisition costs	(5,180)	2,189
Administrative expenses	50,446	47,034
(Profit)/Loss on exchange	<u>(11)</u>	<u>19</u>
	<u>121,045</u>	<u>127,566</u>

Included in acquisition costs are £51,963,075 (2013: £55,211,106) in relation to commissions on direct business.

NOTES TO THE FINANCIAL STATEMENTS

6. NET OPERATING EXPENSES (*continued*)

Administrative expenses include:

	2014 £'000	2013 £'000
Syndicate auditor's remuneration		
- Audit of these financial statements	163	158
- Audit-related assurance services	119	125
- All other services	62	110
Members' standard personal expenses	<u>2,374</u>	<u>2,668</u>

7. STAFF NUMBERS AND COSTS

All staff are employed by Travelers Management Limited. All staff cost disclosures are made in that company's financial statements.

The average number of employees employed by the service company but working for the Syndicate during the year was as follows:

	2014	2013
Administration and finance	57	57
Underwriting	81	82
Claims	<u>23</u>	<u>19</u>
	<u>161</u>	<u>158</u>

8. EMOLUMENTS OF THE DIRECTORS OF TRAVELERS SYNDICATE MANAGEMENT LIMITED

The Directors of Travelers Syndicate Management Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2014 £'000	2013 £'000
Fees	115	116
Emoluments	1,127	1,084
	<u>1,242</u>	<u>1,200</u>

The active underwriter, who is also the highest paid director, received aggregate remuneration of £632,000 (2013: £612,000) charged to the Syndicate and included within net operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENT INCOME

	2014 £'000	2013 £'000
Income from investments	7,831	8,927
Gains on the realisation of investments	<u>201</u>	<u>262</u>
	<u>8,032</u>	<u>9,189</u>

10. INVESTMENT EXPENSES AND CHARGES

	2014 £'000	2013 £'000
Investment management expenses	278	296
Losses on the realisation of investments	<u>2,717</u>	<u>1,357</u>
	<u>2,995</u>	<u>1,653</u>

11. FINANCIAL INVESTMENTS

	<i>Market Value</i>		<i>Cost</i>	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Debt securities and other fixed income securities	451,288	412,792	448,814	414,179
Deposits with credit institutions	<u>285</u>	<u>172</u>	<u>286</u>	<u>172</u>
	<u>451,573</u>	<u>412,964</u>	<u>449,100</u>	<u>414,351</u>

The Syndicate has not entered into any stock lending arrangements.

12. DEBTORS

	2014 £'000	2013 £'000
Arising out of direct insurance operations	102,441	82,349
Arising out of reinsurance operations	<u>5,540</u>	<u>11,312</u>
	107,981	93,661
Other debtors	<u>2,537</u>	<u>3,997</u>
	<u>110,518</u>	<u>97,658</u>

NOTES TO THE FINANCIAL STATEMENTS

13. RECONCILIATION OF MEMBERS' BALANCES

	2014 £'000	2013 £'000
Members' balances brought forward at 1 January	79,481	31,366
Profit for the financial year	40,493	62,257
Currency translation differences	2,170	(6,926)
Currency movement on balances due to members	(250)	(69)
Payment of losses/(profits) from / (to) members	<u>3,199</u>	<u>(7,147)</u>
Members' balances carried forward at 31 December	<u>125,094</u>	<u>79,481</u>

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

NOTES TO THE FINANCIAL STATEMENTS

14. TECHNICAL PROVISIONS

	2014			2013		
	Gross Provisions	Reinsurance assets	Net provisions	Gross provisions	Reinsurance assets	Net provisions
	£000	£000	£000	£000	£000	£000
Claims Outstanding						
Balance at 1 January	368,747	(54,810)	313,937	445,819	(56,758)	389,061
Change in claims outstanding	(10,390)	2,793	(7,597)	(75,712)	2,216	(73,496)
Effect of movements in exchange rates	7,030	786	7,816	(1,360)	(268)	(1,628)
Balance at 31 December	<u>365,387</u>	<u>(51,231)</u>	<u>314,156</u>	<u>368,747</u>	<u>(54,810)</u>	<u>313,937</u>
Claims notified	207,366	(30,775)	176,591	210,186	(28,994)	181,192
Claims incurred but not reported	141,938	(20,456)	121,482	143,768	(25,816)	117,952
Unallocated loss adjustment expenses	16,083	-	16,083	14,793	-	14,793
Balance at 31 December	<u>365,387</u>	<u>(51,231)</u>	<u>314,156</u>	<u>368,747</u>	<u>(54,810)</u>	<u>313,937</u>
Unearned Premiums						
Balance at 1 January	155,913	(2,099)	153,814	152,697	(6,554)	146,143
Change in unearned premiums	6,074	(2,821)	3,253	3,246	5,421	8,667
Effect of movements in exchange rates	5,614	122	5,736	(30)	(966)	(996)
Balance at 31 December	<u>167,601</u>	<u>(4,798)</u>	<u>162,803</u>	<u>155,913</u>	<u>(2,099)</u>	<u>153,814</u>

NOTES TO THE FINANCIAL STATEMENTS

15. CREDITORS

	2014 £'000	2013 £'000
Arising out of direct insurance operations	14,147	7,985
Arising out of reinsurance operations	<u>18,744</u>	<u>19,673</u>
	32,891	27,658
Other creditors	<u>11,626</u>	<u>10,652</u>
	<u>44,517</u>	<u>38,310</u>

All creditors are payable within one year.

16. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014 £'000	2013 £'000
Operating profit on ordinary activities	40,493	62,257
Change in market value and exchange rates on investments	(15,071)	14,199
Increase in net technical provisions	9,208	(67,453)
Increase in debtors	(19,063)	(1,181)
Increase in creditors	4,491	927
Currency movement on balances due to members	(250)	(69)
Currency translation differences	<u>2,171</u>	<u>(6,926)</u>
Net cash inflow from operating activities	<u>21,979</u>	<u>1,754</u>

NOTES TO THE FINANCIAL STATEMENTS

17. MOVEMENT IN OPENING AND CLOSING PORTFOLIO INVESTMENTS NET OF FINANCING

	2014 £'000	2013 £'000
<i>Cash flow:</i>		
Increase/(Decrease) in cash at bank and in hand	6,367	(9,286)
Decrease in overseas deposits	(5,239)	(5,273)
Increase in portfolio investments	<u>24,050</u>	<u>9,166</u>
Movement arising from cash flows	25,178	(5,393)
Changes in market value and exchange rates	<u>15,071</u>	<u>(14,199)</u>
Total movement in investments and cash	40,259	(19,592)
At 1 January	<u>451,639</u>	<u>471,231</u>
At 31 December	<u>491,888</u>	<u>451,639</u>

18. MOVEMENT IN CASH, PORTFOLIO INVESTMENTS AND FINANCING

	<i>At 1 January 2014 £'000</i>	<i>Cash flow £'000</i>	<i>Changes to market value and currencies £'000</i>	<i>At 31 December 2014 £'000</i>
Cash at bank and in hand	14,049	6,367	367	20,783
Overseas deposits	24,626	(5,239)	145	19,532
<i>Portfolio investments:</i>				
Debt securities and other fixed income securities	412,792	23,948	14,548	451,288
Deposits with credit institutions	<u>172</u>	<u>102</u>	<u>11</u>	<u>285</u>
Total cash, portfolio investments and financing	<u>451,639</u>	<u>25,178</u>	<u>15,071</u>	<u>491,888</u>

19. NET CASH INFLOW ON PORTFOLIO INVESTMENTS

	2014 £'000	2013 £'000
<i>Purchases</i>		
Debt securities and other fixed income securities	(168,851)	(143,061)
Deposits with credit institutions	(102)	-
<i>Sales</i>		
Debt securities and other fixed income securities	144,903	131,548
Deposits with credit institutions	-	2,347
Net cash outflow on portfolio investments	<u>(24,050)</u>	<u>(9,166)</u>

NOTES TO THE FINANCIAL STATEMENTS

20. RATES OF EXCHANGE FOR TRANSLATION INTO STERLING

	2014	2013
Rates ruling at 31 December:		
US dollars	1.56	1.66
Canadian dollars	1.81	1.76
Euro	1.29	1.20
Average rates applied for calendar year:		
US dollars	1.65	1.57
Canadian dollars	1.82	1.62
Euro	1.24	1.18

21. CALENDAR YEAR INVESTMENT YIELD

(a) The average Syndicate funds available for investment during the year, and the investment return and yield for the calendar year, were as follows:

	2014 £'000	2013 £'000
Average amount of Syndicate funds available for investment during the year		
Sterling	20,600	21,287
US dollar	353,403	363,636
Canadian dollars	32,846	33,088
Euro	65,390	59,531
Total funds available for investment	<u>472,239</u>	<u>477,542</u>
Total investment return	5,177	2,618
Total annual investment yield in Sterling	1.10%	0.55%

(b) Analysis of calendar year investment yield by currency:

Sterling	1.58%	2.10%
US dollars	1.00%	0.29%
Canadian dollars	1.57%	1.35%
Euro	1.86%	0.26%

The above investment yields are calculated on net investment returns, including unrealised gains and losses, from all interest generating assets and include all income earned from investments, cash balances and overseas deposits.

Consequently the yields may differ to the gross investment returns disclosed in the investment report commentary within the Managing Agent's report that refers principally to the gross returns produced by the investment portfolio.

NOTES TO THE FINANCIAL STATEMENTS

22. 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 members' underwriting liabilities.

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

In the case of Syndicate 5000 the FAL is wholly provided by Aprilgrange Limited and F&G UK Underwriters Limited which are both wholly owned subsidiaries of The Travelers Companies Inc.

23. RELATED PARTY TRANSACTIONS

The Syndicate is related to Travelers Asia Pte Ltd (TAP) by virtue of common control. TAP is an insurance services company operating within the Lloyd's Asia trading platform, TAP ceased writing business and was put into run off on 31st January 2014. Brokerage and commissions paid by the Syndicate to TAP in the year amounted to £0.3m (2013: £0.8m).

The Syndicate is also related to Travelers Underwriting Agency Limited (TUAL) by virtue of common control. TUAL acts as a coverholder to Lloyd's underwriters. During the year TUAL placed inwards premium income with the Syndicate on normal commercial terms. Brokerage and commissions paid by the Syndicate to TUAL in the year amounted to £1.2m (2013: £0.8m).

The Syndicate is also related to The Travelers Indemnity Company (TIC) by virtue of common control. TIC is the investment manager for the Syndicate. Investment Management fees paid by the Syndicate to TIC in the year amounted to £0.2m (2013: £0.2m).

24. ULTIMATE CONTROLLING PARTY

The immediate and ultimate parent company of Travelers Syndicate Management Limited (TSM) is The Travelers Companies, Inc. (TRV), a company registered in the USA. Group accounts for TRV are available from the Company Secretary of TSM, Exchequer Court, 33 St. Mary Axe, London EC3A 8AG.

25. CONTINGENT LIABILITIES

At 31 December 2014 there were £7m (2013: £10m) in respect of letters of credit issued on behalf of the Syndicate. The letters of credit are lodged in the Syndicate's US Surplus Lines and Credit for Reinsurance trust funds in order to support gross liability funding requirements.