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Antares Syndicate 1274

Annual Report and Accounts

31 December 2015

Antares Syndicate 1274

Syndicate Annual Report and Accounts

31 December 2015

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Directors and Administration

Managing Agent:
Antares Managing Agency Limited

Directors
E H Gilmour*, MA, FCA
J A Battle
T A Clegg*, FCII, ACIArb
M C Graham, MSc, FIA
J M Linsao, BA, JD
A S Minns*, LLB (Resigned 30 June 2015)
S D Redmond, FCII
R A Sutlow, ACII, ACMA
G Saacke*
H E Clarke*, MSc, FIA (Appointed 01 November 2015)

* Non-Executive Director

Secretary
J M Linsao, BA, JD

Managing Agent's Registered Office
10 Lime Street
London, EC3M 7AA

Managing Agent's Registered Number
6646629

Syndicate 1274:

Active Underwriter
J A Battle

Bankers
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25 Gresham Street
London, EC2V 7HN

Registered Auditor
Deloitte LLP
Hill House, 1 Little New Street
London, EC4A 3TR

Managing Director Overview

In our second full year of financial contribution to Qatar Insurance Company SAQ, I am pleased to report a profit albeit at a lower level than in 2014. The Syndicate has produced a profit of $9.9m (2014: $32.9m) on gross premiums of $400.1m (2014: $413.5m). The resultant combined ratio of 97.1% (2014: 91.6%) was satisfactory and supported the level of performance which the business expects to achieve across the market cycle. However in isolation the 2015 result was below our original plan target. This is directly correlated to the very challenging market conditions in which Antares operates in the global insurance and reinsurance markets and the ongoing historically low rate environment.

The frequency and severity of natural catastrophes continued to be low in 2015. For the tenth consecutive year, the US coastline was spared a Category 3 or stronger hurricane making landfall. This sequential feature is a phenomenon which has not occurred since the 19th Century. At some stage in the future this will inevitably change. We do not know when this will be but we must be appropriately prepared and responsive for the eventuality.

It would be wrong to assume that the business has been immune from any major claims however; these have principally been individual risk losses on specific lines of business rather than natural catastrophe events affecting a multitude of aggregating risks. In particular the energy portfolio experienced the highest frequency of these risk losses.

The abundance of new capital, rebranded existing capital, and new products have meant that whilst there have been significant losses in some lines of business, the ability of underwriters to impose improved terms for their business and maintain the client base, has been limited.

These conditions have been withstood, successfully traded through and a satisfactory profit has been delivered.

The level of over-capitalisation and supply does not encourage me to believe that improved rating terms are likely in the near term, unless there is, or are a series of insured cataclysmic events. It is becoming ever more probable that an external event, or series of events (e.g. interest rate rise or financial crisis) could have more impact on our industry than an insured and hence reinsured loss.

The Marine Aviation and Transport portfolio (including Property Terrorism) is the largest sector of Antares business and produced a profitable net underwriting result of $3.7m (2014: $28.0m). This figure does however mask conflicting performances at the line of business level. Despite specific market conditions best described as permanently soft, the Hull account produced a good profit of $7.2m (2014: $10.6m).

The Cargo and Specie account produced a mediocre result but still delivered a profit of $0.1m (2014: $7.1m).

The Terrorism account continues to develop very well despite recording a small number of claims notifications in the year. The class produced a profit of $6.2m (2014: $13.0m).

Disappointingly a number of high profile individual risk losses affected the Energy portfolio. No specific loss patterns were evident, with claims for major fires and installation issues all contributing to the overall loss of $3.1m (2014: loss of $11.3m).

The Aviation portfolio recorded a loss of $6.8m (2014 profit: $8.5m). This was due to a number of high profile losses (Germanwings, Air Asia, Turkish Airlines, and Shoreham Air Show) in the class.

Overall the Reinsurance portfolio delivered record results producing a net underwriting profit of $25.4m (2014: $15.5m). The absence of high profile marine catastrophes allowed the Marine Excess of Loss portfolio to return a profit of $8.7m (2014: $5.7m). As should be expected in a relatively benign catastrophe year, the Property Excess of Loss class for the third year in succession produced excellent results. A profit of $16.7m (2014: $9.8m) is recorded.

The Specialty classes being the most diverse sector of Antares business comprising Financial Institutions, Professional Indemnity, Accident & Health, Political Risk and Miscellaneous lines produced a disappointing loss of $18.6m (2014: loss of $17.1m). As usual in these long tail classes there were both positive and negative movements to the incurred claims position, with losses arising most significantly on the Professional Indemnity account. In a number of cases these results were triggered by one off late claims notifications rather than any systemic issues arising within the lines of business themselves.

The newly formed Direct and Facultative sector produced a modest loss of $1.4m as the premium to earnings lag associated with a new class has not unwound yet.

Investment income continued to generate returns commensurate with a low interest rate environment. An overall annualised yield even lower than for 2014 of 0.4% was achieved (2014: 1.4%) producing an income of $0.9m (2014: $4.8m).

Managing Director Overview (continued)

I am delighted to report that in the fourth quarter of 2015, Antares successfully launched on the Lloyd's Asia Platform based in Singapore within the new Capita Green building. I am very optimistic about the future prospects for the development of this business notwithstanding the highly competitive nature of the market in which it operates.

I am sure Antares will continue to be a major contributor in assisting QIC's long term aspiration of being a recognised Global Industry force. In partnering with QIC the benefits of the relationship are now being reaped. There is still much to be done but jointly we are on the right track.

Any success cannot be achieved without the work, effort and dedication of the talented team of professionals working within Antares. Without their support it would be impossible for me to lead the team to another successful year and particularly the fourth consecutive year of profitability. This allows me to view the future with much encouragement and optimism.

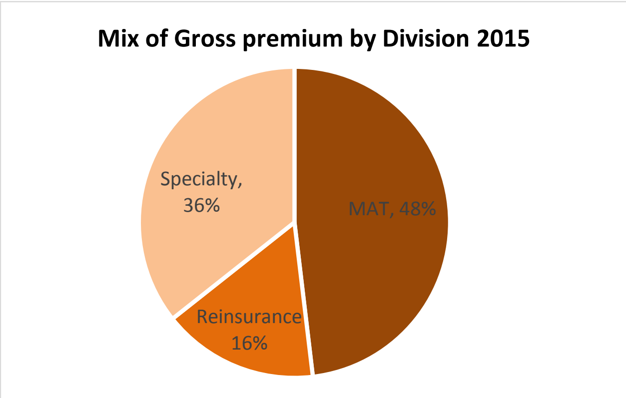
I thank you all for your commitment throughout 2015 as we look forward to 2016.

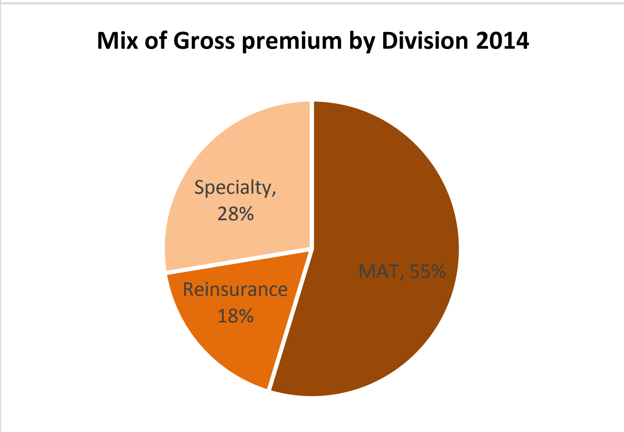
Stephen Redmond
Managing Director

Active Underwriter Review

The underwriting activities of the Antares Group are split into three broad operating divisions of Marine Aviation and Transport (MAT), Reinsurance and Specialty Lines, producing combined gross written premium income of $400.1m for the 2015 financial year (2014: $413.5m). This apparent decrease is the combination of a modest increase in underlying premium written offset by reductions due to rates of exchange and premium rating.

Growth opportunities in the Specialty division, notably within Casualty and General Liability have resulted in small shift in the portfolio as detailed below. In addition during 2015, Antares launched its Property Direct and Facultative business class adding further diversification and bringing more balance.



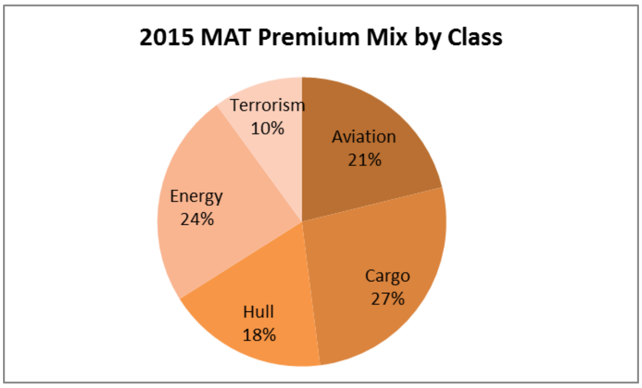


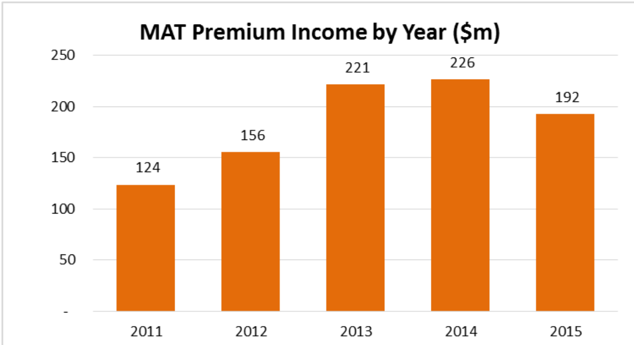
Marine, Aviation and Transport (MAT)

The MAT division offers a marine insurance and reinsurance portfolio comprising Hull and associated interests, Offshore Energy, Marine Liability, Cargo, Specie, Aviation, Aerospace, Light General Aviation and Terrorism products.

The underwriting teams have the expertise and experience which allows Antares to offer lead capability in all areas of the MAT portfolio.

Trading conditions were difficult in 2015, with increasing levels of competition driving down rates in all classes. In some cases this has also led to a softening of terms and conditions. In the absence of significant loss activity or a change in Market discipline, such conditions are expected to prevail through 2016.





Premium income for 2015 decreased by 15% to $192m (2014: $226m).

The diverse nature of the MAT portfolio allows us the flexibility to move capacity between lines of business during different market periods and proactively manage the cycle, improve profitability and mitigate loss years.

During 2015 the diversification of the MAT portfolio has been continued, building out the capabilities in Specie, Terrorism and Energy as well as embedding a dedicated Marine Liability underwriter to expand this sub-class.

Hull

Within the Hull portfolio, appetite and strategy continues to be driven by the relative rating strengths of each sub-class. Overcapacity remains a key feature in this class keeping the rating environment soft. Across the Hull portfolio as a whole, pricing was down almost 6%. Income from Hull decreased by 5% to $49m (2014: $52m).

The strategy is to develop the key sub-classes of Hull, Marine Liability and War, adjusting the portfolio business mix dependent upon market conditions. Pleasingly, in such a difficult market,

Active Underwriter Review (continued)

the retention ratio remained high at 83%, reflecting well the levels of service and professionalism offered by the underwriting team.

Energy

The Offshore Energy account reduced by 32% to $31m (2014: $46m). Again, significant levels of over-capacity in the market have driven down prices and intensified competition for business. As a consequence, we have become more selective and are well prepared to let unsuitably priced business go. Pricing across the portfolio was down nearly 11% and the retention rate of 59% demonstrates our philosophy. The drive to move the portfolio away from a facultative and treaty reinsurance portfolio towards a more direct book of business continued through 2015.

Cargo / Specie

As in previous years, the cargo insurance market has struggled with the impact of excess capacity at a time when the global economy is struggling and oil prices hit new lows. Individual contract premium income estimates have fallen as global shipments declined leading, inevitably, to a reduction of 18% in premium income for the class to $42m (2014: $51m). The retention ratio has remained high at 80% and again bears testament to the long-term commitment and relationships built by the underwriting team. The new underwriting resource that was added to this class during 2015 has already born fruits as the portfolio diversifies away from a mainly commodity driven account.

The strategy of expanding the specie portfolio continued in 2015 with additional underwriting resource being added to this area. The results over the long term appear to outperform the cargo market however rate reductions for specie currently exceed those for cargo. As a consequence, we will maintain our selective approach to underwriting, deploying capital to support those areas offering the best opportunity for appropriate return, whilst maintaining a well diversified portfolio.

Aviation

The aviation class has suffered from a number of consecutive years of price reductions driven by over-capacity.

At nearly -7%, rate reductions during 2015 were almost twice the level anticipated. Largely due to those rate reductions, there has been a 9% fall in gross premium to $45m (2014: $50m). The commitment to the strategy of diversification within this class and the maintenance of a balanced portfolio between Airline, Aerospace and General Aviation business continues. The General Aviation portfolio has grown in advance of our expectation which is very satisfying. It now makes up 26% of the Aviation class with Airline 52% and Aerospace 22%.

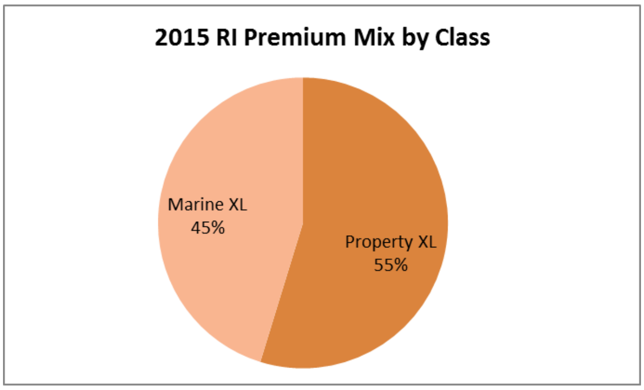
Terrorism

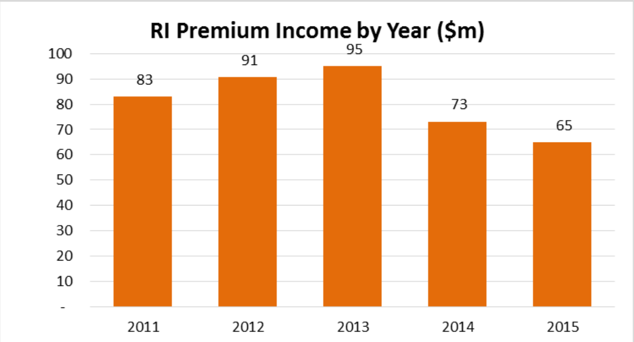
The Terrorism portfolio comprises, predominately, standalone terrorism products with limited strikes, riots and civil commotion coverage. Introduced in 2010, there had been a steady gain in foothold in this highly competitive sector. Disappointingly, this growth has not extended into 2015 that has seen a decline in premium of 11% to $25m (2014: $28m).

This class has come under increased pressure again this year, the rating environment continues to soften and brokers continue to package business with a limited number of carriers adding additional competition to the business that falls outside these parameters. Despite the poor rating environment, we continue to see opportunities to profitably expand our portfolio.

Reinsurance

The Reinsurance division comprises both Property and Marine Excess of Loss Treaty written on a worldwide basis. Premium income reduced by 11% during 2015 to $65m (2014: $73m).





Property XL

Property XL income decreased by 11% to $36m for 2015 (2014: $40m). The Property Treaty team continues to focus on high quality business written at non-attritional levels, optimising the portfolio

Active Underwriter Review (continued)

balance dependent on market conditions. The portfolio comprises of both risk and catastrophe business, worldwide in nature with a focus on the US, Europe and Japan. Smaller portfolios are also written in Latin America, Asia, Australasia, Africa and the Caribbean.

Premium rates fell by 10% during the year, worse than the 7.5% anticipated in our plan, but unsurprising given that lack of significant catastrophe activity. In spite of the competitive environment, the retention rate over the year remained high at 84%.

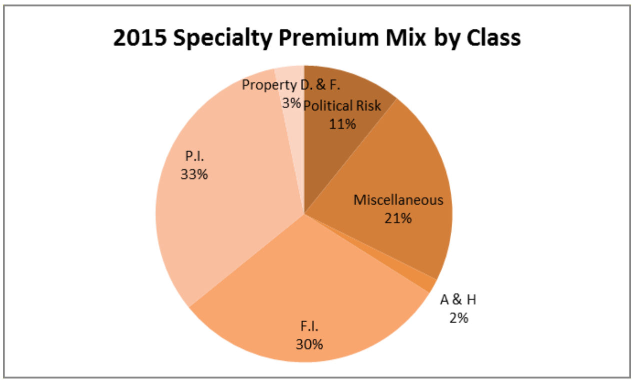
Marine XL

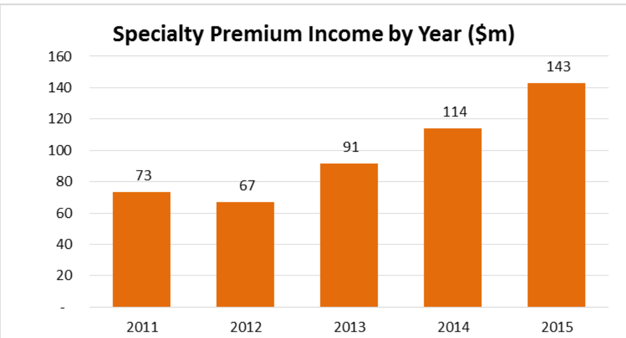
A balanced Marine XL book continues to be underwritten for both London Market (LMX) and Foreign Market (FMX) business where good synergies with direct Hull, Cargo and Specie and Energy accounts exist.

Competitive market conditions prevailed during 2015 with greater levels of capacity chasing fewer risks as cedants looked to retain more risk themselves and consolidate underwriting panels. This has resulted in premium income decreasing 11% to $29m (2014: $33m).

Pricing for the portfolio fell by 7%, considerably worse that our planned assumption of a fall of 3%.

Specialty Lines





The Specialty Lines division includes Banks & Financial Institutions products (such as Bankers Blanket Bonds and Computer Crime), Professional Indemnity, Directors & Officers liability, Political Risks, Trade Credit, Accident & Health, Casualty and General Liability. In addition, the division includes our relaunched Property Direct & Facultative portfolio.

Premium income for 2015 was 25% ahead of 2014 at $143m (2014 $114m).

Financial Institutions

Premium income for the Financial Institutions class increased by 7% during 2015 to $43m (2014: $40m). The rating environment was worse than planned with pricing 2% lower than expected, however the retention ratio was marginally above our expectation at 89%.

The Syndicate continues to have limited exposure to the major US or European Financial Institutions which have been responsible for the majority of market losses and has supplemented this with growth in the Asset Managers, Venture capital / Private equity and trust business; this class of business historically has performed extremely well and was an area where we were perhaps under-represented.

Professional Indemnity

Income in the Professional Indemnity class increased 8% year on year to $47m (2014: $43m). Retention ratios were down 5% compared with expectation at 80%, with pricing down 3% from 2014.

2015 has proved to be a challenging year, we have witnessed continued claims deterioration in our design and construction portfolio, which has resulted in a change of underwriting philosophy in this sub class.

Political Risks

During 2014, Antares established a Political Risks and Trade Credit class. Premium income increased by 94% into 2015 at $15m (2014: $8m). Despite challenging economic conditions globally, market capacity is currently at an all-time high. Our portfolio is largely built (66%) around the Contract Frustration sub class and despite the ability to offer tenor periods in excess of 7 years, 43% of the portfolio has a duration of 12 months.

Miscellaneous & Accident & Health

The Miscellaneous class grew by 49% to $31m in 2015 (2014: $21m), although only a limited number of contracts have been underwritten. Much of the growth in this area has come from the underwriting of a new large Quota Share, however increased growth from a number of our consortium lines has been encouraging.

Active Underwriter Review (continued)

Our Accident & Health class remains small at $2m (2014: $2m) and principally supports the Acapella Consortium.

Property Direct & Facultative

During 2015, Antares launched its Property Direct & Facultative class. Premium income for 2015 totalled $5m but is expected to increase significantly over the next couple of years. I remain indebted to my underwriting colleagues who continue to strive to produce the optimum portfolio for the Syndicate in what are challenging market conditions. I am convinced that the diverse portfolio is balanced and strategically placed for the future.

Jonathan Battle
Active Underwriter

Financial Review

Summary Income Statement

The Syndicate delivered a $9.9m profit for 2015 at a 97.1% Combined Ratio (2014: profit $32.9m, 91.6%). This mainly reflects a higher than expected number of risk losses advised in June. However, the underlying performance remains strong, reflecting the benign catastrophe environment.

$000	2015	2014
Gross Premium Written	400,080	413,450
Net Premium Earned	336,141	341,162
Net Claims Incurred	(211,388)	(194,046)
Net Commission	(71,064)	(71,818)
Net Underwriting Result	**53,689**	**75,298**
Operating Expenses	(43,893)	(46,565)
Net Foreign Exchange	(756)	(632)
Investment Return	855	4,846
Net Profit	**9,896**	**32,947**
Ratios:		
Claims Ratio	62.9%	56.9%
Commission Ratio	21.1%	21.1%
Expense Ratio *	13.1%	13.6%
Combined Ratio	**97.1%**	**91.6%**

* Expense Ratio excludes Net Foreign Exchange Gain/(Loss)

Written premium levels have been maintained despite worse-than-anticipated rate reductions of 6% and the strengthening US Dollar without which there was modest underlying growth. The renewal rate remains very strong demonstrating the strength of relationships and ongoing commitment to clients.

Robust underwriting in the soft market and the absence of any major catastrophe events in the Syndicate's Marine XL and Property XL classes contributed to a very profitable performance for the Reinsurance division. The Marine, Aviation and Transport (MAT) segment also returned a profit, led by Hull and Terrorism, having successfully bounced back from some large one-off losses in Aviation and Energy in June in particular. Claims in Financial Institutions (FI), Professional Indemnity (PI) and Accident & Health (A&H) contributed to an overall Specialty loss but with no systemic issues at root, the Syndicate remains optimistic for the future of its fastest growing segment.

A significant increase in interest income was achieved following the re-positioning of portfolios at the start of the year with yield targeted at 2.5%. However volatility in market prices, created by global growth concerns led by China and the oil price crash, served to offset much of the coupon interest generated and resulted in a year-on-year decrease in total investment return. The Syndicate views these fluctuations as temporary and indeed has subsequently seen prices rebound in the start of 2016.

Net Underwriting Results Review

Gross Premium Written

Gross premium written (GWP) of $400.1m is marginally lower than 2014 ($413.5m) due to the effects of foreign exchange and adverse rating. Market conditions were more challenging than expected with rates down by 6% across the portfolio and show no sign of let-up. Most classes saw rate reductions with the worst-affected being Energy (-11%) and Property XL (-10%). The Specialty classes held up better although were still negative overall with the exception of A&H which saw an improvement of 8%, largely due to loss affected business.

The business renewal ratio was strong across the whole account at an improved 81% (2014: 74%).

Net Premium Earned

Net premium earned was $336.1m (2014: $341.2m) reflecting the movement in GWP, partially mitigated by a reduction in outward reinsurance premiums.

Net Claims Incurred

Net claims incurred of $211.4m (2014: $194.0m) increased modestly due to a number of new large losses experienced in June in particular. As a result the Claims Ratio increased from 56.9% in 2014 to 62.9% notwithstanding the continued absence of any major catastrophes.

The largest loss ($9.5m net), was the result of a fire on an offshore rig complex and impacted the Energy and Marine XL classes. Although worse than 2014, the claims experience is not considered to be indicative of any systemic issue.

Net Commission

The Commission Ratio was maintained at 21.1% (2014: 21.1%) and Net Commission decreased slightly to $71.1m (2014: $71.8m) in line with earned premiums. This was a good result for the Syndicate, avoiding the upwards creep often associated with a soft market.

Financial Review (continued)

Net Underwriting Results by Division

MAT

$000	2015	2014
Gross Premium Written	192,482	226,175
Net Premium Earned	178,436	193,127
Net Claims Incurred	(113,072)	(97,293)
Net Commission	(39,317)	(43,135)
Net Underwriting Result	**26,047**	**52,699**
Claims Ratio	63.4%	50.4%
Commission Ratio	22.0%	22.3%

The MAT division continues to be at the core of the Syndicate's business representing 48% (2014: 55%) of the underwriting portfolio and produced an underwriting profit of $26.0m (2014: $52.7m profit).

This was a very credible performance given the challenging environment. Over-capacity in the market put pressure on prices and contributed to the overall reduction in GWP. The trend was led by Energy where rates were off more than 10% but also Cargo, where the commodities price crash impacted the value of business written.

It was a good year for the Hull and Terrorism accounts which recorded solid profits of $11.9m (2014: $15.9m profit) and $9.4m (2014: $16.1m profit) respectively and in particular for Terrorism which weathered its first losses of any significance, relating to the Yemeni civil war.

Both the Energy and the Aviation accounts suffered a number of large isolated claims returning a profit of $0.7m (2014: $6.0m loss) and a loss of $0.4m (2014: $15.1m profit) respectively. Losses included some that hit the headlines such as the PEMEX oil rig fire and the Germanwings and Shoreham Air Show aviation disasters.

Cargo & Specie returned a $4.4m underwriting profit, broadly breaking-even for the year having taken expenses into account and successfully withstanding another of the largest headline losses, the Tianjin Chinese port explosion.

Reinsurance

$000	2015	2014
Gross Premium Written	64,956	73,146
Net Premium Earned	53,350	59,896
Net Claims Incurred	(13,948)	(24,483)
Net Commission	(6,785)	(8,973)
Net Underwriting Result	**32,617**	**26,440**
Claims Ratio	26.1%	40.9%
Commission Ratio	12.7%	15.0%

The Reinsurance division represents 16% (2014: 18%) of the underwriting portfolio and produced the strongest result with an underwriting profit of $32.6m (2014: $26.4m profit), split between Property XL $20.8m (2014: $15.7m) and Marine XL $11.8m (2014: $10.8m).

Market conditions continued to impact Reinsurance rates, in particular Property XL which saw reductions in excess of minus 10%.

Robust underwriting as well as the absence of significant catastrophe activity contributed to the excellent result, helping to keep the Claims Ratio low.

Specialty

$000	2015	2014
Gross Premium Written	138,044	114,120
Net Premium Earned	103,333	87,704
Net Claims Incurred	(83,811)	(73,496)
Net Commission	(24,743)	(19,735)
Net Underwriting Result	**(5,221)**	**(5,527)**
Claims Ratio	81.1%	83.8%
Commission Ratio	23.9%	22.5%

Specialty represents 35% (2014: 28%) of the underwriting portfolio and is the Syndicate's fastest growing division as it continues to invest in further diversifying the whole account.

Increased GWP was achieved by every individual class within the division as the Syndicate pursued its objective of profitable growth, most notably in Political Risk and Miscellaneous which together contributed growth in excess of $17.5m.

Political Risk and Miscellaneous not only registered the most significant growth but were also the most profitable at $1.6m (2014: $0.8m profit) and $0.8m (2014: $2.0m loss) respectively. However it was another overall underwriting loss of $5.2m (2014: $5.5m loss) for the division due to claims on the A&H ($4.2m loss), FI ($2.8m loss) and PI ($0.6m loss) accounts.

Although disappointing, the nature of the losses reflects the current global economic turmoil rather than underlying systemic issues and the Syndicate remains confident in the value provided by its strongest source of growth for the years ahead.

Financial Review (continued)

Property D&F

$000	2015	2014*
Gross Premium Written	4,599	9
Net Premium Earned	1,022	435
Net Claims Incurred	(557)	1,226
Net Commission	(219)	25
Net Underwriting Result	**245**	**1,686**
Claims Ratio	54.5%	-282%
Commission Ratio	21.4%	-5.7%

* 2014 run-off result of previously discontinued book

Property Direct & Facultative is another key area of future growth for the Syndicate and represents the return of a previously discontinued division. A dedicated underwriting team has been recruited and started writing new business in the third quarter, contributing $4.6m to GWP and promising significantly more for 2016.

Investment Income Review

$000	2015	2014
Interest Income	9,454	6,853
Realised Gains/(Losses)	(3,909)	(951)
Unrealised gains(losses)	(3,948)	(575)
Gross Investment Return	**1,598**	**5,326**
Fees	(743)	(481)
Net Investment Return	**855**	**4,845**
Avg Cash and Investments	438,901	391,015
Return	**0.4%**	**1.4%**

A Strategic Asset Allocation review resulted in the repositioning of the portfolio. With the introduction of additional duration and credit broadening, better yields have been achieved in what continues to be a historically low interest rate environment. A modest allocation to equities has also been introduced to further diversify the portfolio.

Interest income in the bond portfolio increased significantly to $9.5m (2014: $6.9m), representing an average coupon rate of 2.2% (2014: 1.7%). The corollary to the improved interest yield was extra volatility and the Syndicate's unrealised losses of $3.9m at year end served to offset much of the additional income generated.

Strong market-wide economic headwinds impacted the bond portfolio. Concerns for global growth led by China and the crash in commodities prices led to widened corporate spreads. An upward shift in the yield curve following the December increase in US interest rates also had an adverse impact on closing valuations.

The Syndicate considers these fluctuations to be temporary only, with no impact on the fundamental underlying value of its holdings and as a result, anticipates strong returns for the future.

Operating Expenses Review

000s	2015	2014
Admin Expenses GBP	£28,688	£28,221
Conversion Rate	1.53	1.65
Admin Expenses USD	$43,893	$46,565
Foreign Exchange Loss	$756	$632
Operating Expenses	**$44,649**	**$47,197**

Administrative Expenses

Administrative Expenses of $43.9m (2014: $46.6m) consisted primarily of staff costs, including those related to the acquisition of new insurance contracts such as underwriters' salaries.

The reduction was primarily due to the effects of foreign exchange. The Syndicate's expense base is predominantly sterling (GBP) denominated and the significant strengthening of the US Dollar (USD) served to depress its converted value.

The Syndicate attracted talented individuals in key areas identified as sources for growth, such as Property D&F and Singapore, which brought year-end headcount to 130 (2014: 117). This led to an increase in underlying expenses partially offset by a reduction in performance related remuneration.

Net Foreign Exchange Gain/(Loss)

Foreign exchange contributed an overall loss of just $0.8m (2014: $0.6m loss) despite the large fluctuations in rates observed in 2015. The Syndicate does not speculate on foreign currency and matches assets and liabilities at an individual currency level, holding its surplus in USD, thereby largely mitigating the effects of movements in exchange rates.

Richard Sutlow
Chief Financial Officer

Managing Agent's Report

The Directors of Antares Managing Agency Limited ('the Managing Agent') present their Report for the year ended 31 December 2015.

Directors

The names of the Directors who served during the year can be found in the Directors and Administration information on page 3.

Directors' Interests

None of the Directors hold any interests in Antares Managing Agency Limited.

The Managing Agent

The Managing Agent is Antares Managing Agency Limited, whose registered office is 10 Lime Street, London, EC3M 7AA and registered number is 6646629.

Results

The Syndicate reports a fourth successive year of profitable performance in 2015. The Syndicate produced a profit of $9.9m (2014: $32.9m). The detailed results for the year and the key financial performance indicators during the year are set out in the Financial Review, pages 10 to 12.

Review of the Business

Syndicate 1274 is a provider of global insurance and reinsurance products. The Antares Group supports the majority of the capacity of Syndicate 1274. The parent company of the Antares Group is Antares Holdings Limited, a Bermuda registered company. Antares Holdings Limited is wholly owned by Qatar Insurance Company SAQ (QIC), a publicly listed composite insurer listed on the Qatar Exchange.

In line with the Antares Group's objective and strategy, the Syndicate contributes to the Group's strategy of controlled, profitable growth. The Syndicate provides a worldwide, diversified, range of insurance and reinsurance products and is dedicated to providing an efficient and effective service to its clients ensuring quality, security, continuity and a consistent approach to risk transfer.

A review of the Syndicate's business, and development during the year, is set out in the Managing Director's Overview, Active Underwriter's Review and Financial Review sections on pages 4 to 12. This includes information on key performance indicators and such information and analysis is hereby incorporated by reference into this report.

Financial Instruments

Details of financial instruments are provided in Note 22 to the accounts.

Going Concern

In assessing the going concern for the Syndicate, the Directors reviewed the budgets and forecasts as well as the available sources of capital and the uses of that capital and associated cash flow for the Syndicate. After consideration of these factors and the support of the shareholders of the Antares Group, the Directors have concluded that it is appropriate to adopt the going concern basis of accounting.

Events after the Reporting Period and Future Developments

There are no events that are material to the operations of the Syndicate that have occurred since the reporting date (Note 25). The directors of the Syndicate do not anticipate any change to its strategy and will continue to maintain a balanced portfolio for 2016.

Principal Risk and Uncertainties

The Syndicate's activities expose the business to a number of risks which have the potential to affect the achievement of the business objectives. The Board of the Managing Agency (the AMAL Board) is responsible for maintaining an appropriate structure for managing these risks and acknowledges that it is not possible to eliminate risk(s) entirely. However, the AMAL Board seeks to manage risk in line with risk appetite by maintaining effective systems and controls.

Risk Categories

The Syndicate is exposed to risk in the following categories:

Underwriting Risk is defined as the risk that the frequency and severity of insured events exceeds the expectations of Syndicate 1274 at the time of underwriting.

Reserving Risk is defined as the risk of loss due to the previously established reserves for claims reported on previously exposed business turning out to be incorrect in terms of quantum or timing.

Claims Management Risk is the risk of loss or regulatory breach due to inappropriate claim management process and/or inadequate governance.

Credit Risk is defined as the risk of loss due to counterparty default or failure to fulfil their obligations. This is the risk of loss or of adverse change in AMAL's financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which AMAL is exposed, in the form of counterparty default risk, spread risk, or market risk concentrations.

Managing Agent's Report (continued)

Market Risk is defined as the risk of loss, or of adverse change in the financial situation, resulting directly or indirectly from fluctuations in the volatility of market prices of assets, liabilities and financial instruments. It is the risk that the value of AMAL's basic own funds changes unfavourably, due to economic factors such as variations in interest rates.

Liquidity Risk is defined as the risk of loss, or inability to realise investments and other assets, in order to settle financial obligations when they fall due.

Operational Risk is defined as the risk of loss arising from inadequate or failed internal processes, people, and systems or from external events impacting AMAL's ability to operate. This risk encompasses all functions rendered in the course of conducting business. This includes legal and regulatory risk, but excludes risks arising from strategic and reputational risk.

Strategic Risk is defined as: the risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions. This risk is a function of the compatibility between AMAL's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, the quality of implementation and appropriateness of response to changing business conditions. This includes reputational risk that is recognised as a by-product of inappropriate and/or inadequate management and mitigation of other risk categories.

Regulatory risk is the risk that the Managing Agency fails to meet the regulatory requirements of the Financial Conduct Authority, the Prudential Regulation Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Antares Managing Agency Limited has a Compliance department that monitors regulatory developments and assesses the impact on agency policy.

Reputational Risk

AMAL recognises reputational risk as a by-product of inappropriate/inadequate management and mitigation of all other risk categories.

Risk Governance

The AMAL Board is ultimately responsible for ensuring the effective management and control of risk affecting the Syndicate. The AMAL Board is committed to maintaining sound risk management and control systems that are suitable, effective and proportionate to protect the interests of all stakeholders. The AMAL Board has, for practical reasons, delegated its day-to-day responsibility for different aspects of the risk management to committees and the senior management.

Refer to Note 22 – Risk Management for more information on how the Syndicate 1274 monitors, controls, mitigates and manages the risks described above.

Disclosure of Information to the Auditors

The Directors each confirm that:

- so far as they are aware, there is no relevant audit information of which the Syndicate's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Auditors

The Managing Agent intends to reappoint Deloitte LLP as the Syndicate's auditors.

By order of the Board

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J M Linsao

Company Secretary

17 February 2016

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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;

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 annual accounts; and

4. prepare the 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 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 Syndicate 1274

We have audited the syndicate annual financial statements for the year ended 31 December 2015 which comprise Statement of Comprehensive Income, Statement of Financial Position and the Statement of Cash Flows and the related notes 1 to 25. 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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the syndicate's members, as a body, in accordance with regulation 10 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's 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, the managing agent is responsible for the preparation of syndicate annual financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate annual financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate annual financial statements

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

Opinion on syndicate annual financial statements

In our opinion the annual financial statements:

- give a true and fair view of the syndicate's affairs as at 31 December 2015 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.

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 financial statements are prepared is consistent with the annual financial statements.

Independent Auditor’s Report to the Members of Syndicate 1274 (continued)

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 requires us to report to you, if in our opinion:

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

Andrew Downes ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
17 February 2016

Statement of Comprehensive Income
For the year ended 31 December 2015

Technical Account – General Business	Notes	2015 $000	2014 As restated $000
Earned Premium, Net of Reinsurance			
Gross Premium Written	4	400,080	413,450
Outward Reinsurance Premium		(43,218)	(44,977)
Net Premiums Written		**356,862**	**368,473**
Change in the Provision for Unearned Premium			
Gross Amount		(19,082)	(25,484)
Reinsurers' Share		(1,639)	(1,827)
Net Change in Provision for Unearned Premium		**(20,721)**	**(27,311)**
Earned Premiums, Net of Reinsurance		**336,141**	**341,162**
Allocated Investment Return Transferred from the Non-Technical Account		**855**	**4,846**
Claims Incurred, Net of Reinsurance			
Claims Paid			
Gross Amount		(175,835)	(168,546)
Reinsurers' Share		31,125	28,672
Net Claims Paid		**(144,710)**	**(139,874)**
Change in the Provision for Claims			
Gross Amount		(46,842)	(40,475)
Reinsurers' Share		(19,835)	(13,697)
Net Change in the Provision for Claims	5	**(66,677)**	**(54,172)**
Claims Incurred, Net of Reinsurance		**(211,387)**	**(194,046)**
Net Operating Expenses	6	**(114,956)**	**(118,383)**
Balance on the Technical Account – General Business		**10,652**	**33,579**

All the amounts above are in respect of continuing operations.

Statement of Comprehensive Income
For the year ended 31 December 2015

Non - Technical Account	Notes	2015 $000	2014 $000
Balance on General Business Account		10,652	33,579
Investment Income	10	5,547	5,902
Unrealised Losses	10	(3,948)	(574)
Investment Expenses and Charges	10	(744)	(482)
Allocated Investment Return Transferred to General Business Technical Account		(855)	(4,846)
Exchange Losses		(756)	(632)
Profit for the Financial Year		**9,896**	**32,947**

The Syndicate has no other comprehensive income other than the profit for the year.

Statement of Financial Position - Assets

at 31 December 2015

	Notes	2015 $000	2014 As restated $000
Investments			
Financial Investments	9	391,120	336,481
Deposits with Ceding Undertakings		457	513
Reinsurers' Share of Technical Provisions			
Provision for Unearned Premiums	15	9,120	10,962
Claims Outstanding	15	61,043	83,207
		70,163	**94,169**
Debtors			
Debtors Arising out of Direct Insurance Operations	12	152,823	143,249
Debtors Arising out of Reinsurance Operations		55,897	55,477
Other Debtors		24	3,259
		208,744	**201,985**
Other Assets			
Cash and Cash Equivalents	13	43,899	51,749
Overseas Deposits	14	28,575	25,977
Prepayments and Accrued Income			
Other Prepayments and Accrued Income		2,530	2,198
Deferred Acquisition Costs	16	43,494	39,526
		46,024	41,724
Total Assets		**788,983**	**752,598**

Statement of Financial Position – Liabilities
at 31 December 2015

	Notes	2015	2014
			As restated
		$000	$000
Capital and Reserves			
Members' Balances	17	40,122	51,547
Technical Provisions			
Provision for Unearned Premiums	15	197,087	183,381
Claims Outstanding	15	477,796	446,119
		674,883	**629,500**
Deposits Received from Reinsurers		1,008	554
Creditors			
Creditors Arising out of Direct Insurance Operations	18	29,240	27,571
Creditors Arising out Reinsurance Operations		25,365	27,245
Other creditors		18,365	16,181
		72,970	**70,997**
Total Liabilities		**788,983**	**752,598**

The annual accounts on pages 18 to 47 were approved by the Board of Antares Managing Agency Limited on 17 February 2016 and signed on its behalf by:

S D Redmond
Managing Director

17 February 2016

R A Sutlow
Chief Financial Officer

17 February 2016

Statement of Cash Flows
at 31 December 2015

	2015	2014
		As restated
	$000	$000
Operating Result	**9,896**	**32,947**
Adjustments for non-cash items		
Unrealised (gains)/losses on investments	3,948	575
Changes in working capital		
Increase/(decrease) in gross technical provisions	65,925	65,957
(Increase)/decrease reinsurers' share of gross technical provisions	21,474	15,523
(Increase)/decrease in debtors	(17,571)	(30,518)
Increase/(decrease) in creditors	4,501	(4,511)
Movement in other assets/liabilities	486	(208)
Investment return	(4,802)	(5,421)
Net cash flows from operating activities	**83,857**	**73,344**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equity and debt instruments	(618,551)	(527,417)
Sale of equity and debt instruments	544,566	480,200
Investment income received	5,545	5,902
Other	(743)	(481)
Net cash flows from investing activities	**(69,183)**	**(41,796)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution profit	(21,320)	(15,372)
Other recognised gain	-	(92)
Net cash flows from financing activities	**(21,320)**	**(15,464)**
Cash and cash equivalents at beginning of year	51,749	40,981
Effect of exchange rate fluctuations on cash and cash equivalents	(1,204)	(6,315)
Cash and cash equivalents at end of year	**43,899**	**51,749**
Cash at bank and in hand	43,899	51,749
Cash and cash equivalents at end of year	**43,899**	**51,749**

Notes to the Annual Accounts
at 31 December 2015

1. Managing Agent and Syndicate Information

The Managing Agent of Syndicate 1274 is Antares Managing Agency Limited ("AMAL"), whose registered office is 10 Lime Street, London, EC3M 7AA and registered number is 6646629. AMAL is a wholly owned subsidiary of Qatar Insurance Company SAQ ("QIC"), an insurance group listed on the Qatar Exchange.

The principal activity of Syndicate 1274 is the transaction of general insurance and reinsurance business in the United Kingdom.

2. 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102").

The annual accounts have been prepared on a going concern basis and a historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The Syndicate presents its annual accounts as an individual undertaking and not about its group.

This is the first year in which the financial statements have been prepared under FRS 102. Concurrently with the transition to FRS 102, the Syndicate changed its functional currency from Sterling to US Dollar on 1 January 2014. The Syndicate 2015 annual accounts are being presented for the first time in US Dollar in the 2015 annual report. Refer to Note 23 for an explanation of these transitions.

3. Accounting Policies

(a) 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. Premiums include estimates for pipeline premiums, representing amounts due to the Syndicate not yet notified.

(b) Unearned premiums

Written premiums are recognised as earned according to the risk profile of the 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.

(c) Reinsurance premium ceded

Outwards reinsurance premiums are earned according to the type of policy. For losses occurring during (LOD) contracts the premium is earned on a straight line basis over the period of coverage. For risks attaching during (RAD) contracts the premium is earned in line with the gross premiums earned to which the risks attaching contract relates.

Notes to the Annual Accounts

at 31 December 2015

(d) Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with FRS 102 and 103 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. The estimates and associated assumptions are based on historical experience and other factors as deemed reasonable and appropriate. The results of these factors allow judgements to be made in respect of the carrying values of assets and liabilities that are not readily apparent from other sources. The nature of estimation means that actual outcomes could differ from those estimates. Uncertainties exist where current valuations are dependent on estimates of future results.

The Syndicate's areas of estimation primarily relate to valuation of liabilities in respect of insurance and reinsurance contracts and valuation of investments.

The estimates and assumptions are reviewed on an ongoing basis. To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related assets, liability or equity item in the period of change.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below and in Note 22 Risk Management.

(d) (i) 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. 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 two most critical assumptions regarding 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.

Notes to the Annual Accounts
at 31 December 2015

(d) (ii) Financial investments

The Syndicate classifies its investments as financial assets measured at fair value through profit or loss.

The Syndicate investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value at each reporting date. Fair value adjustments and realised gains and loss are recognised in the Income Statement.

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Refer to Note 22 Risk Management for details on the Fair Value Hierarchy and fair value measurement criteria.

The Syndicate measures the fair value of its financial assets based on market data from independent pricing services. The pricing services used obtain the actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.

The Syndicate does not hold any derivative financial assets.

(e) 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.

(f) 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 year end.

(g) Foreign Currencies

The Syndicate’s functional currency and presentational currency is US Dollars.

Foreign currency transactions are recorded in the functional currency using the exchange rates prevailing at the date of the transactions, or at the average rate for the period when this is a reasonable approximation. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are translated at period end exchange rates. Non-monetary assets and liabilities carried at historical cost denominated in a foreign currency are translated at historic rates. Non-monetary assets and liabilities carried at estimated fair value denominated in a foreign currency are translated at the exchange rate at the date the estimated fair value was determined.

Exchange differences are recorded in the non-technical account.

Notes to the Annual Accounts
at 31 December 2015

(h) Investment Return

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

Realised gains and losses on investments 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.

(i) Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic-rate income tax from trading income. In addition, all UK basic-rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to 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.

(j) Pension Costs

Antares Underwriting Services Limited operates a defined contribution scheme for staff working on behalf of Antares Syndicate 1274. Pension contributions relating to these members of staff are charged to the Syndicate and included within net operating expenses. Antares Underwriting Services Limited is a wholly owned subsidiary within the Antares Group.

Notes to the Annual Accounts
at 31 December 2015

4. Segmental Analysis

An analysis of the underwriting result before investment return for 2015 and 2014 is set out below:

2015	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
Marine, Aviation and Transport	192,482	199,696	(118,670)	(61,156)	(15,661)	4,209	(263,689)
Reinsurance	64,956	64,375	(12,066)	(14,082)	(12,907)	25,320	(57,490)
Specialty	138,044	115,928	(91,458)	(37,873)	(4,948)	(18,351)	(277,934)
Property	4,599	999	(483)	(1,845)	(52)	(1,381)	(5,607)
	400,080	**380,998**	**(222,677)**	**(114,956)**	**(33,568)**	**9,797**	**(604,720)**

2014 – as restated	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
Marine, Aviation and Transport	226,175	214,331	(103,988)	(67,488)	(14,507)	28,348	(248,242)
Reinsurance	73,146	73,953	(26,657)	(19,951)	(11,884)	15,461	(62,603)
Specialty	114,120	99,673	(81,546)	(30,969)	(3,919)	(16,761)	(222,600)
Property	9	9	3,170	25	(1,519)	1,685	(1,886)
	413,450	**387,966**	**(209,021)**	**(118,383)**	**(31,829)**	**28,733**	**(535,331)**

Commissions on direct insurance gross premiums earned were $69,325,000 during 2015 and $70,721,000 during 2014.

Gross Operating Expenses include reinsurance commissions receivable and foreign exchange.

All premium transactions were concluded in the UK.

Notes to the Annual Accounts
at 31 December 2015

4. Segmental Analysis (continued)

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

	2015	2014
	$000	$000
UK	64,053	63,678
Other EU Countries	44,382	50,016
US	93,390	95,584
Central & South America	37,804	42,879
Japan	12,896	14,972
Australia	17,029	19,303
Other	130,526	127,018
Total	**400,080**	**413,450**

5. Change in Net Provision for Claims

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

	2015	2014
	$000	$000
Outstanding Claims	40,523	8,334
Claims Incurred but not Reported	24,347	44,868
Claims Handling Expenses Provision	1,807	970
Change in Net Provision for Claims	**66,677**	**54,172**

The movement in the net provision for claims includes a release of $6,284,000 in respect of claims outstanding at the previous year end (2014: release $7,492,000). The release comprises net claim reductions including the change in claims incurred but not reported ('IBNR').

Notes to the Annual Accounts
at 31 December 2015

6. Net Operating Expenses

	2015	2014
	$000	$000
Acquisition costs	77,063	80,750
Change in deferred acquisition costs	(4,892)	(7,675)
Acquisition costs – other	14,549	12,822
Change in deferred acquisition costs – other	(503)	(318)
Administrative expenses	29,847	34,061
	116,064	**119,640**
Reinsurance commissions receivable	(1,108)	(1,257)
Net operating expenses	**114,956**	**118,383**

Administrative Expenses Include:

	2015	2014
	$000	$000
Auditors' Remuneration		
Audit Services	307	406
Actuarial and Tax Services	-	-
Members' Standard Personal Expenses (Lloyd's Subscription, New Central Fund Contributions, Managing Agent's Fees and Profit Commission)	4,016	4,097

7. Staff Numbers and Costs

All staff are employed by Antares Underwriting Services Limited and Antares Underwriting Asia PTE Limited. The following amounts were recharged to the Syndicate in respect of salary costs:

	2015	2014
	$000	$000
Wages and Salaries	22,060	24,168
Social Security Costs	2,931	3,267
Other Pension Costs	1,668	1,957
Other Staff Costs including Recruitment, Training and Medical Insurance	1,698	2,313
	28,357	**31,705**

Notes to the Annual Accounts
at 31 December 2015

Staff Numbers and Costs (continued)

The average number of employees employed by Antares Underwriting Services Limited and working for the Syndicate during the year was as follows:

	2015	2014
	Number	Number
Executive	5	5
Underwriting	41	35
Underwriting Support and Claims	31	28
Finance and Administration	50	42
	127	**110**

8. Emoluments of the Directors of Antares Managing Agency Limited

The Directors of Antares Managing Agency Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2015	2014
	$000	$000
Total Emoluments	**5,942**	**6,740**

The active underwriter received the following remuneration charged as a syndicate expense:

	2015	2014
	$000	$000
Total Emoluments	**1,169**	**1,106**

No advances or credits granted by the Managing Agent to any of its Directors subsisted during the year.

9. Financial Investments

	Market Value		Cost	
	2015	2014	2015	2014
	$000	$000	$000	$000
Shares and Other Variable Yield Securities and Units in Unit Trusts	64,896	26,587	64,468	25,444
Debt Securities and other Fixed Income Securities	298,338	284,807	301,892	286,184
Participation in Investment Pools	27,886	25,087	27,886	25,087
	391,120	**336,481**	**394,246**	**336,715**

Notes to the Annual Accounts
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10. Investment Income and Expenses

	2015	2014
	$000	$000
Investment Income		
Income from Investments	9,454	6,852
Realised Losses on Investments	(3,907)	(950)
Unrealised Losses on Investments	(3,948)	(574)
	1,599	**5,328**
Investment Expenses and Charges		
Investment Management Expenses	(744)	(482)

11. Calendar Year Investment Yield

The average amount of syndicate funds available for investment during 2015 and the investment return and yield for that calendar year was as follows:

	2015	2014
	$000	$000
Average Fund	437,898	397,192
Investment Return	1,599	5,383
Calendar Year Investment Yield	0.4%	1.4%
Average Funds Available for Investment by Currency		
United States Dollars and Other	$335,012	$304,343
Sterling	£50,469	£47,392
Canadian Dollars	C$27,399	C$21,948
Analysis of Calendar Year Investment Yield by Fund	%	%
United States Dollars and Other	0.3	0.8
Sterling	0.3	1.9
Canadian Dollars	1.0	1.2

“Average fund” is the average of bank balances, overseas deposits and investments held during the calendar year.

Notes to the Annual Accounts
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12. Debtors Arising out of Direct Insurance Operations

	2015	2014
	$000	$000
Due from Intermediaries	**152,823**	**143,249**

There were no balances due from policyholders arising out of direct insurance operations as at 31 December 2015 (2014: $nil).

13. Cash and Cash Equivalents

Cash and cash equivalents include cash at bank and in hand, as well as other short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes as per the FRS 102 standard. The cash equivalents include selected balances of holdings in collective investment schemes meeting the cash equivalent criteria.

14. Overseas Deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries. These assets are managed by Lloyd's on a pooled basis and are predominantly invested in fixed income securities.

15. Insurance Contracts and Reinsurance Contracts

	2015			2014		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
Claims Outstanding	477,796	61,043	416,753	446,119	83,207	362,912
Provision for Unearned Premiums	197,087	9,120	187,967	183,381	10,962	172,419
	674,883	**70,163**	**604,720**	**629,500**	**94,169**	**535,331**
Contracts due no more than 12 months after the reporting date	432,372	52,882	379,490	416,792	57,813	358,979
Contracts due more than 12 months after the reporting date	242,511	17,283	225,228	212,708	36,356	176,352
	674,883	**70,163**	**604,720**	**629,500**	**94,169**	**535,331**

Notes to the Annual Accounts
at 31 December 2015

16. Insurance Contracts and Reinsurance Contracts (continued)

(a) Movement in Claims Outstanding

	2015			2014		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
Balance at 1 January	446,119	83,207	362,912	421,587	99,119	322,468
Movements During the Year	46,843	(19,835)	66,678	40,475	(13,697)	54,172
Impact of Foreign Exchange	(15,166)	(2,329)	(12,837)	(15,943)	(2,215)	(13,728)
Balance at 31 December	**477,796**	**61,043**	**416,753**	**446,119**	**83,207**	**362,912**

(b) Movement in Unearned Premium

	2015			2014		
	Insurance Contract Liabilities	Reinsurance Contracts	Net	Insurance Contract Liabilities	Reinsurance Contracts	Net
	$000	$000	$000	$000	$000	$000
Balance at 1 January	183,381	10,962	172,419	163,447	13,111	150,336
Premiums Written During the Year	400,080	43,218	356,862	413,450	44,977	368,473
Premiums Earned During the Year	(380,998)	(41,579)	(339,419)	(387,966)	(46,804)	(341,162)
Impact of Foreign Exchange	(5,376)	(3,481)	(1,895)	(5,550)	(322)	(5,228)
Balance at 31 December	**197,087**	**9,120**	**187,967**	**183,381**	**10,962**	**172,419**

Notes to the Annual Accounts
at 31 December 2015

17. Deferred Acquisition Costs

	2015	2014
	$000	$000
Balance as 1 January	39,526	32,683
Charges during the year	5,306	8,202
Impact of Foreign Exchange	(1,338)	(1,359)
Deferred Acquisitions Costs	**43,494**	**39,526**

18. Reconciliation of Members' Balances

	Total Balance
	$000
Members' Balances Carried Forward at 1 January 2014	34,065
Settlement of 2011 Year of Account Profit	(15,372)
Other Recognised Gains	(92)
2014 Financial Year Profit	32,946
Members' Balances Carried Forward at 31 December 2014	**51,547**
Settlement of 2012 Year of Account Profit	(21,321)
2015 Financial Year Profit	9,896
Members' Balances Carried Forward at 31 December 2015	**40,122**

Members participate on syndicates by reference to Years of Account and their forecast 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.

19. Creditors Arising out of Direct Insurance Operations

	2015	2014
	$000	$000
Due to Intermediaries	**29,240**	**27,571**

There were no balances due to policyholders arising out of direct insurance operations as at 31 December 2015 (2014: £nil).

Notes to the Annual Accounts
at 31 December 2015

20. Related Parties

a) Related party insurance and reinsurance transactions with Syndicate 1274

During the year the Syndicate entered into transactions in the ordinary course of business with Qatar Insurance Company SAQ (QIC) as well as Qatar Reinsurance Company LLC (QRE), a subsidiary of QIC. QIC is the ultimate parent of the Antares Group that supports the majority of the capacity of Syndicate 1274.

	2015			**2014**		
	Qatar Insurance Company	Qatar Reinsurance Company LLC	Total	Qatar Insurance Company LLC	Qatar Reinsurance Company	Total
	$000	$000	$000	$000	$000	$000
Gross Written Premium	814	1	815	815	110	925
Reinsurance Written Premium	2,204	1,424	3,628	1	738	739
Gross Claims Paid	223	-	223	55	-	55
Reinsurance Recoveries	123	-	123	8	-	8
Gross Claims Outstanding	249	37	286	141	92	233
Reinsurance Claims Outstanding	509	261	770	223	-	223
Due from Related Party	64	-	64	689	6	695
Due to Related Party	-	(498)	(498)	-	-	-

b) Other related transactions with Syndicate 1274

During 2015, managing agency fees were charged to the Syndicate as follows:

	2015	**2014**
	$000	$000
Antares Managing Agency Limited	**964**	**1,228**

Antares Managing Agency Limited also charged the Syndicate $38,550,000 (2014: $40,664,000) for expenses paid on its behalf. A balance of $7,899,000 was due to Antares Managing Agency Limited at 31 December 2015 (2014: $16,149,000) and $235,000 (2014: nil) was due to Antares Underwriting Asia PTE Ltd.

Notes to the Annual Accounts
at 31 December 2015

21. 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 based on FCA/PRA requirements and resource criteria. The amount of 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 annual accounts 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.

22. Risk Management

Principal Risk and Uncertainties

The Syndicate's activities expose the business to a number of risks which have the potential to affect the achievement of the business objectives. The Board is responsible for maintaining an appropriate structure for managing these risks and acknowledges that it is not possible to eliminate risk entirely. However, the Board seeks to manage risk in line with risk appetite by maintaining effective systems and controls.

The Syndicate is exposed to risk in the following categories:

Insurance Risk: Underwriting Risk is defined as: "The risk that the frequency and severity of insured events exceeds the expectations of Syndicate 1274 at the time of underwriting".

Reinsurance is an important risk mitigation tool employed by the Syndicate to reduce its exposure to Underwriting Risk. Reinsurance strategy is developed as part of the Three Year Business Plan and the Annual Business Plan, with reference to the overall risk appetite of the Syndicate, historical and projected future reinsurance costs, and potential sources of capital alternatives. The reinsurance strategy is approved by the AMAL Board and implemented by senior management.

The other risk mitigation techniques/tools in respect of the Underwriting Risk include: increasing diversification; altering limits and attachment points; and changing product mix (including classes of business and territories).

Underwriting Risk is managed through underwriting authorities, and both peer and independent expert review procedures. Pricing is determined through the use of bespoke pricing models. Underwriting authorities are monitored through systems which report adherence to individual underwriter limits (including contract limits and jurisdiction restrictions). Any delegated underwriting authorities are subject to diligence review, and regular audit.

Realistic Disaster Scenario (RDS) and Probable Maximum Loss (PML) limits are set to limit the exposure to underwriting risk. Aggregate and Class of Business exposures are assessed and monitored, in line with the Exposure Management Framework, to control the risk from the underwriting activities.

Detailed underwriting management information is prepared regularly, including metrics for the main components of risk. These include pricing, loss ratio selection, experience variations, cycle management, reinsurance protection and catastrophe modelling through proprietary software.

Notes to the Annual Accounts
at 31 December 2015

22. Risk Management (continued)

The table below sets out the concentration of outstanding claims liabilities by division:

	2015			2014		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
Marine, Aviation and Transport	183,048	17,567	165,481	157,550	14,488	143,062
Reinsurance	61,665	18,579	43,086	97,132	48,593	48,539
Specialty	230,992	24,814	206,178	189,384	19,960	169,424
Property	2,091	83	2,008	2,053	167	1,886
Total	**477,796**	**61,043**	**416,752**	**446,119**	**83,208**	**362,911**

The table below sets out the concentration of outstanding claims liabilities by geographic area:

	2015			2014		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
UK	76,495	9,773	66,722	68,709	12,815	55,894
Other EU countries	53,003	6,772	46,231	53,968	10,066	43,902
US	111,531	14,249	97,282	103,137	19,236	83,900
Central & South America	45,147	5,768	39,378	46,267	8,629	37,638
Japan	15,401	1,968	13,433	16,155	3,013	13,142
Australia	20,337	2,598	17,739	20,828	3,885	16,943
Other	155,882	19,915	135,967	137,055	25,563	111,492
Total	**477,796**	**61,043**	**416,752**	**446,119**	**83,208**	**362,911**

Notes to the Annual Accounts
at 31 December 2015

22. Risk Management (continued)

Insurance Risk: Reserving Risk is defined as: “The risk of loss due to the previously established reserves for claims reported on previously exposed business being incorrect in terms of quantum or timing”.

The Reserving Policy and Technical Provisions Framework, approved by the AMAL Board and the Finance Committee, sets out the detailed principles, methodologies, practice and governance arrangements for the estimation of reserves and technical provisions.

The reserving policy seeks to ensure consistency in reserving from year to year, and the equitable treatment of capital providers on closure of a Syndicate Year of Account.

Reserving risk is monitored by the robust application of actuarial methodologies, sign-off procedures, quarterly tracking of projected ultimate loss ratios and reassessment of methodologies where appropriate. Regular dialogue between actuaries, underwriters and claims adjusters also assists the process.

The claims liabilities are sensitive to a number of assumptions. A key, quantifiable, assumption is the average claim cost. If the average claim cost were to increase by 1%, Profit and Members’ Balances would be impacted by $4.2m (2014: $3.6m).

Insurance Risk: Claims Management Risk is the risk of loss or regulatory breach due to inappropriate claim management process and/or inadequate governance.

Claims related risks are managed through a number of control activities and Key Performance Indicators that range from claim authority and claims processing time to potential significant loss event reporting and outstanding case reserve monitoring.

Claims development tables are shown on an underwriting year basis; these set out the development of claims over time on a gross and net of reinsurance basis (without any adjustment for any impact from changes to projected premiums). These claims are shown on an earned basis for each successive development year. Balances have been translated at exchange rates prevailing at 31 December 2015 in all cases.

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22. Risk Management (continued)

Whole Account Underwriting Year	2008	2009	2010	2011	2012	2013	2014	2015	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000
Gross Claims									
Estimate of incurred gross claims									
At the end of underwriting year	145,525	76,734	103,151	99,131	104,249	105,158	104,370	103,804	
One year later	197,353	168,750	204,437	158,138	161,088	174,280	196,949	-	
Two years later	198,701	152,575	209,507	169,679	177,925	188,149	-	-	
Three years later	213,215	165,105	168,472	176,942	178,987	-	-	-	
Four years later	215,229	168,472	212,018	180,368	-	-	-	-	
Five years later	207,275	163,679	212,521	-	-	-	-	-	
Six years later	212,551	167,218	-	-	-	-	-	-	
Seven years later	213,518	-	-	-	-	-	-	-	
Gross paid claims position									
At the end of underwriting year	21,568	6,882	17,452	12,108	10,122	18,048	11,885	6,822	
One year later	69,555	59,213	73,168	57,567	63,789	63,749	62,365	-	
Two years later	112,968	91,542	123,613	101,464	105,931	106,410	-	-	
Three years later	138,870	116,652	122,265	123,386	131,423	-	-	-	
Four years later	153,036	122,265	165,539	139,060	-	-	-	-	
Five years later	170,784	134,042	185,159	-	-	-	-	-	
Six years later	185,170	144,285	-	-	-	-	-	-	
Seven years later	188,195	-	-	-	-	-	-	-	
Gross claims reserve	**25,324**	**22,933**	**27,362**	**41,308**	**47,564**	**81,739**	**134,584**	**96,982**	**477,795**

Notes to the Annual Accounts
at 31 December 2015

22. Risk Management (continued)

Whole Account Underwriting Year	2008	2009	2010	2011	2012	2013	2014	2015	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000
Net Claims									
Estimate of ultimate gross claims									
At the end of underwriting year	97,380	65,621	78,735	83,035	71,150	95,710	91,523	96,823	
One year later	158,722	125,800	152,830	137,207	124,380	164,880	185,015	-	
Two years later	160,835	116,660	149,689	143,701	142,819	182,026	-	-	
Three years later	196,100	123,052	127,650	148,288	145,020	-	-	-	
Four years later	171,153	127,650	150,214	151,991	-	-	-	-	
Five years later	169,096	123,071	148,117	-	-	-	-	-	
Six years later	172,230	122,320	-	-	-	-	-	-	
Seven years later	173,240	-	-	-	-	-	-	-	
Net paid claims position									
At the end of underwriting year	20,008	5,825	14,560	12,108	10,122	17,564	11,885	6,747	
One year later	53,568	52,379	64,043	52,993	51,574	62,718	62,364	-	
Two years later	90,975	74,197	102,450	87,962	85,137	104,076	-	-	
Three years later	112,488	94,949	97,397	102,017	106,283	-	-	-	
Four years later	124,633	97,397	126,590	115,036	-	-	-	-	
Five years later	137,141	108,183	128,666	-	-	-	-	-	
Six years later	148,240	113,502	-	-	-	-	-	-	
Seven years later	151,126	-	-	-	-	-	-	-	
Net claims reserve	**22,114**	**8,818**	**19,450**	**36,955**	**38,738**	**77,950**	**122,651**	**90,076**	**416,752**

Credit Risk is defined as: “The risk of loss due to counterparty default or failure to fulfil their obligations”. This is the risk of loss or of adverse change in the Syndicate’s financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which the Syndicate is exposed, in the form of counterparty default risk, spread risk, or market risk concentrations.

Syndicate Investment Guidelines are approved by the AMAL Board and include details of permitted securities (including limits), minimum credit ratings and maximum concentrations, to mitigate credit and counterparty default risk exposures in respect of the investment portfolio. Adherence to these guidelines is monitored on a monthly basis.

Notes to the Annual Accounts
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22. Risk Management (continued)

The Syndicate deals only with brokers that are registered with Lloyd's and with which it has a current, signed Terms of Business Agreement (TOBA). The financial standing of the brokers, their payment performance and adherence to approved procedures is monitored and all exceptions are escalated to the Security Committee, which recommends a bad and doubtful debt provision to be applied against amounts due from brokers.

The Security Committee sets reinsurer exposure thresholds based on credit ratings. This is supported by placing limits on exposure to a single reinsurer in respect of the largest Realistic Disaster Scenario exposures. Reinsurer exposures are monitored on a regular basis and reported to the Security Committee, which considers the ongoing appropriateness of the thresholds and agrees strategies for reducing exposure in respect of any breaches. The Security Committee also monitors the creditworthiness of approved reinsurers, their payment performance and sets out bad debt write-off provisions. All commutation agreements are approved by the Finance Committee.

The Syndicate's maximum exposure to counterparty credit risk analysed by credit quality is detailed below.

As at 31 December 2015	**AAA**	**AA**	**A**	**BBB & Below**	**Lloyd's syndicates**	**Unrated**	**Total**
	$000	$000	$000	$000	$000	$000	$000
Financial investments	124,453	5,849	166,088	123,305	-	-	419,695
Cash and cash equivalents	13,472	-	21,169	9,258	-	-	43,899
Insurance and other receivables	-	-	-	-	-	209,200	209,200
Reinsurance contracts assets	-	202	27,058	-	25,937	7,847	61,043
	137,925	**6,051**	**214,315**	**132,563**	**25,937**	**217,047**	**733,838**

As at 31 December 2014	**AAA**	**AA**	**A**	**BBB & Below**	**Lloyd's syndicates**	**Unrated**	**Total**
	$000	$000	$000	$000	$000	$000	$000
Financial investments	185,045	54,819	64,321	56,623	-	1,650	362,458
Cash and cash equivalents	10,511	833	33,857	6,548	-	-	51,749
Insurance and other receivables	-	-	-	-	-	202,498	202,498
Reinsurance contracts assets	-	7,225	26,156	-	42,904	6,922	83,208
	195,557	**62,877**	**124,335**	**63,171**	**42,904**	**211,070**	**699,913**

Overdue reinsurance receivables, including premiums and claims, were as follows:

Overdue Reinsurance Receivable	**0-1 month**	**2-3 months**	**4-6 months**	**7-12 months**	**Total**
	$000	$000	$000	$000	$000
At 31 December 2015	**485**	**(887)**	**2,009**	**(50)**	**1,557**
At 31 December 2014	(585)	1,297	679	-	1,391

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22. Risk Management (continued)

Market Risk is defined as: "The risk of loss, or of adverse change in the financial situation, resulting directly or indirectly from fluctuations in the volatility of market prices of assets, liabilities and financial instruments". Market risk is driven by currency risk, interest risk, and spread risk as follows:

Currency Risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the level, or in the volatility of, currency exchange rates.

The Syndicate underwrites a significant proportion of business in currencies other than US Dollars, which gives rise to a potential exposure to currency risk. In addition, the Syndicate has a natural currency mismatch, as a higher proportion of its expenses are incurred in Sterling.

The most significant non-US Dollar currency exposure relates to Sterling and Euro.

Currency risk is controlled through an Asset Liability Matching (ALM) process. The ALM process is performed on a quarterly basis to achieve alignment of assets and liabilities in currency, to address any mismatch between currency premiums and claims, and the natural mismatch between US Dollar income and Sterling expenses. The income and expenditure process is performed on an annual basis and, in particular, endeavours to align the currency mix of outward reinsurance premiums paid with that of related inwards premium received. AMAL does not specifically target asset liability matching for duration. Benchmarks are broadly in line with average liabilities on the main trust fund assets, and deliberate mismatching is viewed as a valid strategy to limit any losses arising from interest rate risk and, where possible, to enhance returns.

If the Sterling and the Euro were to weaken against the US Dollar by 10%, with all other variables constant, profit would be lower by an estimated $0.5 million (2014: $1.2 million). This analysis is based on the current information available and the assumptions in making this assessment are:

- The closing year-end spot rates and average rates throughout the year are 10% higher
- There is no active hedging of currency during the period
- The analysis includes an estimate of the impact on foreign borrowings
- The impact of foreign exchange movements on non-monetary items is assumed to be nil

Interest Risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates.

Interest rate risk is the risk that the value and/or future cash flows of a financial instrument will fluctuate due to changes in interest rates. The Syndicate's exposure to interest rate risk is spread across the Syndicate's investment portfolio, and cash and cash equivalents.

In managing interest rate risk, the Syndicate currently invests in short duration financial investments, cash and cash equivalents. Interest rate risk is controlled by imposing maximum duration limits to the conventional fixed income assets, as defined in the investment guidelines provided to investment managers.

Duration is a commonly used measure of risk and gives an indication of the likely sensitivity of the Syndicate's portfolio of fixed interest securities to changes in interest rates. The average duration for investment assets is 3.8 years (2014: 1.5 years).

The Syndicate's financial assets comprise a portfolio of fixed income securities, UCITS funds and bank deposits. The portfolio of fixed income securities is managed by professional fund managers, under a segregated investment mandate, and in accordance with guidelines approved by the AMAL Board. The guidelines permit investment in a range of fixed income investment products, including government securities, corporate bonds and asset backed securities, as well as a modest allocation to equities and other alternative investments.

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22. Risk Management (continued)

An increase of 50 basis points in interest rates, with all other variables constant, would decrease the valuation of the Syndicate's investments by an estimated 155 basis points. Therefore if interest rates were to increase by 0.5%, with all other variables constant, profit would be lower by an estimated $7.5 million (2014: $7.3 million).

A comparable decrease in interest rates would increase the valuation by an estimated 155 basis points.

Spread Risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.

Volatility (spread risk) is controlled by imposing Value at Risk (VaR) limits, at a specified confidence level and time period, to the overall investment funds. This is reviewed on a monthly basis by the Finance Committee.

Fair value hierarchy

The tables below summarise the fair value hierarchy for the Syndicate. The levels of the fair value hierarchy are defined as follows:

- Level 1 – Fair values are measured using quoted prices (unadjusted) in active markets for identical instruments
- Level 2 – When quoted prices are unavailable, fair values are measured using the price of a recent transaction for an identical instrument. The price can be adjusted if it can be demonstrated that the last transaction price is not a good estimate of fair value.
- Level 3 – Fair values measured using valuation techniques. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

The Syndicate measures the fair value of its financial assets based on prices provided by investment managers (who obtain market data from independent pricing services). These are reviewed by the finance team. The pricing services used by the investment manager obtain the actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.

At 31 December 2015:

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial investments	121,168	298,527	-	419,695

At 31 December 2014:

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial investments	161,443	201,015	-	362,458

Level 1 of the hierarchy includes all government bonds/bills only which are measured based on prices representing actual and regularly occurring market transactions. Level 2 of the hierarchy includes all other financial assets. The Syndicate has no Level 3 financial assets.

There have been no transfers between level 1 and level 2 in either direction in 2014 or 2015.

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22. Risk Management (continued)

Liquidity Risk is defined as: "The risk of loss, or inability to realise investments and other assets, in order to settle financial obligations when they fall due."

Liquidity policy includes a specific requirement to hold sufficient funds in working capital to meet the following quarter's estimated claims liabilities and this position is reviewed by the Finance Committee on a quarterly basis. Additionally, an annual stress test is performed to ensure that sufficient liquidity is maintained in order to meet a Realistic Disaster Scenario ("RDS") event without unnecessary cost to AMAL. Rolling 12-month cash flow projections, in each of the underlying main operating currencies, are prepared quarterly, reviewed against available liquid funds and used in the quarterly balance sheet asset liability matching exercise. The review recognises the restrictions placed on funds committed to meet Lloyd's overseas trust fund requirements. Liquidity requirements for all accounts and respective currency amounts are determined periodically via a process of analysis of historic daily settlements.

A summary showing the undiscounted expected timing of future cash flows is as follows (insurance contract liabilities and reinsurance contract assets have been analysed based on actuarial cash flow estimates):

At 31 December 2015:

	0-1years	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
	$000	$000	$000	$000	$000
Financial investments	86,722	143,003	32,999	128,396	391,120
Cash and cash equivalents	43,899	-	-	-	43,899
Overseas Deposits	28,575	-	-	-	28,575
Insurance and other receivables	252,671	-	-	-	252,671
Reinsurance contracts assets	52,881	7,376	7,631	2,275	70,163
Other assets	2,554	-	-	-	2,554
Total assets	467,302	150,379	40,630	130,671	788,983
Insurance contracts liabilities	432,372	141,862	79,330	21,318	674,883
Provisions, reinsurance and other payables	73,978	-	-	-	73,978
Total liabilities	506,350	141,862	79,330	21,318	748,860
Net assets	(39,048)	8,518	(38,751)	109,352	40,071

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22. Risk Management (continued)

At 31 December 2014

	< 1years	1-3 years	3-5 years	> 5 years	Total
	$000	$000	$000	$000	$000
Financial investments	135,246	1,597	136,161	89,454	362,458
Cash and cash equivalents	51,749	-	-	-	51,749
Insurance and other receivables	238,765	-	-	-	238,765
Reinsurance contracts assets	57,813	11,630	20,848	3,878	94,169
Other assets	5,457	-	-	-	5,457
Total assets	489,030	13,227	157,009	93,332	752,598
Insurance contracts liabilities	416,792	113,919	83,816	14,973	629,500
Provisions, reinsurance and other payables	71,551	-	-	-	71,551
Total liabilities	488,343	113,919	83,816	14,973	701,051
Net assets	687	(100,692)	73,193	78,359	51,547

Operational Risk is defined as: "The risk of loss arising from inadequate or failed internal processes, people, systems or from external events impacting the Syndicate's ability to operate. This risk encompasses all functions rendered in the course of conducting business. This includes legal and regulatory risk, but excludes risks arising from strategic and reputational risk".

AMAL has formally documented policies and procedures for all key aspects of the business that define the end-to-end business processes, provide guidelines, put in place appropriate governance structures and include control activities to ensure the robustness of the business operations. Internal Audit provides independent assurance over the robustness of the business operations and compliance with the internal policies/procedures.

Strategic Risk is defined as: "The risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions. This risk is a function of the compatibility between the Group's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, the quality of implementation and appropriateness of response to changing business conditions. This includes reputational risk that is recognised as a by-product of inappropriate/inadequate management and mitigation of other risk categories".

The Syndicate mitigates this risk through a variety of planning techniques including robust business planning, stress and scenario testing and capital contingency planning

Regulatory risk is the risk that the Managing Agency fails to meet the regulatory requirements of the PRA, FCA and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. AMAL has a Compliance department that monitors regulatory developments and assesses the impact on agency policy.

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22. Risk Management (continued)

Risk Governance

The AMAL Board is ultimately responsible for ensuring the effective management and control of risk affecting the Syndicate. The AMAL Board is committed to maintaining sound risk management and control systems that are suitable, effective and proportionate to protect the interests of all stakeholders, including those of its capital providers and policyholders. The AMAL Board has, for practical reasons, delegated its day-to-day responsibility for different aspects of the risk management to committees and the senior management.

The AMAL Board utilises a “Three Lines of Defence” model for risk governance.

First Line: Those individuals undertaking any activity or making decisions on behalf of Antares are responsible for managing the risk that is attached to that activity. They are the ‘first risk managers’.

Second Line: Those functions and executive level committees responsible for the provision of the risk management framework and policies within which the First Line is expected to operate and who are responsible for providing assurance to the Board of adherence to that framework.

Third Line: Oversight of the above by the Board, Audit Committee together with Internal Audit.
The majority of risk reporting is through the Risk, Actuarial and Exposure Management Departments, that routinely engage individual business units and report to the Board and its Committees.

Risk Appetite

Risk Appetite is the amount of risk that the AMAL Board is prepared to take in pursuit of its objectives. Although set by the AMAL Board, Risk Appetite is driven by key stakeholders and includes both qualitative and quantitative statements.

The Risk Appetite Statement covers all material risk categories (Underwriting, Reserve, Credit, Market, Liquidity and Operational Risk). In addition, it details the approved Risk Appetite and Risk Tolerances for losses arising from various events, based upon the extent to which the risks could impact the business.

Risk Monitoring and controls

Risk management processes are based on risk identification; assessment and quantification; response; and monitoring and reporting.

All risk categories are identified in the risk register. Supporting controls mitigate the inherent impact of the risks to a residual level that is within the approved risk appetite and tolerance levels. All risk categories and related controls are assigned risk owners and control owners that are responsible for managing the risks.

The risk register is maintained through regular review by the Risk Department and through the monthly self-certification process by the risk and control owners. The Risk Department provides regular reports on key risk issues and actions required to the AMAL Board and its Committees.

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23. Transition to FRS 102 and change of functional and presentation currency

The Syndicate has adopted FRS 102 and FRS 103 for the year ended 2015.

Concurrently with the transition to FRS 102 and FRS 103, the Syndicate changed its functional currency from sterling to US Dollar with effect from 1 January 2014. The Syndicate 2015 annual accounts are being presented for the first time in US Dollars in these 2015 annual reports. The adoption of both the functional and presentation currency follows the same adoption made by the Antares Holdings Limited Group. In accordance with FRS 102, the Syndicate applied the translation procedures applicable to the new functional currency prospectively from the date of change. Specifically, the Syndicate translated all applicable items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost.

In converting to FRS 102 and FRS 103, other than the adoption of USD as the functional currency there has been no impact on converted Members Balances or Total Comprehensive Income. Under previous UK GAAP, foreign exchange on the retranslation of opening balances was reported in the Statement of Total Recognised Gains and Losses ("STRGL"). Under FRS 102 these foreign exchange gains/(losses) were reclassified to (Profit)/Loss on exchange in the non-technical account. Certain investments of the Syndicate meet the definition of cash equivalents included in FRS 102, and have therefore been reclassified from 'financial investments' to 'cash and cash equivalents' in both 2015 and 2014 in the Balance Sheet. Further, accrued interest previously reported in 'Other prepayments and accrued income' was reclassified to 'financial investments' as shown in the following table:

FRS 102 Balance Sheet Reclassifications as at 31 December 2014	**2014**	**2014**	**2014**
	Previous UK GAAP	**Adjustment**	**FRS 102**
	$000	$000	$000
Financial Investments	353,462	(16,981)	336,481
Cash and Cash Equivalents (Cash at bank and at hand under old UK GAAP)	33,489	18,260	51,749
Other prepayments and accrued income	3,477	(1,279)	2,198
Total	**390,428**	**-**	**390,428**

24. 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.

25. Events After the Reporting Period

There are no events that are material to the operations of the Syndicate that have occurred since the reporting date.

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