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Barbican Syndicate 6118

Syndicate Annual Accounts under UK GAAP

Barbican

31 December 2014

Barbican Syndicate 6118
31 December 2014

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Barbican Syndicate 6118
Directors and Administration

Managing agent

Barbican Managing Agency Limited

Directors

J B Soames	(Chairman)
D M Booth	(appointed 5 August 2014)
W T B Canagaretna	
H N A Colthurst	(appointed 9 October 2014)
C R Cunningham	
K D Curtis	(resigned 19 January 2015)
A D Elliott	(resigned 1 April 2014)
J J S Godfray	
M J Harrington	
R H Hobbs	
D E Reeves	(appointed 20 January 2015)

Managing agent’s registered office

33 Gracechurch Street
London
EC3V 0BT

Managing agent’s registered number

06948515

Company secretary

Stephen Britt

Syndicate Active Underwriter

D M Booth

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Report of the Directors of the Managing Agent

The Directors of the Managing Agent present their 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 ("Lloyd's Regulations 2008").

Underwriting year accounts are not required until the closure of the year of account, typically at the 36 month stage.

Managing Agent

From 1 January 2014 the Managing Agent of the Syndicate is Barbican Managing Agency Limited, whose registered office is 33 Gracechurch Street, London, EC3V 0BT and registered number is 06948515.

Result

The result for calendar year 2014 is a total recognised gain of £2.6m. This is analysed further below.

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

	2014
	£'000
Gross premiums written	71,478
Gross premiums earned	59,204
Net premiums earned	40,748
Net claims	(29,801)
Investment return	234
Operating expenses	(9,057)
Realised and unrealised movements on foreign exchange	481
Total recognised gains and losses relating to the financial year	2,605
Net claims ratio	73.1%
Expense ratio	22.2%
Combined ratio	95.4%

Principal activity and review of the business

Syndicate 6118 ("the Syndicate") was established for the 2014 Year of Account to provide a dedicated vehicle for external investors to participate on Syndicate 1955 via quota share reinsurance, net of quota share cession to Syndicate 6113. For the 2014 Year of Account this equated to an 11.547% quota share reinsurance of all Syndicate 1955 classes of business on all open years. The total planned premium income capacity of the Syndicate, based on the 2014 Year of Account income ceded, was £25 million.

In 2014 Syndicate 1955 ceded business to the Syndicate based on a share of Syndicate 1955's three underwriting divisions, covering seventeen different lines of business, in addition to a share of the business written in the 2013 and 2012 Years of Account. An analysis of the Syndicate's performance in 2014 is provided below.

Although the Syndicate's capacity was £25 million for the 2014 Year of Account, premium of £72m was written in 2014. This included amounts pertaining to the back years of the 1955 business, of which Syndicate 6118 took a share of 11.547%.

Marine, Aviation and Transport (MAT)

The MAT division encompasses both Marine Reinsurance and Marine Insurance. It also includes General Aviation and Aerospace, Energy and Terrorism and Political Risk business. In 2014 this division generated gross written premium of £26.7m.

Property

The Property division operates in three classes of business: Property Insurance (featuring Open Market and Binding Authorities), Property Reinsurance and UK P&C Insurance. This division also includes Nuclear Insurance. In 2014 this division generated gross written premium of £9.8m.

Specialty

The Specialty division includes six separate portfolios: Healthcare Liability, Cyber Liability, UK SME PI, Financial & Professional Lines and International Casualty Reinsurance and North American Casualty Reinsurance. In 2014 this division generated gross written premium of £35.0m.

2014 calendar year underwriting performance

The 2014 calendar year experience has been more mixed than the previous year. Whilst the core shorter tail accounts – Marine Reinsurance and US Property – have experienced a benign claims occurrence, the expected headwinds of rate deterioration have started to make themselves felt in earnest across the portfolio. Some niche lines, particularly Aviation and Political Risk, have seen significant loss experience in the period, and whilst in general prior year reserves continue to hold up well there have been two very specific accounts that have required reserve strengthening.

The MAT division continues to post strong results, with an overall combined ratio of 83% for the year. This division has seen a number of airline-related losses, with claims arising both on MH-17 and the Tripoli airport events. In addition, recognition of the Talisman claim, an emergence of a loss attaching to an historic Year of Account, has been required in the period. The disciplined management of net exposure of these business lines has, however, ensured that overall net underwriting returns continue to be ahead of plan.

The Property division has had a more challenging year. The significant competition in the US Property catastrophe space, both from established reinsurers and newer collateralised markets, has as expected led to significant rate weakening. Against this, the division has nonetheless managed to deliver premium volume broadly as planned in the Reinsurance area, whilst staying within the strict price rating and risk exposure guidelines laid down by management. The current accident year loss ratio has been favourable, reflecting a largely loss-free period; however, increased notifications on the New Zealand earthquake claims have required strengthening of reserves on prior years, leading to a more modest (but still better than plan) 87% combined ratio for the year. This division continues to be an important part of the overall Syndicate portfolio, notwithstanding the challenges posed by the ongoing weakening of the rating environment. The recruitment of a new lead underwriter, John Sawyer, to lead a new Delegated Underwriting Authority account within this division, underlines the commitment to developing and re-balancing this area to maintain positive returns.

The Specialty division continues to be an area of focus for improvement. Performance for 2014 was better than in the prior year but nonetheless was below plan. The Casualty Reinsurance lines have maintained premium levels at acceptable prices against a backdrop of ever-increasing competition, with favourable ongoing reserve run off. Within the Insurance lines, Cyber, Financial Liability and Directors and Officers have delivered solid results; Cyber in particular is an area in which the Syndicate's expertise is noted. Healthcare and Professional Indemnity ("PI") – particularly the UK Solicitors' Professional Indemnity account, which has required some additional reserve strengthening on the older Years of Account – have proven more problematic. The divisional combined ratio of 104%, whilst worse than plan, represents movement in the right direction. Careful management is planned to maintain and improve on this direction of travel.

Overall, the strong current accident year performance, offset by the back year reserve strengthening, has resulted in a claims ratio for the Syndicate of 54% for the year. This is a better out-turn than budgeted as part of the 2014 business planning exercise, and whilst there are clear areas requiring improvement, the Directors regard this outcome as satisfactory.

Principal risks and uncertainties

The Board of the Managing Agent sets risk appetite annually as part of the Syndicate's business planning and Individual Capital Assessment process. The agency has established a Risk and Capital Committee which meets at least quarterly to review and update 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 as follows:

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Board manages insurance risk by agreeing its appetite for these risks annually and managing this primarily through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Board then monitors performance against the business plan at least quarterly through the year. The agency uses catastrophe modelling software to model maximum probable losses from catastrophe-exposed business. Reserve adequacy is monitored through quarterly review by the Syndicate actuary and is reviewed by an independent firm of actuaries.

Credit risk

The key aspect of credit risk is the risk of default by one or more of the Syndicate's reinsurers. The Board's policy is that the Syndicate will only reinsure with businesses rated in the A Range or higher. The agency has established a Reinsurance Security Committee which assesses and is required to approve all new reinsurers before business is placed with them.

Market risk

The key aspect of market risk is that the Syndicate incurs losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Board's policy is to maintain received income or incurred expenditure in the core currencies in which they were received or paid. Any surplus or deficit in a core currency would be subject to review by the Board, which may instruct surplus currencies to be sold to reduce the deficit on other currencies.

Group risk

Group risk is the possibility that the operation of part of the Group adversely affects operations.

Group risks include: negative publicity; inadequate communication within the organisation; undue influence from fellow subsidiaries, holding companies or stakeholders; financial pressures to make funds available to the Group; and/or financial restraint leading to shortcomings in core activities such as reinsurance purchase.

The overall strategy is to minimise any Group risk by ensuring there are clear lines of authority and communication between related parties, that Intra-Group reinsurance is placed at arms length and that any Intra-Group agreements are clearly understood by all parties.

Operational risk

This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate. The Board seeks to manage this risk through the use of detailed procedures manuals and a structured programme of testing of processes and systems by internal audit. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

Regulatory risk

The Managing Agency is required to comply with the requirements of the Financial Conduct Authority, Prudential Regulation Authority and Lloyd's of London. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US Situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Board has appointed a Group Head of Compliance and Risk who monitors regulatory developments, assesses the impact on agency policy and reports to the Board.

Future developments

The Syndicate participates on the quota share reinsurance of Syndicate 1955 for the 2015 Year of Account. Lloyd's stamp capacity for the 2014 Year of Account has been increased from £25m to £48m for the 2015 Year of Account, which consists of a cession of 18.5% (2014 11.5%) of all of Syndicate 1955's classes of business.

Disclosure of information to the auditor

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

Appointment of auditor

Ernst & Young LLP are deemed appointed as auditor of the Syndicate.

On behalf of the Board

C R Cunningham

Director

13 March 2015

Statement of Managing Agent's Responsibilities

The managing agent is responsible for preparing the Syndicate 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Syndicate 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the notes to the Syndicate annual accounts; and
- 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 Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. 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.

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

Independent Auditor's Report

to the Members of Barbican Syndicate 6118

We have audited the syndicate annual accounts of Syndicate 6118 for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the syndicate's members, 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 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'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 8, 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

An audit involves obtaining evidence about the amounts and disclosures in the annual accounts sufficient to give reasonable assurance that the annual accounts 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 accounts. In addition, we read all the financial and non-financial information in the Syndicate Annual Accounts under UK GAAP to identify material inconsistencies with the audited syndicate annual accounts 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 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 United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Independent Auditor's Report

to the Members of Barbican Syndicate 6118

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 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 accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Benjamin Gregory (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

13 March 2015

Barbican Syndicate 6118
Profit and Loss Account

Technical account – General business

For the year ended 31 December 2014

	Notes	2014 £000
Earned premiums, net of reinsurance		
Gross premiums written	3	71,478
Outward reinsurance premiums		(22,238)
Net premiums written		49,240
Change in the provision for unearned premiums:		
Gross amount		(12,274)
Reinsurers' share		3,782
Change in the net provision for unearned premiums		(8,492)
Earned premiums, net of reinsurance		40,748
Allocated investment return transferred from the non-technical account		234
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		(18,442)
Reinsurers' share		7,225
Net claims paid		(11,217)
Change in the provision for claims		
Gross amount		(24,736)
Reinsurers' share		6,152
Change in the net provision for claims		(18,584)
Claims incurred, net of reinsurance		(29,801)
Net operating expenses	4	(9,057)
Balance on the technical account for general business		2,124

All the amounts above are in respect of continuing operations.

Barbican Syndicate 6118

Profit and Loss Account

Non-technical account

For the year ended 31 December 2014

	Notes	2014 £000
Balance on the general business technical account		2,124
Investment income		234
Allocated investment return transferred to general business technical account		(234)
Profit for the financial year		2,124

Statement of total recognised gains and losses

For the year ended 31 December 2014

	2014 £000
Profit for the financial year	2,124
Currency translation differences on foreign currency net investment	481
Total recognised gains relating to the financial year	2,605

Barbican Syndicate 6118

Balance Sheet

31 December 2014

<u>Assets</u>	Notes	2014 £000
Reinsurers' share of technical provisions		
Provision for unearned premiums		3,929
Claims outstanding		13,964
		17,893
Debtors		
Debtors arising out of reinsurance operations	8	45,958
		63,851
Total assets		63,851

<u>Liabilities</u>	Notes	2014 £000
Capital and reserves		
Member's balance	9, 11	2,605
Technical provisions		
Provision for unearned premiums		12,624
Claims outstanding		48,622
		61,246
Total liabilities		63,851

The annual accounts on pages 11 to 20 were approved by the Board of Barbican Managing Agency Limited on 13 March 2015 and were signed on its behalf by

C R Cunningham

Finance Director

13 March 2015

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. The recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers have been adopted, except that exchange differences are dealt with in the technical account as there are no non-technical items contributing to these differences.

Syndicate 6118 has written a single quota share contract with Syndicate 1955. For the 2014 Year of Account, Syndicate 1955 cession to Syndicate 6118 was 11.547% across all classes of business, net of cession to Special Purpose Syndicate 6113. The contract operates on a "funds withheld basis" whereby the premiums received are considered as combined funds from which the loss recoveries are first drawn. The associated cash flows are expected to occur following the closure of the year of account at 36 months. Therefore there have been no cash flows in the year and no cash flow statement is presented.

2. Accounting policies

Premiums written

Premiums written comprise premiums on contracts incepted during the financial year as well as 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. Premiums include estimates for pipeline premiums, representing amounts due to the Syndicate not yet notified.

Unearned premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the portion 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.

Reinsurance premium ceded

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

Claims provisions and related recoveries

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.

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. 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.

2. Accounting policies (continued)

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 reinsurers involved. A number of statistical methods are used to assist in making these estimates.

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

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

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 and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return.

Deferred acquisition costs

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

Foreign currencies

Transactions in US dollars, Canadian dollars, Euros, AUD dollars and Japanese Yen 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 and non-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 Total Recognised Gains and Losses.

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

2. Accounting policies (continued)

Operating Expenses

Syndicate operating expenses comprise of acquisition costs being a 6% ceding commission on the gross net premium income due to Syndicate 1955 (a portion of which is deferred to the balance sheet based on the unearned premium percentage); and a profit commission due to Syndicate 1955 under the terms of contract.

Investment return

Investment return is calculated on a portion of the Syndicate 1955 investment return. Typically, the quota share percentage of the contract is applied.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic-rate income tax from trading income. In addition, all UK basic-rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate are included in the balance sheet under the heading "other debtors".

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

Profit commission

Profit commission is charged by the managing agent at a rate of 17.5% of the profit (excluding investment income) on a year of account basis. This is charged to the Syndicate as incurred but does not become payable until after the appropriate year of account closes, normally at 36 months. In the event that a year of account is loss making, a deficit clause permits losses to be carried forward against future year of account profits (up to two years) in order to reduce future year of account profit commission payments.

3. Segmental analysis

2014	Gross written premiums £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000	Net technical provisions £000
Reinsurance	71,478	59,204	(43,178)	(9,830)	(5,079)	1,890	(43,353)
	71,478	59,204	(43,178)	(9,830)	(5,079)	1,890	(43,353)

Gross operating expenses are gross of reinsurance commission of £0.7m.

All premiums were concluded in the UK.

The geographical analysis of premiums by destination (or by Situs of the risk) is as follows:

	2014 £000
UK	37,548
Other EU countries	7,142
US	19,052
Other	7,736
Gross premiums written	71,478

4. Net operating expenses

	2014 £000
Acquisition costs	1,031
Reinsurers' commissions and profit participations	(773)
Loss on exchange	366
Standard personal expenses	1,726
Administrative expenses	6,707
Net operating expenses	9,057

5. Auditors' remuneration

	2014 £000
Audit of the Syndicate annual accounts	27
Audit of the Managing Agent's annual accounts	15
Other services pursuant to regulations and Lloyd's byelaws	12
	54

6. Staff costs

All staff are employed by Barbican Holdings (UK) Limited (BHUK), the immediate parent company of the Managing Agency. The cost of these staff is borne by Syndicate 1955.

7. Emoluments of the Directors of Barbican Managing Agency Limited

The Syndicate was not recharged any expenses relating to the remuneration of the Directors of the Managing Agency.

8. Debtors arising out of reinsurance operations

	2014
	£000
Due from cedants after one year	45,958
	45,958

The amount due from cedants represents the cession from Syndicate 1955 to the Syndicate, on a funds withheld basis.

9. Reconciliation of members' balance

	2014
	£000
Members' balance brought forward at 1 January	-
Profit for the financial year	2,124
Currency translation differences on foreign currency net investment	481
Members' balance carried forward at 31 December	2,605

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.

10. Related Parties

Special Purpose Syndicate ("SPS") Cessions

Syndicate 1955 cedes reinsurance to the Syndicate on a funds withheld basis, with £25m of the Syndicate's £250m capacity ceded to the Syndicate for the 2014 Year of Account (2013: £nil).

For the 2014 Year of Account, an 11.547% cession was applied to all classes of Syndicate 1955's business, net of cessions to SPS 6113. This cession includes a share of Syndicate 1955's expenses.

For the 2015 Year of Account, £48m of Syndicate 1955's £260m capacity is ceded to the Syndicate, with an 18.5% cession rate applied.

Barbican Companies

The Syndicate, along with Syndicate 1955 and SPS 6113, is managed by Barbican Managing Agency Limited, whose parent company is Barbican Holdings (UK) Limited. The ultimate parent company is Barbican Group Holdings Limited, a Guernsey registered company which consolidates the Syndicate result. A managing agency fee of £2.5m (2013 £4.0m) was payable from Syndicate 1955 to Barbican Managing Agency Limited during the year.

During the year Syndicate 1955 entered into an arrangement whereby Barbican Reinsurance Company Ltd ("BRCL") provided between 2%-10% of the Syndicate's reinsurance protection for the 2014 Year of Account. This contract provides the Syndicate with cover within the normal course of business and the transaction was carried out at arm's length.

During 2014, the following group service companies contributed towards Syndicate 1955's gross written premium: Professional Indemnity Protect Limited wrote £8.4m (2013: £8.8m); Castel Underwriting Agencies Limited wrote £6.2m (2013: £nil); Barbican Underwriting Limited wrote £13.8m (2013: £9.2m) and Barbican Channel Islands (a branch of BRCL) wrote £1.4m (2013: £1.3m).

11. Funds at Lloyd's

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

12. Off-balance sheet items

The Syndicate has not been party to any arrangement, which is not reflected in its balance sheet, where material risks or benefits arise for the Syndicate.

13. Derivatives

The Syndicate has not purchased any forward foreign currency contracts to hedge currency exposure or entered into any other derivative contracts within the period.