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R&Q MANAGING AGENCY LIMITED

ANNUAL ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2015

SYNDICATE
3330

R&Q MANAGING AGENCY LIMITED

Syndicate 3330

Administration

Managing agent
R&Q Managing Agency Limited
2 Minster Court
London EC3R 7BB

Bankers
National Westminster Bank plc
City of London Office
PO Box 12258
1 Princes Street
London EC2R 8PA 5HP

Investment Managers
Payden & Rygel Global Limited
1 Bartholomew Lane
London EC2N 2AX

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

Managing agent's report

The managing agent presents its report for Syndicate 3330 for the year ended 31 December 2015.

Strategic report

The Managing agent's report should be read in conjunction with the Strategic report as it includes information required to be disclosed in the Managing agent's report. This information is primarily relating to a review of the business and a description of principle risks and uncertainties, although there is more extensive disclosure of risk management on page 20.

Directors

The directors of the managing agent who served during the year ended 31 December 2015 and up to the date of this report were as follows:

M Bell	Executive director	Appointed 23.09.2005	
A G Chopourian	Executive director	Appointed 28.09.2012	
H N A Colthurst	Executive director	Appointed 26.04.2012	Resigned 31.03.2015
J P Fox	Non-executive director	Appointed 01.05.2011	
M G Gardiner	Non-executive director	Appointed 22.08.2011	
P A G Green	Non-executive director	Appointed 01.01.2006	Resigned 31/03.2014
		Re-appointed 02.09.2014	
C A Hewitt	Executive Director	Appointed 02.09.2014	
R E McCoy	Executive director	Appointed 12.05.2004	
H R McKinlay Verzin	Group non-executive director	Appointed 12.12.2014	Resigned 10.09.2015
K E Randall	Group non-executive director	Appointed 28.03.2003	Resigned 29.01.2014
		Re-appointed 20.11.2014	
P M Sloan	Executive director	Appointed 11.01.2012	
J P Tilling	Non-executive director	Appointed 12.05.2004	

Auditors

PKF Littlejohn LLP have indicated their willingness to continue in office as the syndicate auditors.

Disclosure of Information to Auditors

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

Approved by order of the Board of RQMA.

R E McCoy
Chief Executive Officer
15 March 2016

Strategic Report

The directors of R&Q Managing Agency Limited ("RQMA") present their Strategic Report for Syndicate 3330 for the year ended 31 December 2015.

REVIEW OF THE BUSINESS

Activities

Syndicate 3330 is managed by R&Q Managing Agency Limited (RQMA). On 1 January 2012, Syndicate 3330 accepted the RITC of Syndicate 1208 for the 2007 year of account into its 2012 year of account. At 31 December 2014, the 2012 year of account was Reinsured to Close in to the 2014 year of account.

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

The Board is giving attention to the future development of the syndicate including active consideration of the business plan going forwards.

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

Business reinsured

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

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

Result for the year

The total recognised profit for the year is £5.5m. The key financial performance indicators during the year were as follows:

£m	Gross written premiums	Underwriting profit	Investment income	Profit on exchange	Administrative expenses	Total
2014 Year	(0.1)	5.4	0.3	0.2	(0.4)	5.5

Strategic Report (continued)

A significant proportion of the annual profit was as a result of a reserve release on a legal dispute relating to the CCI book, which was found in the syndicate's favour in June 2015.There are no longer any open risks on the CCI account. The syndicate has also been able to make releases during the year on other accounts following actuarial analysis, although the cost reserves have required strengthening and there has been a charge to the underwriting account arising from the writing down of the CCI asset. The Board has concluded that because of the small portfolio of policies supporting the CCI asset, normal actuarial techniques carry a large degree of sensitivity, especially with mortality assumptions. We have therefore moved our valuation method to one based on discounted cash flows, as favoured by FRS 102. Since the year end, we have been notified of two policy maturities which are not reflected in the asset value in these accounts. This follows a long period without any maturities.

Environmental Matters
The managing agent does not consider that a business such as a syndicate at Lloyd's has a large adverse impact upon the environment. As a result the agent does not manage its business by reference to any environmental key performance indicators.

Post balance sheet events
There have been no significant post balance sheet events.

Other performance indicators
Staff matters
The managing agent considers its staff to be a key resource and seeks to provide a good working environment for its staff that is rewarding and safe and complies with appropriate employee legislation. During the year there have been no significant injuries to staff in the workplace or any significant actions taken by any regulatory bodies with regard to staff matters.

Environmental matters
The managing agent does not consider that a business such as a syndicate at Lloyd's has a large adverse impact upon the environment. As a result the agent does not manage its business by reference to any environmental key performance indicators.

Approved by order of the Board of RQMA.

R E McCoy
Chief Executive Officer
15 March 2016

Statement of managing agent's responsibilities

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

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

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

- select suitable accounting policies, and apply them consistently except where relevant accounting requirements change;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Syndicate Annual Financial Statements; and
- prepare the Syndicate Annual Financial Statements on a going concern basis, unless it is inappropriate to do so.

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

Independent auditor’s report to the Member of Syndicate 3330

We have audited the Syndicate Annual Financial Statements for the year ended 31 December 2015 as set out on pages 9 to 34. 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, and FRS 103 “Insurance Contracts”.

This report is made solely to the member of the syndicate as a body, in accordance with The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate’s member those matters that 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 and the syndicate’s member as a body for our audit work, for this report, or for the opinion we have formed.

Respective Responsibilities of the Managing agent and the Auditor

As explained more fully in the Statement of managing agent’s responsibilities as set out on page 6, the managing agent is responsible for the preparation of the Annual Financial Statements which give a true and fair view. Our responsibility is to audit and express an opinion on the Syndicate Annual Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the Syndicate Annual Accounts

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

Opinion on Syndicate Annual Financial Statements

In our opinion the Annual Financial Statements:

- give a true and fair view of the state of the syndicate’s affairs as at 31 December 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 Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008.

Independent auditor's report to the Member of Syndicate 3330 (continued)

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

In our opinion the information given in the Managing agent's report for the financial year for which the Annual Financial Statements are prepared is consistent with the Annual Financial Statements.

Matters on which we are required to report by exception

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

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

John Perry (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP (Statutory Auditor)
1 Westferry Circus
Canary Wharf
London E14 4HD
15 March 2016

R&Q MANAGING AGENCY LIMITED

Syndicate 3330

Statement of profit or loss
Technical account - General business
Year ended 31 December 2015

	Notes	**2015** £000	**2015** £000	2014 £000	2014 £000
Earned premiums, net of reinsurance					
Gross premiums written	1	(83)		78	
Outward reinsurance premiums		(14)		106	
Net premiums written			(97)		184
Earned premiums, net of reinsurance			(97)		184
Allocated investment return transferred from the non-technical account			323		765
Claims incurred, net of reinsurance					
Claims paid:					
Gross amount		(6,563)		(5,340)	
Reinsurers' share		1,803		1,462	
Net claims paid		(4,760)		(3,878)	
Change in the provision for claims:					
Gross amount	2	12,978		2,712	
Reinsurers' share	2	(2,732)		(1,481)	
Change in the net provision for claims		10,246		1,231	
Claims incurred, net of reinsurance			5,486		(2,647)
Net operating expenses	3,4,5		(376)		(1,300)
Balance on the technical account for general business			5,336		(2,998)

All business is continuing. The continuing activity of the syndicate is the run-off of insurance liabilities.

The accounting policies and notes on pages 14 to 34 form part of these financial statements.

Statement of profit or loss
Non-technical account
Year ended 31 December 2015

	Notes	2015 £000	2014 £000
Balance on the general business technical account		5,336	(2,998)
Investment Income	6	350	805
Realised gains on investments	6	11	2
Unrealised gains on investments	6	-	3
Investment expenses and charges	6	(3)	(4)
Realised losses on investments	6	(22)	(8)
Unrealised losses on investments	6	(13)	(33)
Allocated investment return transferred to technical account – general business		(323)	(765)
Non-technical account charges		188	(223)
Profit/(loss) for the financial year		5,524	(3,221)

Statement of Other Comprehensive Income for the year ended 31 December 2015

	2015 £000	2014 £000
Profit/(loss) for financial year	5,524	(3,221)
Other comprehensive income	-	-
Total comprehensive income for the financial year	5,524	(3,221)

Retained Earnings

	2015 £000	2014 £000
Balance due from member at 1 January	468	3,689
Total comprehensive income for the financial year	5,524	(3,221)
Distribution in the year	(6,150)	-
Cash call made in the year	5,967	-
Balance due to member at 31 December	5,809	468

The accounting policies and notes on pages 14 to 34 form part of these financial statements.

Balance sheet - Assets
at 31 December 2015

	Notes	£000	2015 £000	£000	2014 £000
Investments					
Holdings in collective investment schemes		1,019		2,092	
Debt securities and other fixed income securities		789		2,479	
Participation in investment pools		-		1,221	
Deposits with approved credit and financial institutions		388		350	
	7		2,196		6,142
Reinsurers' share of technical provisions					
Claims outstanding	2		2,507		5,108
Debtors					
Debtors arising out of direct insurance operations	8	365		347	
Debtors arising out of reinsurance operations	8	192		1,160	
Other debtors	8	9,314		13,834	
			9,871		15,341
Other assets					
Cash at bank and in hand		3,595		544	
Overseas deposits		607		729	
			4,202		1,273
Prepayments and accrued income			21		40
Total assets			18,797		27,904

The accounting policies and notes on pages 14 to 34 form part of these financial statements.

Balance sheet - Liabilities
at 31 December 2015

	Notes	£000	2015 £000	£000	2014 £000
Capital and reserves					
Member's balances	9		5,809		468
Technical provisions					
Claims outstanding	2		12,527		24,912
Creditors					
Creditors arising out of direct insurance operations	10	-		257	
Creditors arising out of reinsurance operations	10	248		390	
Other creditors	10	82		1,176	
			330		1,823
Accruals and deferred income			131		701
Total liabilities			18,797		27,904

The accounting policies and notes on pages 14 to 34 form part of these financial statements.

The syndicate annual accounts were approved by the Board of Directors of RQMA and were signed on its behalf by

R E McCoy
Chief Executive Officer

M Bell
Finance Director
15 March 2016

Statement of cash flows
Year ended 31 December 2015

	2015	2014
	£000	£000
Cash flow from operating activities		
Profit/(loss) for the financial year	5,524	(3,221)
Adjustments for:		
(Decrease)/increase in gross technical provisions	(12,385)	17,333
Decrease/(increase) in reinsurers' share of technical provisions	2,601	(3,629)
Decrease/(increase) in debtors, prepayments & accrued income	5,489	(8,391)
(Decrease)/increase in creditors	(2,063)	1,237
Net cash generated from operating activities	(834)	3,329
Cash flows from investing activities:		
Purchase of equity & debt instruments	(19,896)	(42,940)
Sale of equity & debt instruments	24,098	39,665
Changes to market value and currency	(110)	33
Net cash generated from investing activities	4,092	(3,242)
Cash flows from financing activities:		
Distribution in the year	(6,150)	-
Cash call made in the year	5,967	-
	(183)	-
Net increase/(decrease) in cash & cash equivalents in year	3,075	87
Cash & cash equivalents at beginning of the year	544	603
Changes to market value and currency	(24)	(146)
Cash & cash equivalents at end of the year	3,595	544
Cash & cash equivalents comprise:		
Cash at bank and in hand	3,595	544

The accounting policies and notes on pages 14 to 34 form part of these financial statements.

Statement of accounting policies

General information

Syndicate 3330 is a Lloyd's syndicate domiciled in England and Wales. It is managed by RQMA, a private company limited by shares that was incorporated in England and whose registered office is 2 Minster Court London EC3R 7BB.

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

The syndicate is supported 100% by capacity from connected members as set out in note 15.

Compliance with accounting standards

These financial statements have been prepared in accordance with United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts" and the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts Regulations 2008). There were no material departures from those standards.

Basis of preparation

The Financial Statements have been prepared on the historical cost basis, except for financial assets at fair value through the profit or loss which are measured at fair value. These financial statements for the year ended 31 December 2015 are the first financial statements that comply with FRS 102 and FRS 103. The date of transition is 1 January 2014 and the comparative figures have been restated accordingly. The transition has resulted in a number of changes in the accounting policies to those used previously. The nature of these changes and their impact on the opening statement of financial position and result for the comparative period are explained below in the notes, particularly note 12.

Going concern basis

These financial statements are prepared on a going concern basis.

Syndicates by their nature only underwrite for single underwriting years on behalf of their supporting members, however this is within a context of not finalising results until after 36 months.

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

The directors have a reasonable expectation that the syndicate has adequate resources including the Funds at Lloyd's of the member supporting the syndicate, as detailed in note 11 to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of accounting

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

Premiums written

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

Statement of accounting policies (continued)

Reinsurance premium ceded

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

Technical provisions - claims incurred and reinsurers' share

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

The provision for large claims outstanding is assessed and aggregated with other claims reserves that are assumed using development factor methods based on historic paid and incurred claims notifed 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. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

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

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

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

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

Net operating expenses

Net operating expenses are accounted for on the accruals basis.

Employee costs include the cost of all employee benefits to which employees have become entitled as a result of service rendered to the entity during the reporting period, which the managing agent considers to be attributable to this syndicate.

Statement of accounting policies (continued)

Distribution of profits and collection of losses

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

Foreign currencies

The presentational and functional currency of the syndicate is sterling.

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

All monetary balance sheet assets and liabilities in accordance with FRS 103 are translated into the sterling functional currency at the rates of exchange at the balance sheet date. The profit or loss arising on the retranslation of balances to the closing rate of exchange is dealt with through the statement of comprehensive income – non technical account.

Financial assets and liabilities

Classification

The full provisions of FRS 102 have been applied to the treatment of financial instruments. The accounting classification of financial assets and liabilities determines their basis of measurement and how changes in those values are presented in the profit or loss or other comprehensive income. These classifications are made at initial recognition and subsequent reclassification is only permitted in restricted circumstances.

Investments in shares and other variable yield securities and unit trusts and debt securities and other fixed income securities are classified as fair value through profit or loss as they are managed on a fair value basis. Cash at bank, deposits with credit institutions, debtors and accrued interest are classified as held at amortised cost.

Recognition

Financial assets and liabilities are recognised when the syndicate becomes party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the asset after deducting all of its liabilities.

Initial measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Statement of accounting policies (continued)

Subsequent measurement

Non-current debt instruments are subsequently measured at amortised cost using the effective interest method.

Debt instruments that are classified as payable or receivable within one financial year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

Investments in shares and other debt instruments are measured at fair value through profit or loss. Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in previous calendar years in respect of the investment disposed of in the current period.

De-recognition of financial assets and liabilities

Financial assets are derecognised when and only when a) the contractual rights to the cash flow from the financial asset expire or are settled, b) the syndicate transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the syndicate, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse in time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the syndicate's estimate the fair value by using a valuation technique.

Impairment of financial instruments measured at amortised cost or cost

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, i.e. using the effective interest method.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in profit and loss immediately.

Statement of accounting policies (continued)

Offsetting
Debtors/creditors arising from insurance/reinsurance operations shown in the Balance Sheet include the totals of all outstanding debit and credit transactions as processed by the Lloyd's central facility. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the syndicate and each of its counterparty insureds, reinsurers or intermediaries as appropriate.

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.

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 is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.
No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year have been included in the balance sheet under the heading 'other debtors'.
No provision has been made for any other overseas tax payable by members on underwriting results.

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

CCI business disclosure
During 1999-2003 the reinsured Syndicate 102 underwrote policies which insured viatical companies mostly domiciled in the United States. For a lump sum viatical companies acquire the rights of individual policyholders to death benefits under life policies entered into by the policyholder with life Insurers. The syndicate insured the viatical companies against the risk that the individual policyholder would survive beyond a pre-determined date.
In the event of a policyholder surviving beyond the agreed date, the syndicate is required to pay to the viatical company an amount equivalent to the death benefit that the viatical company would otherwise have received. Such payments are accounted for as paid claims.
In the case of each claim, the syndicate typically exercises its right to take an assignment of the death benefit under the underlying life policy, pay the applicable premiums, and receive the death benefit when the policyholder dies. These death benefit recoveries are accounted for as claims recoveries and the premiums to be paid are accounted for as claims recovery expenses.
The net expected claims recoveries, less expected claims recovery expenses, relating to paid claims are included in other debtors.

Statement of accounting policies (continued)

Key accounting judgements and estimation uncertainties

Of the various accounting judgements, assumptions and estimates made in the preparation of these financial statements those relating to the determination of the technical provisions and investment valuations are considered to be those most critical to understanding the syndicate's results and financial position.

Technical provisions

The accounting policy for technical provisions is described on page 15 and the related risks are described on page 20. The net technical provisions after the reinsurers' share is £10,020k (2014: £19,804k). The most uncertain element within these technical provisions is the amount for claims outstanding which covers amounts where either the claim has been notified to the syndicate or where there has not yet been a notification or although notified there has been insufficient information to date to be certain regarding its ultimate costs. This amounted to £12,527k (2014: £24,912k). As described in the risk note there is a thorough review process of claims notifications and reserving estimates, including detailed actuarial evaluation of past claims development. There is however a risk that past performance may not be a good indicator of the future developments. This is however mitigated by a mixed spread of different types of business from a number of geographical areas across several years that should reduce the risk of a common trend of adverse development occurring. The uncertainty within technical provisions may be mitigated by the element of reinsurers' share, although there are also uncertainties in calculating that.

Investment valuations

All investments are shown at their fair value as described in the accounting policies on page 16 and details of the risks relating to investments are disclosed on page 21. All investments are highly rated securities and regularly traded on major stock exchanges so that the risks in their valuations are reduced.

CCI asset valuation

Due to the small portfolio of policies supporting the CCI asset the valuation method is based on discounted cash flows, as favoured by FRS 102.

Risk management

Risk background

The syndicate's activities expose it to a variety of financial and non-financial risks. The managing agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. As described on page 32, each year, the managing agent is required to prepare a Solvency Capital Requirement (SCR) for the syndicate, the purpose of this being to agree capital requirements with Lloyd's, based on an agreed assessment of the risks impacting the syndicate's business, and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are all reflected in the SCR.

The managing agent reviews its risk appetite annually as part of the syndicate's business planning and capital setting process. A Risk and Capital committee meets regularly to monitor performance against risk appetite using a series of key risk indicators.

The syndicate's core business is to accept significant insurance risk. The appetite for other risks is low.

Insurance risk

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

Reserving risk

Reserves are established for expired risks, i.e. that part of the syndicate's business that is attributable to earned premium income. All premium is treated as earned. The reserves in relation to this are claims reserves. In addition a reserve for Unallocated Loss Adjustment Expenses (ULAE) will also be established and an allowance made for bad and doubtful debts.

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

	2015	2014
	£000	£000
Gross outstanding claims provision	12,527	24,912
Net outstanding claims provision	10,020	19,804
1% movement in net outstanding claims	(100)	(198)

The above assumes that the reinsurers share pro-rata in any deterioration in outstanding claims which may not be the case.

Risk management (continued)

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

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

Liquidity risk – maturity profiles
The following table shows an analysis for the main liabilities to which there are agreed timings for future settlements, excluding liabilities in relation to future claims settlements.

	No stated maturity	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
	£000	£000	£000	£000	£000	£000
As at 31 December 2015						
Creditors	-	330	-	-	-	330
As at 31 December 2014						
Creditors	-	1,823	-	-	-	1,823

The following is an analysis of the estimated timing of net cash flows for the net claims liabilities held at the end of the year and at the previous year-end. These forecasts are based upon current estimates and historic trends and the actual timings of these future settlements may differ materially from the estimates below.

	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
	£000	£000	£000	£000	£000
2015 net claims liabilities	4,833	2,013	603	2,571	10,020
2014 net claims liabilities	9,552	4,162	1,408	4,682	19,804

Risk management (continued)

Currency risk

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

The syndicate is exposed to changes in the value of assets and liabilities due to movements in foreign exchange rates. The syndicate deals in four main currencies, UK sterling, Canadian dollars, Euros and US dollars. Transactions also take place in other currencies, although these are immediately converted to UK sterling.

A 10% fall in the in the value of all overseas net assets would lead to a £653k loss (2014: £40k profit) with US dollar net assets being the largest element of that at £631k (2014: £73k profit). The syndicate monitors these currency balances and aims to ensure excessive balances above accumulated profits do not accrue beyond those necessary to meet overseas trust fund requirements. The syndicate has not taken out any transactions to hedge these balances.

The following table all expressed in sterling shows that the total net assets held by the syndicate designated in US dollars at the year-end represented 109%. At the previous year-end US dollars was a net liability.

	£	US$	Can$	Euro	Total
	£000	£000	£000	£000	£000
As at 31 December 2015					
Financial investments	-	1,979	217	-	2,196
Reinsurers' share of technical Provisions	692	1,820	(5)	-	2,507
Insurance & reinsurance debtors	(75)	615	5	12	557
Cash and cash equivalents	4,012	109	70	11	4,202
Other assets	56	9,279	-	-	9,335
Total assets	4,685	13,802	287	23	18,797
Technical provisions	5,166	7,352	9	-	12,527
Insurance & reinsurance creditors	108	136	4	-	248
Other creditors	-	-	82	-	82
Accruals and deferred income	131	-	-	-	131
Total liabilities	5,405	7,488	95	-	12,988
Surplus/(deficiency) of assets	(720)	6,314	192	23	5,809

Risk management (continued)

Currency risk (continued)

	£ £000	US$ £000	Can$ £000	Euro £000	Total £000
As at 31 December 2014					
Financial investments	2,136	3,672	334	-	6,142
Reinsurers' share of technical Provisions	1,992	3,105	10	-	5,108
Insurance & reinsurance debtors	695	792	5	16	1,507
Cash at bank & overseas deposits	889	238	130	16	1,273
Other assets	6,025	7,849	-	-	13,874
Total assets	11,737	15,656	479	32	27,904
Technical provisions	8,953	15,881	77	-	24,911
Insurance & reinsurance creditors	132	510	5	-	647
Other creditors	1,083	-	93	-	1,176
Accruals and deferred income	702	-	-	-	702
Total liabilities	10,870	16,391	175	-	27,436
Surplus/(deficiency) of assets	867	(735)	304	32	468

Interest rate risk

The syndicate's main exposure to fluctuation in interest rates arises from its effect on the valuation of funds invested in bonds and equities. In order to mitigate this risk, the Board, advised by its external investment managers, monitors the economic situation to seek to anticipate any future interest rate movement and to take appropriate action to mitigate its effect on the value of investments held.

The large element of the syndicate's investments comprise of fixed income securities. The fair value of the investment in fixed income securities is inversely correlated to the movement in market interest rates. If market rates fall, the fair value of the syndicate's fixed interest investments would tend to rise and vice versa. Fixed income assets are predominantly invested in high quality corporate and government securities. The investments typically have relatively short durations and terms to maturity.

	2015 £000	2014 £000
Impact of a 50 basis point increase in interest rates on result	-	-
Impact of a 50 basis point decrease in interest rates on result	-	-
Impact of a 50 basis point increase in interest rates on net assets	4	13
Impact of a 50 basis point decrease in interest rates on net assets	(4)	(13)

Risk management (continued)

Financial instruments risk

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

Credit risk - ratings

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for the syndicate are:

- Reinsurers: Whereby reinsurers may fail to pay valid claims against a reinsurance contract held by the syndicate.
- Brokers and Intermediaries: Whereby counterparties fail to pass on premiums collected or claims paid on behalf of the syndicate.
- Investments: Whereby issuer default results in the syndicate losing all or part of the value of a financial instrument.

	AAA	AA	A	BBB	Less than BBB	Unrated	Total
	£000	£000	£000	£000	£000	£000	£000
As at 31 December 2015							
Variable yield securities and unit trusts	-	-	217	802	-	-	1,019
Debt securities	571	29	189	-	-	-	789
Participation in invest pools	-	-	-	-	-	-	-
Deposits with credit institutions	-	-	-	388	-	-	388
Reinsurers' share of claims outstanding	49	390	2,037	1	17	13	2,507
Reinsurance debtors	9	96	14	(6)	39	40	192
Cash at bank and in hand	-	-	48	3,547	-	-	3,595
Overseas deposits as investments	605	-	-	2	-	-	607
Total credit risk	1,234	515	2,505	4,734	56	53	9,097
As at 31 December 2014							
Variable yield securities and unit trusts	-	-	169	-	-	1,923	2,092
Debt securities	-	1,790	689	-	-	-	2,479
Participation in invest pools	-	-	334	-	-	887	1,221
Deposits with credit institutions	-	-	-	350	-	-	350
Reinsurers' share of claims outstanding	2,522	1,511	477	359	1	238	5,108
Reinsurance debtors	182	210	561	80	68	59	1,160
Cash at bank and in hand	-	-	95	449	-	-	544
Overseas deposits as investments	727	-	-	2	-	-	729
Total credit risk	3,431	3,511	2,325	1,240	69	3,107	13,683

Insurance receivables and other debtors are not shown above but would be categorised as 'unrated' as a majority of the balance relates to insurance broker debt which falls outside credit rating requirements.

Risk management (continued)

Credit risk – ageing and impairment
All assets as listed above are classed as not yet due.

Annual venture risk
Under the Lloyd's annual venture regime, the syndicate demonstrates annually that it has enough supporting capital to continue underwriting.

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

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

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

Notes to the annual accounts at 31 December 2015

1. Analysis of underwriting results
An analysis of the underwriting result before investment return is set out below:

	Gross written premiums £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
2015						
Direct insurance:						
Accident and health	(1)	(1)	19	(2)	(42)	(26)
Marine aviation and transport	14	14	1,284	(59)	(410)	829
Fire and other damage to property	6	6	205	(9)	(50)	152
Third party liability	(2)	(2)	264	(1)	(316)	(55)
Credit and suretyship	(146)	(146)	4,337	(285)	(99)	3,807
Legal expenses	-	-	-	-	-	-
Other	2	2	(14)	(4)	75	59
	(127)	(127)	6,095	(360)	(842)	4,766
Reinsurance	44	44	320	(16)	(101)	247
	(83)	(83)	6,415	(376)	(943)	5,013
2014						
Direct insurance:						
Accident and health	17	17	232	8	(153)	104
Marine aviation and transport	13	13	755	(194)	574	1,148
Fire and other damage to property	(33)	(33)	919	(114)	(519)	253
Third party liability	42	42	(2,303)	(288)	566	(1,983)
Credit and suretyship	18	18	(2,634)	(489)	28	(3,077)
Legal expenses	-	-	256	27	-	283
Other	1	1	7	(178)	(44)	(214)
	58	58	(2,768)	(1,228)	452	(3,486)
Reinsurance	20	20	140	(72)	(365)	(277)
	78	78	(2,628)	(1,300)	87	(3,763)

Notes to the annual accounts at 31 December 2015

2. Claims incurred net of reinsurers' share

	2015 £000	2014 £000
Gross technical provisions	12,527	24,912
Reinsurers' share of technical provisions	(2,507)	(5,108)
Net technical provisions	10,020	19,804

Reconciliation of movements in year

2015	At 31 Dec 14 £000	Mvt in tech account £000	Exchange mvt £000	At 31 Dec 15 £000
Gross provision for claims	24,912	(12,978)	593	12,527
Reinsurers' share of provision	5,107	(2,732)	132	2,507

2014	At 31 Dec 13 £000	Mvt in tech account £000	Exchange mvt £000	At 31 Dec 14 £000
Gross provision for claims	7,578	16,458	875	24,912
Reinsurers' share of provision	1,479	3,403	225	5,107

Claims development triangulations

Gross claims development as at 31 December 2015

Pure Underwriting year Estimate of gross claims incurred	2011 £000	2012 £000	Total £000
After one year	49,639	12,391	
After two years	54,535	9,322	
After three years	59,223	9,335	
After four years	52,546	-	
Less gross claims paid	42,893	6,461	
Gross reserves	9,653	2,874	12,527

Notes to the annual accounts at 31 December 2015

2. Claims incurred net of reinsurers' share (continued)

Net claims development as at 31 December 2015			
Pure Underwriting year	**2011**	**2012**	**Total**
Estimate of net claims incurred	**£000**	**£000**	**£000**
After one year	35,754	9,983	
After two years	41,094	6,737	
After three years	46,082	7,072	
After four years	40,059	-	
Less net claims paid	32,492	4,619	
Net reserves	7,567	2,453	10,020

The above analysis is shown in Sterling. Paid claims have been accounted for at historical exchange rates for each calendar year with the reserves at each year end retranslated using the latest reporting date exchange rate so as to prevent foreign exchange fluctuations obscuring the view of the claims development.

3. Net operating expenses

	2015	2014
	£000	£000
Administrative expenses	376	1,300
Administrative expenses include:		
Fees payable to the syndicate's auditors for:		
Audit of the syndicate annual accounts	78	88
Other services relating to regulations and Lloyd's byelaws	19	22

4. Employees

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

Wages and salaries	1,084	1,689
Social security costs	143	226
Other pension costs	111	161
	1,338	2,076

Notes to the annual accounts at 31 December 2015

4. Employees (continued)

The average number of employees working for the syndicate during the year was as follows:

	2015	2014
Administration and finance	11	13
Claims	3	3
	14	16

5. Directors' and Run-off managers' emoluments

The following amounts in respect of emoluments paid to the directors and the run-off manager of the managing agent were charged to the syndicate during the year:

	2015	2014
	£000	£000
Run-off managers' emoluments	77	285
Other directors' emoluments	237	257
	314	542

6. Investment return

Income from investments	350	805
Gains on the realisation of investments	11	2
Unrealised gains on investments	-	3
Investment income	361	810
Investment expenses and charges	(3)	(4)
Losses on the realisation of investments	(22)	(41)
Unrealised losses on investments	(13)	-
Allocated investment return transferred to the technical account	323	765

This can also be presented as follows:

Interest and similar income		
Interest from financial instruments designated at fair value	3	83
Dividend income from financial instruments designated at fair value	41	114
Other interest and similar income	176	236
	220	433

Notes to the annual accounts at 31 December 2015

6. Investment return (continued)

	2015	2014
	£000	£000
Other income from investments designated at fair value		
Realised gains and losses	(10)	(5)
Unrealised gains and losses	(13)	(31)
Other relevant income	129	372
Investment management expenses, including interest	(3)	(4)
	103	332

7. Other financial investments

	Market value		Cost	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Listed securities				
Shares and other variable yield securities	1,019	2,092	1,019	2,092
Debt securities and other fixed income securities	789	2,479	800	2,516
Participation in investment pools	-	1,221	-	1,221
Deposits with credit institutions	388	350	388	350
	2,196	6,142	2,207	6,179

Fair value hierarchy

In accordance with FRS 102 paragraph 11.27 the above financial instruments have been classified into three levels to estimate their fair values, with Level 1 being the most reliable. The definitions of these hierarchy levels are as follows:

Level 1: Quoted prices in an active market for identical assets at the relevant date.

Level 2: Where there is no quoted price, the price of a recent transaction of an identical asset provided that the price is considered to remain appropriate.

Level 3: If neither of the above are applicable, by the use of a valuation technique to estimate the transaction price of an arm's length exchange under normal business considerations at the relevant date.

All of the syndicate's financial instruments are classified as Level 1.

Notes to the annual accounts at 31 December 2015

8. Debtors

	2015	2014
	£000	£000
Debtors due within one year		
Due from intermediaries		
Amounts arising out of direct insurance operations	365	347
Amounts arising out of reinsurance operations	192	1,160
Inter-syndicate loan to Syndicate 1991	-	6,000
Other debtors	353	298
	910	7,805
Debtors due after one year		
Salvage & subrogation recoveries	8,961	7,536
	9,871	15,341

9. Reconciliation of member's balances

Member's balances at 1 January	468	3,689
Distribution in the year	(6,150)	-
Cash call made in year	5,967	-
Total comprehensive income for the financial year	5,524	(3,221)
Member's balances carried forward at 31 December	5,809	468

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

10. Creditors

Creditors due within one year		
Amounts arising out of:		
Direct insurance operations	-	257
Reinsurance operations	248	390
Other creditors excluding profit commission	82	93
Profit commission due to managing agent	-	1,083
	330	1,823

Notes to the annual accounts at 31 December 2015

11. Regulatory capital requirements

Funds at Lloyd's

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

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

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

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000 and in accordance with Solvency II requirements.

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II, and beyond that to meet its own financial strength, licence and ratings objectives.

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly the capital requirement in respect of Syndicate 3330 is not disclosed in these financial statements.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it is participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2016 was 35% of the member's SCR 'to ultimate'.

Notes to the annual accounts at 31 December 2015

11. Regulatory capital requirements (continued)

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (FAL), held within and managed within a syndicate (funds in syndicate) or as the member's share of the members' balances on each syndicate on which it participates.

There are no funds in syndicate held for this syndicate, accordingly all of the assets less liabilities of the syndicate, as represented by the member's balances reported on the balance sheet represent resources available to meet members' and Lloyd's capital requirements.

12. Transition to FRS 102

During the year, the syndicate has made an amendment to its foreign exchange accounting policy to ensure compliance with FRS 102 Section 30 'Foreign Currency Translation' and amendment to the treatment of insurance assets and liabilities included in FRS 103, section 2.26 with respect to:

• the allocation of foreign exchange gains/losses between the profit & loss account and the former Statement of Realisable Gains and Losses (STRGL) now the Statement of Other Comprehensive Income (OCI). The effect has been the transfer of exchange gains/losses of £223k to the non-technical from that presented in 2014.

• the use of monthly average rates as a proxy for transaction rates when determining the prevailing foreign exchange rate for non-monetary assets and liabilities where these items are held at transactional rates of exchange; and

• treating all insurance assets and liabilities as monetary items.

In accordance with FRS 102 section 3.12, the applicable comparative figures in the primary statements and notes have been restated to reflect the uniform application of the new policy outlined above.

The financial effect of restating the prior year amounts for the changes in accounting policy was nil.

13. Derivatives

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

14. 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.

Notes to the annual accounts at 31 December 2015

15. Related parties

(i) RQMA is a wholly owned subsidiary of Randall & Quilter Underwriting Management Holdings Limited which in turn is a wholly owned subsidiary of Randall & Quilter Investment Holdings Ltd (RQIH), a company incorporated in Bermuda. K E Randall has an individual shareholding of 22.60% (2014: 22.65%) in RQIH.

(ii) R&Q Capital No. 1 Limited (RQC1), the only member of Syndicate 3330, is a wholly owned subsidiary of Randall & Quilter II Holdings Limited which is a wholly owned subsidiary of RQIH.

(iii) K E Randall is a director of RQC1.

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

(v) A number of executive directors of the company are also directors of other group companies.

(vi) During the year, the syndicate paid RQMA £1,338k (2014: £1,838k) in relation to management fees and £Nil (2014: £238k) in relation to the former run-off manager. These amounts have been charged at cost.

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

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