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**Syndicate 6110**

**Annual Report**

**Year ended  
31 December 2015**

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## Directors and Advisers

### Managing agent

#### *Registered office*

Pembroke Managing Agency Ltd  
Level 3  
8 Fenchurch Place  
London  
EC3M 4AJ

#### *Registered number*

5832065

#### *Directors*

G.E. Barnes, BA (Hons), FCII	Executive
C.D. Brown, ACII	Executive
I.R. Garven, BA (Hons), FCA	Executive
T.A.B.H. Glover, ACII	Executive
A.M. Kaufman, FCAS, MAAA, FIA (HON), ARM, CPCU	Non-Executive, Chairman
S. Keshani, MEng (Hons), FIA	Executive
T. Seymour, MA(Oxon), ACA	Non-Executive
J.A.S. Wash, BSc (Hons), ACA	Executive, Managing Director
M.H. Wheeler, ACII	Executive

#### *Company secretary*

P.P. Hicks, FCII, FIRM, FCIS

### Syndicate

#### *Active Underwriter*

D.M. Indge FCII

#### *Bankers*

Citibank N.A.  
HSBC  
Lloyd's  
Royal Trust

#### *Auditors*

PKF Littlejohn LLP

## Strategic Report

The directors of Pembroke Managing Agency Limited ("PMA") present their Strategic Report for Syndicate 6110 (the 'Syndicate') for the year ended 31 December 2015.

### Principal activities

The Syndicate commenced trading on 1<sup>st</sup> January 2012 as a Special Purpose Syndicate ("SPS"). The Syndicate is managed by PMA and all of the capacity is provided by Names from Hampden Agencies Ltd.

From 1 January 2014, all new and renewed business of the Syndicate was bound by standalone Syndicate 2014. The capital base of Syndicate 2014 is similar in composition to the Syndicate and includes a mixture of corporate names and trade capital.

Pembroke Syndicate 4000 ceded via quota share reinsurance, a diverse mix of business to the Syndicate. From 1 January 2014 this business was written directly by Syndicate 2014.

At 31 December 2015 the Syndicate reinsured to close the 2013 year of account, which was the Syndicate's only open year of account into Pembroke Syndicate 4000.

### Business of the Syndicate

The Syndicate assumes business by way of a variable rate quota share arrangement of predominantly short tail lines from Syndicate 4000. These are outlined below.

#### *Property Reinsurance*

Risks are assumed via quota share, catastrophe excess of loss and per risk excess of loss treaties. All exposures are in North America. The Syndicate assumed a 90.00% cede from Pembroke Syndicate 4000 for the 2012 and 2013 underwriting years.

#### *High Value Cargo*

This class contains a wide variety of business which includes items such as classic cars, fine art collections and private jewellery, along with general specie including, diamond mine theft risk and jewellers block. There are also some more unusual risks covered such as contingency, motorsport on-track damage, off-track storage transit paddock risk. A small amount of cash in transit business is also written. The Syndicate assumed a 9.50% cede from Pembroke Syndicate 4000 for the 2012 and 9.58% for the 2013 underwriting year.

#### *Cargo*

This is a more traditional cargo book and covers more standard risks including retail and wholesale stock in stores, warehouses and at distribution centres. Additionally there is a small amount of retail exposure. A material amount of premium in this class is written through binders. The Syndicate assumed a 22.30% cede from Pembroke Syndicate 4000 for the 2012 and 20.57% for the 2013 underwriting year.

#### *Marine Re*

The entire class is comprised of a single binding authority issued to Ironshore Underwriting Services Inc. (an Ironshore group company). It underwrites a selection of North American and Caribbean quota share treaty reinsurances. Marine Hull, Liability & Cargo policies are all contained within this class pertaining to a wide range of vessels engaged in both business and leisure activities. The Syndicate assumed a 15.20% cede from Pembroke Syndicate 4000 for the 2012 and 13.57% for the 2013 underwriting year.

#### *War & Terrorism*

Typical policies provide protection against damage to commercial and residential property due to war, terrorism, strikes and riots. There is also cover relating to business interruption arising from the stated perils. Additionally some aviation and marine war contracts have been written. Business was written on a worldwide basis. The Syndicate assumed a 12.00% cede from Pembroke Syndicate 4000 for the 2012 and 9.81% for the 2013 underwriting year.

## Strategic Report (continued)

### Business of the Syndicate (continued)

#### *Political Risks*

The book is composed of confiscation, contract frustration and trade credit risks. A lot of the risks written are in respect of the oil industry. Business was written on a worldwide basis. The term of contracts varies widely, from 60 days up to 5 years. All of the business written is direct. The Syndicate assumed a 39.80% cede from Pembroke Syndicate 4000 for the 2012 and 36.01% for the 2013 underwriting year.

#### *Millennium Consortium*

This participation is in support of the Millennium Syndicate, a specialist team which covers engineering and construction risks. The Syndicate assumed a 29.60% cede from Pembroke Syndicate 4000 for the 2012 and 24.10% for the 2013 underwriting year.

#### *Personal Accident*

This class comprises a mixture of Personal Accident binding authorities, direct and facultative placements, medical expense cover and an excess of loss reinsurance account. The Syndicate assumed a 15.00% cede from Pembroke Syndicate 4000 for the 2012 underwriting year and Nil for the 2013 underwriting year.

#### *Accident & Health*

This class was new for 2013 with the objective of replacing the Personal Accident business ceded in 2012. The Syndicate assumed a 90.00% cede from Pembroke Syndicate 4000 for the 2013 underwriting year.

#### *Contingency*

Also new in 2013, this class comprises cancellation and abandonment cover for major events. The Syndicate assumed a 90.00% cede from Pembroke Syndicate 4000 for the 2013 underwriting year.

#### *Outward Reinsurance Arrangements*

Business is transacted on the basis of generating gross underwriting profit, regardless of the supporting reinsurance arrangements. Business planning and modelling assumptions are based on the expectation that reinsurers will make a profit.

The Syndicate is ceded business from Syndicate 4000 and benefits from the outwards reinsurance arrangements. This includes Excess of Loss protection on the High Value Cargo, Cargo, War & Terrorism, Political Risks, Hull, Cargo & Marine Liability and Personal Accident accounts together with quota share reinsurance arrangements for the standard Property book and the Millennium Consortium.

### Key performance indicators

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

	2015 £000	2014 £000
Gross written premium	1,140	3,000
Profit for the financial year	1,242	5,660
Combined ratio	67.7%	65.7%

## Strategic Report (continued)

### Current trading conditions and future prospects

The 2013 year of account was the final underwriting year for the Syndicate, with all new and renewed business being bound by Syndicate 2014.

The 2013 year of account has ceded a reinsurance to close premium to Pembroke Syndicate 4000 at 31 December 2015 and the Syndicate will cease operations from that date.

### Other performance indicators

#### *Staff matters*

PMA recognises that its staff are key resources and seeks to provide a good working environment for its staff that is 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.

Human resources key performance indicators are reviewed periodically by committees of the Board, and all such indicators are in line with the expectations of the directors.

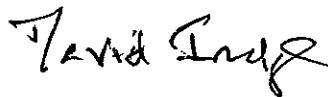
#### Environmental matters

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

Approved by order of the Board of Pembroke Managing Agency Limited



J.A.S. Wash  
Managing Director  
15 March 2016



D.M. Indge  
Active Underwriter  
15 March 2016

## Managing Agent's Report

The Directors of PMA present their report for the year ended 31 December 2015.

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 primarily relates to the activities of the business, results and future developments.

### Risk review

The Board sets risk appetite annually as part of the Syndicate's business planning and capacity setting process. PMA has established a Risk Committee which meets at least quarterly to review and update the risk register and to monitor performance against risk appetite using a series of key risk indicators. An Own Risk and Solvency Assessment ("ORSA") is completed on a quarterly basis and is used to monitor changes in the risk profile of PMA and to ensure that PMA meets its current and future capital requirements.

The principal risks and uncertainties facing the Syndicate are set out below, including references to Notes to the Annual Report where additional information relating to these risks are provided.

#### *Insurance risk - Underwriting*

The Syndicate separately defines underwriting risk appetite in respect of market losses and syndicate-specific losses, with appetite for the former being greater.

Underwriting risk appetite is expressed at the highest level, as a maximum event-specific net underwriting loss as a percentage of Syndicate capacity for a specific year of account. Detailed stochastic modelling of underwriting risk, both gross and net of reinsurance, using dynamic financial analysis techniques supports this approach.

PMA's Board approves the risk appetite limit, after consultation with capital providers considering the relativity between 'willing to lose' and potential forecast profitability for each year of account. The risk appetite will therefore reflect the view of forecast profitability, utilising the Syndicate's latest business plan assumptions.

#### *Insurance risk - Reserving*

PMA's reserving policy seeks to ensure appropriate allowance for reserving risk and consistency in reserving from year to year.

Booked reserves represent the level of reserves booked at the Syndicate level. They are prepared on an underwriting year basis, and equal the actuarial best estimate reserves.

Booked reserves provide the basis for the Syndicate results and forecasts.

Actuarial best estimate reserves, which are prepared on an underwriting year basis are intended to be true best estimates, i.e. estimates of expected value claims reserves. These are the basis for internal reporting and the derivation of expected loss ratios for business planning.

The actuarial best estimate reserves are calculated by PMA. The actuarial team calculates the reserves in conjunction with extensive discussions with underwriting, claims and reinsurance staff. The directors consider, assess and approve the best estimate calculated, based on which the directors set the booked reserve.

Reserving risk is controlled by the robust application of actuarial methodologies, stepped sign-off procedures, quarterly tracking of projected ultimate loss ratios and reassessment of methodologies where appropriate, regular dialogue between actuaries and practitioners, and access to a history of loss data.

#### *Regulatory risk*

PMA is required to comply with the requirements of the Prudential Regulation Authority, the Financial Conduct 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. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. PMA has a Compliance Officer, who monitors regulatory developments and assesses the impact on PMA policy. PMA also carries out a compliance-monitoring programme.



## **Managing Agent's Report (continued)**

### **Risk review (continued)**

#### *Credit risk*

The key aspect of credit risk, is the risk of default by a reinsurer, insurance intermediary or debt holder. Exposures to single counterparties are regularly reviewed at Reinsurance Committee, Underwriting Committee and Investment Committee.

PMA predominantly purchases reinsurance from reinsurers rated strong or better by Standard & Poor's (or equivalent). Maximum exposures per reinsurer are set in response to a reinsurer's rating and net assets.

Broker credit risk limits are also determined depending on the grading of the relevant broker and exposures monitored against limits on a monthly basis.

Investment credit risk is managed through investment management guidelines and quarterly compliance reports.

#### *Liquidity risk*

The Syndicate is subject to calls on cash resources, mainly in respect of claims on insurance business, on a daily basis. PMA operates and maintains a liquidity risk policy designed to ensure that cash is available to settle liabilities and other obligations when due without excessive cost to the business.

The liquidity risk policy, which is subject to review and approval by the Board on an annual basis, sets limits for cash required to meet expected cash flows. It includes a contingency funding plan, which details the process and provisions for raising additional funds required to meet liabilities in extreme circumstances.

#### *Market risk*

The key aspect of market risk is that the Syndicate incurs losses on foreign exchange movements as a result of mismatches between currencies in which assets and liabilities are denominated. Currency matching is reviewed on a quarterly basis and significant mismatches are addressed through currency purchases and sales.

Movements in interest rates will also impact the value of debt and other fixed income securities relative to the value of related liabilities. This risk is managed through asset and liability duration management.

#### *Operational risk*

This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate. PMA seeks to manage this risk with detailed procedures manuals and a structured programme of testing of processes and systems by internal audit.

## Managing Agent's Report (continued)

### Directors serving during the year

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:

L. Adlam*	Non-Executive
G.E. Barnes, BA (Hons), FCII	Executive
C.D. Brown, ACII	Executive
I.R. Garven, BA (Hons), FCA	Executive
T.A.B.H. Glover, ACII	Executive
A.M. Kaufman, FCAS, MAAA, FIA (HON), ARM, CPCU	Non-Executive, Chairman
S. Keshani, BEng (Hons), FIA**	Executive
T Seymour MA(Oxon), ACA	Non-Executive
J.A.S. Wash, BSc (Hons), ACA	Managing Director
M.H. Wheeler, ACII	Executive

\* Appointed 3 July 2015, resigned 2 January 2016

\*\* Appointed 18 November 2015

### Company secretary

P.P. Hicks, FCII, FIRM, FCIS

### Annual General Meeting

The directors do not propose to hold an annual general meeting for the Syndicate.

### Auditors

PKF Littlejohn LLP has signified its willingness to continue in office as auditors.

### Disclosure of information to auditors

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

By order of the Board



J.A.S. Wash  
Managing Director  
15 March 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 (the 2008 Regulations) 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
- 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 the 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 financial statements may differ from legislation in other jurisdictions.

## **Independent Auditor's Report to the Members of Syndicate 6110**

We have audited the Syndicate Annual Financial Statements for the year ended 31 December 2015 as set out on pages 12 to 30. 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 members of the Syndicate as a body, in accordance with Regulations 10 to 14 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulation 2008. Our audit work has been undertaken so that we might state to the Syndicate's members those matters that we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Syndicate and the Syndicate's members as a body for our audit work, for this report, or for the opinion we have formed.

### **Respective Responsibilities of the Managing Agent and the Auditor**

As explained more fully in the Statement of Managing Agent's Responsibilities, 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 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 impact 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.

### **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 and Strategic 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.



Neil Coulson (Senior Statutory Auditor)  
For and on behalf of PKF Littlejohn LLP, Statutory Auditor  
London, 15 March 2016

**Statement of Comprehensive Income**

For the year ended 31 December 2015

**Technical account – General business**

	Note	2015 £000	2014 £000
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	3	1,140	3,000
Outward reinsurance premiums		(131)	(163)
Net premiums written		<u>1,009</u>	<u>2,837</u>
<b>Change in the gross provision for unearned premiums</b>			
Gross amount		2,008	12,413
Reinsurers' share		(143)	(1,737)
Change in the net provision for unearned premiums		<u>1,865</u>	<u>10,676</u>
<b>Earned premiums, net of reinsurance</b>		2,874	13,513
<b>Allocated investment return transferred from the non-technical account</b>		227	527
<b>Claims incurred, net of reinsurance</b>			
Claims paid			
Gross amount		(9,524)	(12,103)
Reinsurers' share		2,509	1,973
Net claims paid		<u>(7,015)</u>	<u>(10,130)</u>
<b>Change in the provision for claims</b>			
Gross amount		9,383	5,953
Reinsurers' share		(2,986)	(668)
Change in the net provision for claims		<u>6,397</u>	<u>5,285</u>
<b>Claims incurred, net of reinsurance</b>	4	(618)	(4,845)
<b>Net operating expenses</b>	5	<u>(1,328)</u>	<u>(4,031)</u>
<b>Balance on the technical account for general business</b>		<u>1,155</u>	<u>5,164</u>

As the Syndicate has now ceased underwriting all amounts are in respect of discontinued operations.

## Statement of Comprehensive Income and Statement of Changes in Members Balances

For the year ended 31 December 2015

### Non-technical account

	Note	2015 £000	2014 £000
<b>Balance on the technical account for general business</b>		1,155	5,164
Income from Investments	9	247	436
Realised losses on investments	9	(10)	(17)
Unrealised (losses)/gains on investments	9	(10)	108
Allocated investment return transferred to the technical account		(227)	(527)
Other charges – Profit on exchange		87	496
<b>Profit for the financial year</b>		<u>1,242</u>	<u>5,660</u>

There was no other comprehensive income.

### Statement of changes in members balances

	2015 £000	2014 £000
Balance due to/(from) members at 1 January	380	(5,280)
Total profit since the last annual report	1,242	5,660
Profit distributed to members – 2012 year of account	(1,986)	-
Non-standard personal expenses	249	-
Exchange differences	(19)	-
<b>Balance due (from)/to members at 31 December</b>	<u>(134)</u>	<u>380</u>

**Statement of Financial Position**

As at 31 December 2015

<b>ASSETS</b>	Note	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums	12	140	275
Claims outstanding	12	159	3,102
		<u>299</u>	<u>3,377</u>
<b>Debtors due within one year</b>			
Debtors arising out of reinsurance operations	10	34,941	23,398
<b>Debtors due after one year</b>			
Debtors arising out of reinsurance operations	10	-	33,045
<b>Prepayments and accrued income</b>			
Deferred acquisition costs	13	256	1,138
Other prepayments & accrued income		110	-
		<u>366</u>	<u>1,138</u>
<b>TOTAL ASSETS</b>		<u><u>35,606</u></u>	<u><u>60,958</u></u>
<b>LIABILITIES</b>		<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
<b>Capital and reserves</b>			
Members' balances		(134)	380
<b>Technical provisions</b>			
Provision for unearned premiums	12	1,282	3,225
Claims outstanding	12	10,464	19,478
		<u>11,746</u>	<u>22,703</u>
<b>Creditors due within one year</b>			
Creditors arising out of reinsurance operations	11	23,942	13,135
<b>Creditors due after one year</b>			
Creditors arising out of reinsurance operations	11	-	16,084
<b>Accruals and deferred income</b>		52	8,656
<b>TOTAL LIABILITIES</b>		<u><u>35,606</u></u>	<u><u>60,958</u></u>

The annual accounts on pages 12 to 30 were approved by the Board of Pembroke Managing Agency Limited on 15 March 2016 and were signed on its behalf by:



I.R. Garven  
Finance Director  
15 March 2016

**Statement of Cash Flows**  
For the year ended 31 December 2015

	2015 £000	2014 £000
<b>Cash flow from operating activities</b>		
Profit for the year	1,242	5,660
<i>Movements in operating assets and liabilities:</i>		
Increase in debtors	21,502	(7,354)
Increase in reinsurers share of technical provisions	3,078	(426)
Increase in gross technical provisions	(10,957)	(15,027)
(Decrease)/increase in creditors	(5,277)	17,147
Movement in other assets and liabilities	(7,832)	-
Other	230	-
<b>Net cash inflow from operating activities</b>	1,986	-
<b>Cash flows from financing activities</b>		
Transfers to members in respect of underwriting participations	(1,986)	-
<b>Net increase in cash and cash equivalents</b>	<u>-</u>	<u>-</u>
Cash and cash equivalents at 1 January	-	-
Effect of foreign exchange rates on cash and cash equivalents	<u>-</u>	<u>-</u>
<b>Cash and cash equivalents at 31 December</b>	<u>-</u>	<u>-</u>



## Notes to the Annual Report

At 31 December 2015

### 1. Statement of Accounting policies

#### General information

Underwriting capacity is provided by Names via Hampden Members Agency Limited, that are members of the Society of Lloyd's that underwrite insurance business in the London market.

#### 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

These financial Statements for the year-ended 31 December 2015 are the first financial statements that comply with FRS 102 and 103. The date of transition to these standards was 1 January 2014 and the comparative figures have been restated accordingly. The transition has resulted in a small number of changes in 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 and in the notes, particularly note 14.

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit and loss that are measured at fair value.

The financial statements are presented in Pounds Sterling, which is the Syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

#### 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 so that typically there are three underwriting years in progress at any given time.

The Syndicate commenced trading on 1st January 2012 as a Special Purpose Syndicate. The 2013 year of account was the final underwriting year for the Syndicate, with all new and renewed business being bound by standalone Syndicate 2014.

At 31 December 2015 the Syndicate reinsured to close the 2013 year of account, which was the Syndicate's only open year of account, into Pembroke Syndicate 4000. The Syndicate will cease operations from that date.

The Syndicate will discharge its remaining liabilities on the 2013 year of account, namely the distribution of the 2013 year of account result, with its members.

#### Use of judgements and estimates

In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

## Notes to the Annual Report

At 31 December 2015

### 1. Statement of Accounting policies

#### Use of judgements and estimates (continued)

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the Syndicate.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate Managing Agent's in house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. 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 business accepted and assessments of underwriting conditions.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 2.

#### Basis of accounting

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

#### *Premiums written*

Premiums written comprise direct and inwards reinsurance premiums on contracts accepted during the financial year. Premiums are shown gross of brokerage payable to intermediaries and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet notified.

#### *Unearned premiums*

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

#### *Reinsurance premiums ceded*

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured. The earned proportion of premiums is recognised as income during the year.

#### *Acquisition costs*

Acquisition costs include direct costs such as brokerage and commission, and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies. The deferred acquisition cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the balance sheet date.

## Notes to the Annual Report

At 31 December 2015

### 1. Statement of Accounting policies (continued)

#### Basis of accounting (continued)

##### *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.

The provision for claims outstanding is assessed on an individual case by 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 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 as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and 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. The methods used, and the estimates made, are reviewed regularly.

##### *Unexpired risks provision*

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

## Notes to the Annual Report

At 31 December 2015

### 1. Statement of Accounting policies (continued)

#### Basis of accounting (continued)

##### *Foreign currencies*

The Syndicate's functional and presentation currency is Pounds Sterling.

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

Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisitions costs) denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

Exchange differences arising on the retranslation of opening balance sheet items at the closing balance sheet rate and the retranslation of the profit and loss account for the year are recorded in the non-technical account.

The rates of exchange used to translate monetary balances at the year-end in foreign currencies into sterling are as follows:

	<i>31 December</i> <i>2015</i>	<i>31 December</i> <i>2014</i>
US Dollar	1.483	1.553
Canadian Dollar	2.056	1.806

##### *Investments*

Investments are stated at fair value at the balance sheet date. For this purpose deposits with credit institutions and overseas deposits are stated at amortised cost.

##### *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 carried at market value are calculated as the difference between sale proceeds and carrying value. 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 are held to support underwriting liabilities.

##### *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' agent is gross of tax.

No provision has been made for Overseas Income Tax payable on underwriting results. Any payments on account made by the syndicate during the year are included in the balance sheet under the heading 'Members' balances'.

##### *Pension costs*

Pembroke Managing Agency Limited operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the Syndicate and included within net operating expenses.

## Notes to the Annual Report

At 31 December 2015

### 1. Statement of Accounting policies (continued)

#### Basis of accounting (continued)

##### *Profit commission*

Profit commission due from the Syndicate to the Managing Agency is not payable until after the appropriate year of account closes – typically at 36 months. An accrual is calculated and recognised in the financial statements based on the cumulative earned underwriting results of each year of account.

Profit commission payable to Lloyd's cover holders or producing brokers has been provided for on all years of account and recognised within acquisition costs. The profit commission is calculated in line with the contract term of these policies and the profitability of the underlying contract.

### 2. Risk management

#### Risk framework

The primary objective of the Syndicate's risk and financial management framework is to protect the members from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. The Board recognises the critical importance of having efficient and effective risk management systems in place.

PMA has an established risk management function for the Syndicate with clear terms of reference from the Board. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board. The risk management framework which sets out the risk profiles for the Syndicate, risk management, control and business conduct standards for the Syndicate's operations is reviewed annually and any changes are approved by the Board.

The Risk Committee and the Board approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. Significant emphasis is placed on the assessment and documentation of existing and emerging risks and controls, including the articulation of 'risk appetite'.

#### Insurance risk - Underwriting

##### *Principal risks*

The principal risk the Syndicate faces under insurance contracts is that the actual claims and payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, and the development of long term claims liabilities. The objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical segments. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

##### *Reinsurance*

Reinsurance allows the Syndicate to manage capital exposure to both frequency and severity. This includes the management of any systemic issues impacting a particular area of the account, as well as catastrophic losses across all business areas.

Business is written on the basis of generating a gross profit, regardless of the supporting reinsurance arrangements. Business planning and modelling assumptions are based on the expectation that reinsurers will make a profit. The core reinsurance providers to the Syndicate remain constant.

## Notes to the Annual Report

At 31 December 2015

### 2. Risk management (continued)

#### Insurance risk - Underwriting (continued)

##### *Underwriting Committee*

The Syndicate organises underwriting through the following divisions; Marine, Accident & Health, Liability and Property. Each division reports to the Underwriting Committee and ultimately the PMA Board. This control process ensures that several layers of review occur for underwriting risks, with the focus being on the main components of risk, notably pricing, loss ratio selection, reserving, variations in experience, cycle management, reinsurance protection and catastrophe modelling.

Underwriting authorities, underwriting peer reviews of all risks, independent review procedures, and the audit and review of delegated arrangements, all contribute to the strength of the underwriting control environment.

PMA records and monitors individual risk exposures on a regular basis to ensure they remain within the policies and guidelines set.

##### *Diversification*

Risks usually cover twelve months duration. Risks deliberately emanate from a diverse range of sources. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geographical segmentation.

##### *Claims management*

Strict claim review policies to assess all new and on-going claims, regular detailed review of claims handling procedures and investigation of possible fraudulent claims are in place to reduce the risk exposure of the Syndicate.

The following table gives an indication of the likely quantum and scale of Realistic Disaster Scenarios estimated during 2015.

Realistic Disaster Scenarios	Gross Event	Net Event
	Loss £000	Loss £000
California Earthquake – Los Angeles	354	77
Political Risks – South East Asia/China	2,805	2,745
Political Risks – Russian Federation	3,360	3,214

#### Insurance risk – Reserving

##### *Principal risk*

PMA's reserving policy seeks to ensure appropriate allowance for reserving risk and consistency in reserving from year to year. Booked reserves represent the level of reserves booked at the Syndicate level. They are prepared on an underwriting year basis, and prepared on an actuarial best estimate basis. Booked reserves provide the basis for the Syndicate results and forecasts.

Actuarial best estimate reserves are intended to be true best estimates, i.e. estimates of expected value claims reserves. These are the basis for internal reporting and the derivation of expected loss ratios for business planning.

## Notes to the Annual Report

At 31 December 2015

### 2. Risk management (continued)

#### Insurance risk – Reserving (continued)

##### *Mitigation*

The actuarial best estimate reserves are calculated by PMA. The actuarial function determines the reserves in conjunction with extensive discussions with underwriting, claims, finance and reinsurance functions. The directors consider, assess and approve the best estimate reserve.

Reserving risk is controlled by the robust application of actuarial methodologies, stepped sign-off procedures, quarterly tracking of projected ultimate loss ratios, reassessment of methodologies where appropriate, regular dialogue between actuaries and practitioners, and access to a history of loss data.

#### Regulatory risk

##### *Capital framework at 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.

Effective 1 January 2016, Lloyd's is subject to the Solvency II capital regime. Although the capital regime has changed, this has not significantly impact the Solvency Capital Requirement (SCR) of the Syndicate as Lloyd's was an early adopter of the new regime. Within the supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II capital requirements, and beyond that to meet its own financial strength, licence and ratings objectives.

Although 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.

##### *Lloyd's capital setting process*

In order to meet Lloyd's requirements, each Syndicate is required to calculate its 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 SCR of Syndicates are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

Lloyd's applies a capital uplift to the member's SCR to derive a members' 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'.

##### *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 (Funds at Lloyd's), 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.

Accordingly all of the assets less liabilities of the Syndicate, as represented in the members' balances reported on the statement of financial position, represent resources available to meet members' and Lloyd's capital requirements.

## Notes to the Annual Report

At 31 December 2015

### 2. Risk management (continued)

#### Credit Risk

An Ironshore Group Security Committee reviews all reinsurer counterparties with whom PMA wishes to conduct business and sets credit limits for the recoveries due from each reinsurer. The review includes an analysis of the financial strength of the reinsurer, its payment performance record and standing in the market. Thereafter, management of reinsurer credit risk follows active and regular review, with the assistance of outside expertise, of the credit rating and financial exposure to all approved reinsurers.

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2015 by classifying assets according to Standard & Poor's credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated.

As at 31 December 2015	AAA £000	AA £000	A £000	BBB £000	Not rated £000	Total £000
Reinsurers share of outstanding claims	-	159	-	-	-	159
Reinsurance debtors	-	34,941	-	-	-	34,941
<b>Total</b>	-	35,100	-	-	-	35,100

As at 31 December 2014	AAA £000	AA £000	A £000	BBB £000	Not rated £000	Total £000
Reinsurers share of outstanding claims	-	3,102	-	-	-	3,102
Reinsurance debtors	-	56,443	-	-	-	56,443
<b>Total</b>	-	59,545	-	-	-	59,545

PMA predominantly purchases reinsurance from reinsurers rated strong or better by Standard & Poor's (or equivalent). Maximum exposures per reinsurer are set in response to a reinsurer's rating and net assets. There have been no material changes to the credit risk appetite or profile during the financial year.

Broker credit risk limits are also determined depending on the grading of the relevant broker and exposures monitored against limits on a monthly basis.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of any mitigation arrangements.

As at 31 December 2015	Not yet due £000	Past due by three months £000	Past due three to six months £000	Past due over six months £000	Greater than one year £000	Total £000
Reinsurers share of outstanding claims	159	-	-	-	-	159
Reinsurance debtors	34,941	-	-	-	-	34,941
<b>Total</b>	35,100	-	-	-	-	35,100

As at the balance sheet date, all financial assets of the Syndicate are unimpaired (2014: nil).

As at 31 December 2014	Not yet due £000	Past due by three months £000	Past due three to six months £000	Past due over six months £000	Greater than one year £000	Total £000
Reinsurers share of outstanding claims	3,102	-	-	-	-	3,102
Reinsurance debtors	56,443	-	-	-	-	56,443
<b>Total</b>	59,545	-	-	-	-	59,545



## Notes to the Annual Report

At 31 December 2015

### 2. Risk management (continued)

#### Liquidity risk

The Syndicate is subject to calls on cash resources, mainly in respect of claims on insurance business, on a daily basis. PMA operates and maintains procedures designed to ensure that cash is available to settle liabilities and other obligations when due without excessive cost to the business.

The procedures set limits for cash required to meet expected cash flows. Contingency arrangements exist to meet liquidity requirements in extreme circumstances.

#### Market risk – currency risk

The Syndicate writes a significant proportion of insurance business in currencies other than sterling, which creates exposure to currency risk. The Syndicate seeks to manage this exposure by matching foreign currency assets and liabilities.

The table below summarises the exposure of financial assets and liabilities to foreign currency exchange risk at the balance sheet date.

As at 31 December 2015	GBP £000	USD £000	CAD £000	Total £000
Reinsurers' share of technical provisions	62	234	3	299
Insurance assets	2,806	29,562	2,573	34,941
Other assets	(8,312)	8,856	(178)	366
<b>Total assets</b>	<b>(5,444)</b>	<b>38,652</b>	<b>2,398</b>	<b>35,606</b>
Technical provisions	(1,212)	(9,941)	(593)	(11,746)
Insurance liabilities	(1,142)	(20,911)	(1,889)	(23,942)
Other creditors	(56)	4	-	(52)
<b>Total liabilities</b>	<b>(2,410)</b>	<b>(30,848)</b>	<b>(2,482)</b>	<b>(35,740)</b>
<b>Currency surplus / (deficiency)</b>	<b>(7,854)</b>	<b>7,804</b>	<b>(84)</b>	<b>(134)</b>
As at 31 December 2014	GBP £000	USD £000	CAD £000	Total £000
Reinsurers' share of technical provisions	122	3,200	55	3,377
Insurance assets	6,450	46,899	3,094	56,443
Other assets	650	484	4	1,138
<b>Total assets</b>	<b>7,222</b>	<b>50,583</b>	<b>3,153</b>	<b>60,958</b>
Technical provisions	(2,422)	(18,571)	(1,710)	(22,703)
Insurance liabilities	(1,770)	(25,025)	(2,424)	(29,219)
Other creditors	(8,956)	322	(22)	(8,656)
<b>Total liabilities</b>	<b>(13,148)</b>	<b>(43,274)</b>	<b>(4,156)</b>	<b>(60,578)</b>
<b>Currency surplus / (deficiency)</b>	<b>(5,926)</b>	<b>7,309</b>	<b>(1,003)</b>	<b>380</b>

The table below gives an indication of the impact on the result of a percentage change in the relative strength of Pounds Sterling against the value of the US Dollar, Canadian Dollar, Australian Dollar and Euro simultaneously.

	2015 £000	2014 £000
<i>Sterling weakens</i>		
10% against other currencies	858	701
20% against other currencies	1,930	1,577
<i>Sterling strengthens</i>		
10% against other currencies	(702)	(573)
20% against other currencies	(1,287)	(1,051)

## Notes to the Annual Report

At 31 December 2015

### 2. Risk management (continued)

#### Market risk – Interest rates

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Currently all investments are in cash or cash equivalents and insurance liabilities are not discounted. Therefore the Syndicate is not currently exposed to interest rate risk.

### 3. Business analysis

All business for this syndicate is related to the reinsurance of Syndicate 4000. The result arising from reinsurance ceded was a charge of £751,000 (2014 : charge of £595,000).

All premiums were concluded in the UK.

The geographical analysis of gross premiums written by destination:

	2015 £000	2014 £000
UK	(129)	578
Other EU countries	564	213
US	45	1,255
Other	660	954
Total	<u>1,140</u>	<u>3,000</u>

### 4. Claims incurred, net of reinsurance

#### *Prior year reserve development*

The movement in the net provision for claims includes adverse prior year development of £1.0m (2014: favourable £4m). All business for this syndicate is related to the reinsurance of Syndicate 4000.

#### *Gross claims development*

Pure underwriting year	2012 £000	2013 £000	Total £000
<i>Estimate of gross claims</i>			
At the end of the underwriting year	8,529	15,620	
One year later	15,958	23,347	
Two years later	15,160	24,128	
Three years later	14,567		
Less: gross claims paid	<u>(10,989)</u>	<u>(17,242)</u>	
Gross claims reserves	<u>3,578</u>	<u>6,886</u>	<u>10,464</u>

**Notes to the Annual Report**

At 31 December 2015

**4. Claims incurred, net of reinsurance (continued)***Net claims development*

Pure underwriting year	2012 £000	2013 £000	Total £000
<i>Estimate of net claims</i>			
At the end of the underwriting year	7,885	14,401	
One year later	12,881	19,941	
Two years later	12,810	20,807	
Three years later	12,620		
Less: net claims paid	(9,415)	(13,707)	
Net claims reserves	3,205	7,100	10,305

**5. Net operating expenses**

	2015 £000	2014 £000
Acquisition costs	(265)	(559)
Change in deferred acquisition costs	(899)	(2,699)
Administrative expenses	(164)	(773)
	(1,328)	(4,031)

**6. Auditors' Remuneration**

	2015 £000	2014 £000
Fees payable to the Syndicate's Auditors for:		
Audit of the Syndicate annual accounts	15	15
Other services pursuant to regulations and Lloyd's byelaws	22	24
	37	39

**Notes to the Annual Report**  
At 31 December 2015

**7. Staff numbers and costs**

All staff were employed by Pembroke Managing Agency Limited. The following amounts were recharged to the Syndicate in respect of salary costs:

	2015 £000	2014 £000
Wages and salaries	-	-
Social security costs	-	-
Other pension costs	-	-
Other	-	-
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>

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

	2015 Number	2014 Number
Administration and finance	19	15
Underwriting	76	59
Claims	11	9
Compliance	14	12
Other	3	2
	<hr/>	<hr/>
	123	97
	<hr/> <hr/>	<hr/> <hr/>

Employees are not devoted entirely to the Syndicate and may work for other syndicates for which Pembroke Managing Agency Limited is the Managing Agency.

**8. Emoluments of the directors of Pembroke Managing Agency Limited**

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

	2015 £000	2014 £000
Emoluments	-	-
Pension contributions	-	-
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>

No other director related compensation was charged to the Syndicate.

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

	2015 £000	2014 £000
Emoluments	-	-
Pension contributions	-	-
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Annual Report

At 31 December 2015

### 9. Investment return

	2015 £000	2014 £000
Investment income:		
Interest income	247	436
Realised losses	(10)	(17)
Unrealised (losses)/gains on investments	(10)	108
	<u>227</u>	<u>527</u>
Investment expenses and charges:		
Investment management charges	-	-
	<u>-</u>	<u>-</u>
Total investment return transferred to the technical account	<u>227</u>	<u>527</u>

### 10. Debtors arising out of reinsurance insurance operations

	2015 £000	2014 £000
Due within one year	34,941	23,398
Due after one year	-	33,045
	<u>34,941</u>	<u>56,443</u>

### 11. Creditors arising out of reinsurance insurance operations

	2015 £000	2014 £000
Due within one year	(23,942)	(13,135)
Due after one year	-	(16,084)
	<u>(23,942)</u>	<u>(29,219)</u>

## Notes to the Annual Report

### At 31 December 2015

#### 12. Technical provisions

	2015			2014		
	Gross £000	RI £000	Net £000	Gross £000	RI £000	Net £000
<i>Incurred claims outstanding:</i>						
Claims notified	9,987	(1,991)	7,996	8,879	(263)	8,616
Claims incurred but not reported	9,491	(1,111)	8,380	15,584	(3,033)	12,551
Balance at 1 January	19,478	(3,102)	16,376	24,463	(3,296)	21,167
Change in prior year provisions	474	477	951	(3,999)	-	(3,999)
Expected cost of current year claims	(333)	-	(333)	10,149	(1,305)	8,844
Claims paid during the year	(9,524)	2,509	(7,015)	(12,103)	1,973	(10,130)
Effect of exchange rates	369	(43)	326	968	(474)	494
Balance at 31 December	10,464	(159)	10,305	19,478	(3,102)	16,376
Claims notified	5,168	(299)	4,869	9,987	(1,991)	7,996
Claims incurred but not reported	5,296	140	5,436	9,491	(1,111)	8,380
Balance at 31 December	10,464	(159)	10,305	19,478	(3,102)	16,376
<i>Unearned premiums</i>						
Balance at 1 January	3,225	(275)	2,950	15,423	(1,811)	13,612
Premiums written during the year	1,140	(131)	1,009	3,000	(163)	2,837
Premiums earned during the year	(3,148)	274	(2,874)	(15,413)	1,900	(13,513)
Effect of exchange rates	65	(8)	57	215	(201)	14
Balance at 31 December	1,282	(140)	1,142	3,225	(275)	2,950

#### 13. Deferred acquisition costs

	2015 £000	2014 £000
Balance at 1 January	1,138	3,974
Deferred costs released	(899)	(2,699)
Effect of exchange rates	17	(137)
	256	1,138

## Notes to the Annual Report

At 31 December 2015

### 14. Explanation of the transition to FRS 102

*Reconciliation of profit and equity from old UK GAAP to FRS 102*

	£000
Opening members' balances at 1 January 2014 effect	-
Result for the year ended 31 December 2014 increased	496
Statement of total recognised gains and losses 31 December 2014 decreased	(496)
	<hr/>
Closing members' balances at 31 December 2014 effect	-
	<hr/>

### 15. Related parties

#### *Capital*

Underwriting capacity is provided through a combination of Names and Trade Capital. Underwriting capacity is not provided by any entity within the Ironshore Inc group of companies. Ironshore Inc is a company domiciled in the Cayman Islands and it is the ultimate parent of the managing agency, PMA.

#### *Managing agent*

The Syndicate is managed by PMA. A profit commission of £0.1m (2014 : £0.4m) was charged by PMA to the Syndicate during the year.

#### *Experience Account*

The Syndicate has signed a reinsurance to close agreement with Syndicate 4000's 2014 year of account. An experience account reinsurance agreement has been signed in relation to this business between Syndicate 4000 and Syndicate 2014 so that any development accrues to the 2014 year of account of Syndicate 2014.

#### *Inwards reinsurance contracts*

The Syndicate assumes business by way of a variable rate quota share arrangement of predominantly short tail lines from Syndicate 4000.

### 16. 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) and these funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these 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.

## **Managing Agent's Report 2013 Closed Year of Account**

The directors of the Managing Agent present their report at 31 December 2015 for the 2013 closed year of account.

This report is prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005). It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by the insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

The reinsurance to close for the 2013 underwriting year was approved by the board of directors on 14 March 2016.

### **Principal activities**

The Syndicate assumes business by way of a variable rate quota share arrangement of predominantly short tail lines from Syndicate 4000. These are outlined on pages 4 and 5.

### **2013 Closed Year of Account**

The 2013 year of account closed on 31 December 2015 with total profit of £0.9m. This result represented a member return on allocated capacity of 2.05%.

The 2013 year of account has ceded a reinsurance to close premium of £10.5m to Pembroke Syndicate 4000 at 31 December 2015 and the Syndicate will cease operations from that date.

### **Directors**

Details of the directors of the Managing Agent that served during the year are shown on page 9

### **Disclosure of information to the auditors**

The directors each confirm that:

- so far as the directors are aware, there is no relevant audit information, being information needed by the auditor in connection with its report, 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.



By order of the Board  
J.A.S. Wash  
Managing Director  
15 March 2016



## Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the managing agent's report and Syndicate underwriting year accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the 2008 Regulations) require the managing agent to prepare syndicate underwriting year accounts at 31 December in respect of any underwriting year which is being closed by reinsurance to close which give a true and fair view of the result of the underwriting year at closure.

In preparing the Syndicate underwriting year accounts, the managing agent is required to:

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements 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 underwriting year accounts.

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 underwriting year accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the 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 financial statements may differ from legislation in other jurisdictions.

## **Independent Auditor's Report to the Members of Syndicate 6110 for the 2013 Closed Underwriting Year of Account**

We have audited the Syndicate Underwriting Year Accounts for the 2013 Year of Account of Syndicate 6110 for the three years ended 31 December 2015 as set out on pages 34 to 44. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members on the 2013 Year of Account of the Syndicate, as a body, in accordance with the Regulation 6(4) of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Syndicate Accounting Byelaw (No.8 of 2005). Our audit work has been undertaken so that we might state to the Syndicate's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Syndicate 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 Auditor**

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 32, the Managing Agent is responsible for the preparation of the Syndicate Underwriting Year Accounts, under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005), which give a true and fair view. Our responsibility is to audit and express an opinion on the Syndicate Underwriting Year Accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the Syndicate Underwriting Year Accounts**

An audit involves obtaining evidence about the amounts and disclosures in the Syndicate Underwriting Year Accounts sufficient to give reasonable assurance that the Syndicate Underwriting Year Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Syndicate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Managing Agent; and the overall presentation of the Syndicate Underwriting Year Accounts. In addition we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on Syndicate Underwriting Year Accounts**

In our opinion the Syndicate Underwriting Year Accounts:

- give a true and fair view of the profit for the 2013 Closed Year of Account;
- 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 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005).

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005) requires us to report to you if, in our opinion:

- the Managing Agent in respect of the Syndicate has not kept proper accounting records; or
- the Syndicate Underwriting Year Accounts are not in agreement with the accounting records.



Neil Coulson (Senior Statutory Auditor)  
for and on behalf of PKF Littlejohn LLP, Statutory Auditor  
London  
15 March 2016

**Statement of Comprehensive Income**  
**2013 Closed Year of Account**  
For the 36 months ended 31 December 2015

**Technical account – General business**

	Note	£000
Syndicate allotted capacity		<u>44,972</u>
<b>Earned premiums, net of reinsurance</b>		
Gross premiums written	3	40,988
Outward reinsurance premiums		(8,338)
<b>Earned premiums, net of reinsurance</b>		<u>32,650</u>
<b>Reinsurance to close premiums received, net of reinsurance</b>	4	4,886
<b>Allocated investment return transferred from the non-technical account</b>		593
<b>Claims incurred, net of reinsurance</b>		
Claims paid		
Gross amount		(18,303)
Reinsurers' share		<u>3,614</u>
<b>Net claims paid</b>		(14,689)
<b>Reinsurance to close premium payable, net of reinsurance</b>	5	(10,532)
<b>Claims incurred, net of reinsurance</b>		<u>(25,221)</u>
<b>Net operating expenses</b>	6	(11,628)
<b>Standard personal expenses</b>		(802)
<b>Balance on the technical account for general business</b>		<u>478</u>

The underwriting year has closed; all items therefore relate to discontinued operations.

**Statement of Comprehensive Income and Statement of Changes in Members Balances**  
**2013 Closed Year of Account**  
 For the 36 months ended 31 December 2015

<b>Non-technical account</b>	Note	<b>£000</b>
<b>Balance on the technical account for general business</b>		478
Investment income	7	593
Other charges – Profit on exchange		444
Allocated investment return transferred to the general business technical account		<u>(593)</u>
<b>Profit for the financial year</b>		<u>922</u>

There was no other comprehensive Income.

<b>Statement of Changes in Members Balances</b>	<b>£000</b>
Profit for the 2013 closed year of account	922
Members' agents' fees advances	<u>(450)</u>
<b>Amounts due to members at 31 December 2015</b>	<u>472</u>

**Statement of Financial Position**  
**2013 Closed Year of Account**  
 As at 31 December 2015

	Note	£000
<b>ASSETS</b>		
<b>Debtors due within one year</b>		
Debtors arising out of reinsurance operations	.	34,941
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	5	213
Other prepayments and accruals		<u>110</u>
<b>TOTAL ASSETS</b>		<u><u>35,264</u></u>
 <b>LIABILITIES</b>		
Amounts due to members		(472)
Reinsurance to close premium payable to close – gross amount		(10,745)
<b>Creditors due within one year</b>		
Creditors arising out of reinsurance operation		(23,942)
Accruals and deferred income		<u>(105)</u>
<b>TOTAL LIABILITIES</b>		<u><u>(35,264)</u></u>

The underwriting Year Accounts on pages 34 to 44 were approved by the Board of Pembroke Managing Agency Limited on 15 March 2016 and were signed on its behalf by:



I.R. Garven  
 Finance Director  
 15 March 2016

**Statement of Cash Flows**  
**2013 Closed Year of Account**  
 As at 31 December 2015

	<b>2013</b>
	<b>£000</b>
<b>Cash flow from operating activities</b>	
Profit	922
<i>Movements in operating assets and liabilities:</i>	
Increase in debtors	(34,941)
Increase in reinsurers share of technical provisions	(213)
Increase in gross technical provisions	10,745
Increase in creditors	23,942
Movement in other assets/liabilities	(5)
Other	(450)
	<hr/>
<b>Net cash inflow from operating activities</b>	-
<b>Net increase in cash and cash equivalents</b>	<hr/> <hr/>
Cash and cash equivalents at 1 January	<hr/> -
<b>Cash and cash equivalents at 31 December</b>	<hr/> <hr/>

## Notes to the Syndicate Underwriting Year Accounts 2013 Closed Year of Account As at 31 December 2015

### 1. Accounting policies

#### General information

Underwriting capacity is provided by Names via Hampden Members Agency Limited, that are members of the Society of Lloyd's that underwrite insurance business in the London market.

#### Compliance with accounting standards

These Syndicate Underwriting Year Accounts have been prepared in accordance with United Kingdom Accounting Standards, including both FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts" as far as is necessary to present a true and fair view as well as the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005). There were no material departures from those standards.

#### Basis of preparation

These Syndicate Underwriting Year Accounts for the year ended 31 December 2015 are the first financial statements that comply with FRS 102 and 103. The date of transition is 1 January 2014. The transition has resulted in a small number of changes in accounting policies to those used previously. The nature of these changes has not had any impact on the closing financial position and result for the three year period. The only effect has been to disclose the exchange loss of £0.4m within Other Charges within the Non Technical Account, and would previously have been disclosed as Net Operating Expenses within the Technical Account.

The Syndicate Underwriting Year Accounts have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value.

The financial statements are presented in Pounds Sterling, which is the Syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2013 year of account which has been closed by reinsurance to close as at 31 December 2015. Consequently the statement of financial position represents the assets and the liabilities of the 2013 year of account at the date of closure. The statement of comprehensive income reflects the transactions for that year of account during the three year period until closure.

These accounts cover the three years from the date of inception of the 2013 year of account to the date of closure. Accordingly, this is the only reporting period and so corresponding amounts are not shown.

#### Use of judgments and estimates

The key accounting judgement, assumptions and estimates made in the preparation of these Underwriting Year Accounts are those relating to the determination of the Reinsurance to Close to transfer all the assets and liabilities from the 2013 Year of Account.

#### Basis of accounting

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium or by commutation.

## Notes to the Syndicate Underwriting Year Accounts 2013 Closed Year of Account As at 31 December 2015

### 1. Accounting policies (*continued*)

#### Basis of accounting (continued)

##### *Premiums written*

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Premiums in respect of insurance contracts underwritten under a binding authority, line slip or consortium arrangement are allocated to the year of account corresponding to the calendar year of inception of the arrangement. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

Premiums written are treated as fully earned. Commission and brokerage are charged to the year of account to which the relevant policy is allocated.

##### *Reinsurance premium ceded*

Initial reinsurance premiums paid to purchase policies that give excess of loss protection on a risk attaching basis are charged to the year of account in which the protection commences. Premiums for other reinsurances such as proportional treaty and excess of loss on a losses occurring basis are charged to the same year of account as the risks being protected.

##### *Claims paid and related recoveries*

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy. Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

##### *Reinsurance to close premium payable*

The net reinsurance to close premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not yet reported), net of estimated collectible reinsurance recoveries, relating to the year of account and all prior years of account reinsured therein.

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

The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development 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 for 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. However, it should be noted that a reinsurance contract does not extinguish the primary liability of the original underwriter.



## Notes to the Syndicate Underwriting Year Accounts

### 2013 Closed Year of Account

As at 31 December 2015

#### 1. Accounting policies (*continued*)

##### Basis of accounting (continued)

###### *Investment return*

As part of the Quota Share arrangement Syndicate 4000 cedes a percentage of its investment return to Syndicate 6110. 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 carried at market value are calculated as the difference between sale proceeds and carrying value. 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.

###### *Operating expenses*

Where expenses are incurred by or on behalf of the managing agent on the administration of managed syndicates, these expenses are apportioned using varying methods depending on the type of expense. Expenses which are incurred jointly for the agency company and managed syndicates are apportioned between the agency company and the syndicates on bases depending on the amount of work performed, resources used and the volume of business transacted. Operating expenses are allocated to the year of account for which they are incurred.

###### *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. It is the responsibility of members to agree and settle their individual tax liabilities.

###### *Profit commission*

Profit commission is charged by the managing agent at a rate of 15% of profit subject to the operation of a deficit clause. Where profit commission is charged, it is included within members' standard personal expenses within administrative expenses.

###### *Foreign currencies*

The Syndicate's functional and presentation currency is Pounds Sterling.

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

Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisitions costs) denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

**Notes to the Syndicate Underwriting Year Accounts**  
**2013 Closed Year of Account**  
As at 31 December 2015

**1. Accounting policies (continued)**

Basis of accounting (continued)

*Foreign currencies(continued)*

Exchange differences arising on the retranslation of opening balance sheet items at the closing balance sheet rate and the retranslation of the profit and loss account for the year are recorded in the non-technical account.

The rates of exchange used to translate monetary balances at the year-end in foreign currencies into sterling are as follows:

	<i>31 December</i> <i>2015</i>	<i>31 December</i> <i>2014</i>
US Dollar	1.483	1.553
Canadian Dollar	2.056	1.806

**2. Risk management**

Since 31 December 2015 a Reinsurance to Close has been completed which transferred all assets and liabilities from the 2013 year of account to the Pembroke Syndicate 4000 2014 year of account. Any change in value of the assets or liabilities or further transactions after 31 December 2015 will be borne by the Pembroke Syndicate 4000 2014 year of account. The 2013 year of account therefore bears no further risk and accordingly no disclosures relating to risks are disclosed in these Underwriting Year Accounts.

The basis on which capital is managed by the Syndicate is in accordance with the requirements of the Society of Lloyd's and the Prudential Regulatory Authority and is also described within the Syndicate Annual Accounts within Note 2 on page 22.

**3. Business analysis**

All business for this syndicate is related to the reinsurance of Syndicate 4000. The result arising from reinsurance ceded was a charge of £716,000.

**4. Reinsurance to close premium received**

	<b>Reported</b> <b>£'000</b>	<b>IBNR</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
Gross reinsurance to close received	2,428	3,459	5,887
Reinsurance recoveries anticipated	(611)	(390)	(1,001)
Reinsurance to close premium received, net of reinsurance	<u>1,817</u>	<u>3,069</u>	<u>4,886</u>

**Notes to the Syndicate Underwriting Year Accounts**  
**2013 Closed Year of Account**  
As at 31 December 2015

**5. Reinsurance to close premium payable**

	Reported £'000	IBNR £'000	Total £'000
Gross reinsurance to close payable	5,168	5,577	10,745
Reinsurance recoveries anticipated	(299)	86	(213)
Reinsurance to close premium payable, net of reinsurance	<u>4,869</u>	<u>5,663</u>	<u>10,532</u>

The table of the development of ultimate claims over the last five years is shown within note 4 to the Syndicate Annual Accounts on page 25 and 26.

	Gross Claims £'000	Reinsurers' Share £'000	Total £'000
Reinsurance to Close Received at 1 January 2014	5,887	(1,001)	4,886
Claims paid in relation to 2012 and prior	(1,764)	269	(1,495)
Change in provision for 2012 and prior claims	(576)	391	(185)
Effect of movements in exchange rates	31	(32)	(1)
Reinsurance to close payable for 2012 and prior at 31 December 2015	<u>3,578</u>	<u>(373)</u>	<u>3,205</u>
Provision for claims in relation to 2013 pure year	<u>7,167</u>	<u>160</u>	<u>7,327</u>
Reinsurance to Close Payable for 2013 and prior at 31 December 2015	<u>10,745</u>	<u>(213)</u>	<u>10,532</u>

**6. Net operating expenses**

	<b>£000</b>
Acquisition costs – brokerage and commissions	6,848
Acquisition costs – other	2,466
Administrative expenses	<u>2,314</u>
	<u>11,628</u>
<b>Administrative expenses include:</b>	<b>£000</b>
Auditors remuneration	
- Fees payable to the syndicate auditor for the audit of the 2013 accounts	15
- Other services pursuant to legislation	<u>22</u>
	<u>37</u>

## Notes to the Syndicate Underwriting Year Accounts

### 2013 Closed Year of Account

As at 31 December 2015

<b>7. Investment income</b>	<b>£000</b>
Investment income	644
Net realised losses on investments	(39)
Net unrealised losses on investments	(12)
	<hr/>
	593
	<hr/>
<b>8. Balance on technical account</b>	<b>£000</b>
Technical account before net operating expenses and allocated investment return	12,315
Acquisition costs	(9,314)
	<hr/>
	3,001
Net operating expenses other than acquisition costs	(3,116)
Allocated investment return transferred from the non-technical account	593
	<hr/>
	478
	<hr/>

### 9. Related parties

#### *Capital*

Underwriting capacity is provided through a combination of Names and Trade Capital. Underwriting capacity is not provided by any entity within the Ironshore Inc group of companies. Ironshore Inc is a company domiciled in the Cayman Islands and it is the ultimate parent of the managing agency, PMA.

#### *Managing agent*

The Syndicate is managed by PMA. The Syndicate incurred managing agency fees of £1.8m in respect of the 2013 underwriting year. In addition to the fee for managing the Syndicate, PMA periodically recharges costs incurred on behalf of managed Syndicates. Total expenses recharged to the Syndicate amounted to £3.1m in respect of the 2013 underwriting year. A profit commission is also charged by PMA to the Syndicate. Total profit commission charged was £0.1m.

#### *Experience Account*

The Syndicate has signed a reinsurance to close agreement with Syndicate 4000's 2014 year of account. An experience account reinsurance agreement has been signed in relation to this business between Syndicate 4000 and Syndicate 2014 so that any development accrues to the 2014 year of account of Syndicate 2014.

#### *Inwards reinsurance contracts*

The Syndicate assumes business by way of a variable rate quota share arrangement of predominantly short tail lines from Syndicate 4000.

## Two Year Summary

The result for the 2012 and 2013 closed years of account is summarised below:

	2012	2013
	£000	£000
Syndicate allotted capacity	24,856	44,972
Capacity utilised	99.4%	99.9%
Number of underwriting members	876	918
Aggregate net premiums	22,521	34,140
Net capacity utilised	90.0%	75.9%
Technical account ratio	91.3%	100.4%

### Result for an illustrative share of £10,000

	2012	2013
	£	£
Gross premiums	11,186	9,114
Net premiums	9,255	7,260
Reinsurance to close from earlier account		1,086
Net claims	(3,038)	(3,266)
Reinsurance to close	(1,966)	(2,342)
Profit on exchange	10	99
Syndicate operating expenses	(3,311)	(2,609)
Balance on technical account	950	228
Investment income and gains and less losses, less expenses and charges	121	132
	<u>1,071</u>	<u>360</u>

### Illustrative personal expenses for a traditional name:

Managing agent's fee	(50)	(50)
Contribution to Lloyd's Central Fund	(23)	(47)
Profit commissions	(142)	(12)
Lloyd's subscriptions	(45)	(45)
	<u>(260)</u>	<u>(154)</u>
Profit after illustrative profit commission and personal expenses	<u>811</u>	<u>206</u>

## Report of the independent auditors to the Council of Lloyd's

### Syndicate 6110

We have reviewed the statement dated 15 March 2016 by the managing agent.

This report is made solely to the addressees in accordance with Market Bulletin ref: Y4955 dated 22 December 2015 entitled "2015 syndicate report and accounts". Our work has been undertaken so that we might state to the addressees of this report those matters which we are required to state in this report by the Instructions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the addressees of this report, for our work, for this report, or for the opinions we have formed.

Our opinion dated 15 March 2016 on the syndicate annual accounts was not qualified.

There are no additional matters referred to in that opinion which have not been referred to in our opinion dated 17 February 2016 on the 2015 Calendar year information in the Annual Return.

### OPINION

In our opinion:

- a) the statement dated 15 March 2016 has been properly prepared by the managing agent; and
- b) it was not unreasonable for the managing agent giving the statement to have made the statements therein.

*PKF Littlejohn LLP*

PKF Littlejohn LLP  
Registered Auditor  
London  
15 March 2016

Appendix 4 (including restatement of 2014)

**SYNDICATE ANNUAL ACCOUNTS AND LLOYD'S ANNUAL RETURN  
31 DECEMBER 2015**

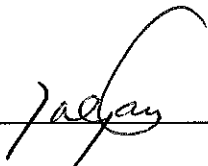
Syndicate No: 6110

**Statement by the managing agent to the Council of Lloyd's**

In accordance with Market Bulletin Y4955 dated 22 December 2015, "2015 Syndicate Report and Accounts", we confirm that the disclosures in column C of QMA001 and QMA002 of the Annual Return as submitted to Lloyd's on ~~19 FEBRUARY~~ 2016 agree with those for the 2015 profit and loss account, balance sheet, and related notes of the syndicate annual accounts as at 31 December 2015. Furthermore, the restated 2014 comparative figures in column C of QMA190 and QMA290 of the Annual Return agree with those for the restated 2014 profit and loss account and balance sheet in the syndicate annual accounts as at 31 December 2015.

We also confirm the syndicate annual accounts either have positive disclosure or have no positive disclosure as follows:

	Positive disclosure	No positive disclosure
Off balance sheet arrangements – Lloyds Regulations 2008, Schedule 1, para 7	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Related party transactions that have not been concluded under normal market conditions – Reporting Regulations 2008, Schedule 3, para 90	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Signed  Finance Director

Name IAN GARVEN (BLOCK CAPITALS)

Signed  Director

Name JUSTIN WASH (BLOCK CAPITALS)

On behalf of PEMBROKE Managing Agent

Date 13 MARCH 2016.

**SYNDICATE ANNUAL ACCOUNTS AND SYNDICATE UNDERWRITING YEAR  
ACCOUNTS  
31 DECEMBER 2015**

Syndicate No. 6116

Managing Agent: PENBROKE MANAGING AGENCY

In respect of the above syndicate:

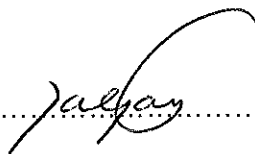
I confirm that the version of the 31 December 2015 syndicate annual accounts submitted to Lloyd's in electronic PDF file format, via the Lloyd's Market Returns Website on or before 22 March 2016, is identical to the hardcopy signed version of the syndicate annual accounts submitted to Lloyd's Market Finance Department on or before 15 March 2016.

and either:

\*I confirm that the version of the 31 December 2015 syndicate underwriting year accounts submitted to Lloyd's in electronic PDF file format, via the Lloyd's Market Returns Website on or before 22 March 2016, is identical to the hardcopy signed version of the syndicate underwriting year accounts submitted to Lloyd's Market Finance Department on or before 22 March 2016.

or

\*I confirm that no syndicate underwriting year accounts have been produced for this syndicate because either the syndicate has no year that has reached the normal date of closure or because all members have agreed that no underwriting year accounts are required.

Signed  Director / ~~Compliance Officer~~

Name IAN GARYEN (Block capitals)

Date 15 MARCH 2016

\*Delete as appropriate

This form is to be signed and dated by a Director or compliance officer and returned to Nadia Yakoob, Market Finance, 1986 Building/G5, 1 Lime Street, London, EC3M 7HA, by Tuesday 22 March 2016.