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SYNDICATE 2791

Report and Financial Statements
31 December 2014

MAP

Underwriting at Lloyd's

CONTENTS

CHAIRMAN'S REPORT

Another strong set of results from the team, and another year of falling rates in the market. As Richard says, if the catastrophe element is set aside the market is already writing its book at roughly zero profit margin, yet rates continue to plummet. Throughout the insurance industry, vast amounts of time and money have been put into building elaborate risk models, but they just seem to obscure this simple truth.

The process of pricing and managing insurance risk is a blend of hard analysis and softer judgment factors; the models therefore have to leave room for judgment, and in our view this is often where the trouble starts. An underwriter under pressure not to lose premium volume can often find a way to minimise the impact of a rate reduction in his or her rate monitoring system, indeed brokers happily admit that it is part of their job these days to help the underwriter find a way to dress up the risk in an acceptable way, rather than to persuade the underwriter that there is a profit margin there.

The cumulative effect of hundreds or even thousands of such decisions can only be (in the Mayor of London's famous phrase) an inverted pyramid of piffle. It is on this base that large public companies and even regulators have to construct their assessment of market conditions, with discomforting echoes of the banking sector only a few years ago.

At MAP, however, each underwriter calculates a minimum acceptable price on each risk, each year, and is held accountable for the accuracy of their pricing. Each year the exercise is carried out from first principles, avoiding the curse of "this year v last year" price monitoring, which locks in past mistakes and has an inbuilt optimistic bias whenever risks are churned or layers restructured. As owners of the business and participants in the risk, our underwriters' interests are aligned with those of capital providers, and there is no incentive for them to game the system.

It may take time for falling rates and broadening policy forms to produce red ink, but it is inevitable that they will, as only losses ever stop the rate cuts. When Richard says that times are tough in the market, and a consistent approach to prices, terms and conditions produces sharp reductions in premium volume, I have complete confidence in his and the team's analysis and judgment. Their track record deserves nothing less.

D E S Shipley
Chairman

12 March 2015

SYNDICATE 2791

Underwriting Year Distribution Accounts
2012 Closed Year of Account
31 December 2014

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Managing Agency Partners Limited (MAP)

Directors
C E Dandridge (Non-executive)
J D Denoon Duncan
H R Dumas (Non-executive)
A S Foote (Non-executive)
A Kong
B S McAuley
D E S Shipley (Non-executive Chairman)
C J Smelt
R J Sumner
R K Trubshaw (Active Underwriter)

Company Secretary
B S McAuley

Managing Agent's Registered Office (until 20 April 2015)
110 Fenchurch Street
London
EC3M 5JT

Managing Agent's Registered Office (from 20 April 2015)
Fitzwilliam House
10 St. Mary Axe
London
EC3A 8EN

Managing Agent's Registration
Registered in England; number: 03985640

SYNDICATE

Active Underwriter
R K Trubshaw

Principal Investment Managers
Schroder Investment Management Limited

Registered Auditors
Ernst & Young LLP, London

The managing agent presents its report on the 2012 year of account of Syndicate 2791 as closed at 31 December 2014.

These accounts have been prepared in accordance with 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). Separate annual accounts under UK GAAP on the calendar year results are available to all the syndicate's members (see pages 28 to 56).

UNDERWRITER'S REPORT

2012 Year of Account

Capacity £506.8 million

The 2012 year has closed with a profit of £59.2m after all members' personal expenses, equivalent to 11.7% of stamp capacity, compared with the forecast range of 7% to 12%. Absent a £10.0m back-year release the 2012 pure year result would be 10.1%.

Development of Closed Years (2011 and prior)

The total gross IBNR ('incurred but not reported') reserve, less future premiums, has increased from £120.7m to £131.7m. Only £10.7m or 8.9% of this reserve was utilised in the calendar year. As we maintain an increasingly defensive stance in the market our ongoing book continues to shrink and becomes more vulnerable to volatility and severity. We have observed that this latency is already leading to a lengthening tail, and it is notable that more recent years have not had as benign a run-off pattern as their predecessors. To our minds this reinforces the need for a considered and prudent approach to reserving. Despite the back year release, our remaining completion factors are therefore appropriately more conservative than in prior years.

The long-tail casualty classes account for a little over half of the back-year release, and constitute around 60% of the remaining IBNR reserve. Much of the short-tail reserve relates to catastrophes, in particular the international cat events, (defined as earthquakes in New Zealand and Japan, plus the Thai floods). As at year end, across all years of account, the syndicate had gross incurred losses from the international cat events of £20.4m with a further provision of £15.2m. The projected gross ultimate loss has increased from £33.1m to £35.6m mainly due to continuing uncertainty over New Zealand, which reinforces our view that complex catastrophic events can take many years to settle out completely.

Pure Year 2012

Utilisation of capacity

The final utilisation was 50% at closing rates of exchange. The reinsurance spend was £56.5m or 22.3% of Lloyd's gross written premium, 48% of which was ceded via a US catastrophe quota share to Syndicate 6103.

Performance review

The positive effect of the 2010-11 international cat events was a temporarily dislocated worldwide property market. Prices at worst stabilised, and in many areas increased – not always enough to meet our technical hurdles, but affording sufficient opportunity for us to modestly grow our gross written premium by around 12.5%. Incurred loss ratios are in line with those seen in prior years with the exception of Super-storm Sandy, which struck the United States in late October, causing in our estimation around US$25bn of insured damage. At year end our expected ultimate gross loss across all years of account (after cessions to Syndicate 6103) is £60.3m. (£61.0m last year), of which £45.9m had been incurred at year end (£45.6m last year). We remain cautious in evaluating the potential development of flood losses, in particular those affecting large risk policies in Metropolitan New York.

2013 Year of Account Forecast

Our forecast range for the 2013 year of account is a profit of 7% to 12% on Stamp Capacity after all expenses. Despite some corrective action on Sandy affected accounts, the majority of our business continued to come under competitive pressure. This intensified as the year progressed, particularly on US reinsurance where the Capital Markets, faced with the prospect of low yields on their core activities, increasingly viewed our sector as an opportunistic play to write uncorrelated exposure at seemingly attractive margins.

Faced with this strategic threat, much of the traditional market responded by price-matching and offering broader coverage, such that significant volumes of business failed to meet our minimum technical margins. In consequence our projected gross volume is likely to be some 20% less than that written in 2012, although given the absence of any meaningful catastrophic activity the year should still prove similarly profitable.

2014 Overview

Capital providers will recall we reduced Stamp Capacity to £453m for 2014 in anticipation of a rapidly softening market. Despite this, the deterioration in terms and conditions was so extreme that we actually shed some further 25% of premium volume relative to 2013. Most of this drop was in the property reinsurance lines, which came under intense rating pressure. To date the incurred loss ratios are benign, and the year should ultimately be profitable.

2015 Trading Conditions

Once again we reduced Stamp capacity to £400m, which is where we were back in 2009. The competitive pressures that so severely affected the reinsurance book in 2014 are now starting to contaminate most other lines of business, as the market continues its headlong charge downwards. We are now pretty much down to our core book, which we are defending as appropriate. The strategy for dealing with these wintry conditions is simple: carry on underwriting risk by risk, make sure the expected attritional loss ratio remains acceptable and reduce the net catastrophic risk appetite in line with a lower anticipated return. The alternative is to join the herd, assume a lot more risk for a lot less money and hope for the best. As underwriters whose market franchise relies on pricing integrity, and who have a significant financial stake in the business we are not prepared to do this.

Some commentators maintain that the current state of affairs is the "new norm", that the omni-present capital markets, turbo-charged by cheap money looking for (supposedly) uncorrelated yield, have re-based industry returns to a permanently lower level. My view is that the game never really changes – the teams on the pitch wear different coloured jerseys, they may have more complex strategies, and the referees may blow ever more shrilly on their whistles, but fundamentally it's still about pricing risk properly over time. If these "new norm" commentators were correct, the market would discount to the new hurdle rate, and then flat-line. However, that is not what is happening – price cuts are compounding year on year. Last year I pointed out how there was only a single-digit percentage margin left in the Lloyd's aggregated figures over the last 10 years: 2015 will undoubtedly see all of this insulation removed. The market will therefore only make money if nothing particularly happens (just as in 2013 and 2014), but I would contend that a strategy where prices are discounted by 10-15% in response to every benign year must ultimately be doomed to failure.

The issue then is what happens next? According to the proponents of the "new norm", excess capital merely marches in like automatons to replace the fallen, and so the depression is maintained. My contention is that humans don't behave like this - after all look how the capital markets reacted to market stress in their own sphere in 2008/9. Or rather they (may) do, but certainly not at the same terms and conditions that have just generated a loss. If a catastrophe bond is triggered, there needs to be a capital raise in order to trade on: this requires an expectation of an improved return and so a step-change in pricing. It is in such dislocated market conditions that we, as pure risk analysts, should find enough oxygen to successfully compete, just as we did in the early 90s, post 2001 and post 2005.

Analysis of premium written by syndicate classification

	Gross written £'000	Net written £'000
Property reinsurance	190,366	150,950
Direct and facultative property	46,233	34,691
Marine and offshore energy	30,163	27,253
Motor	18,459	17,370
Third party liability	9,711	9,711
Accident and health	9,134	9,134
Specialist lines	5,312	5,206
Terrorism and political risks	4,072	4,072
Total	313,450	258,387

Investment Return

The investment return generated over the last three years has contributed £12.8m to the 2012 closed year result. The calendar year returns net of expenses in each period were; 3.8% in 2012, 1.9% in 2013 and 2.6% in 2014.

In line with established policy, the 2012 Year of Account receives a proportion of the investment performance of the three calendar years as determined by a formula which assesses the actual assets held in each Year of Account and allocates the result accordingly.

The Effect of Exchange Rates on the Distribution Account

As these accounts are reported over the three consecutive years from 2012, the GBP:USD exchange rate has moved from an average of 1.59 during 2012 to a closing rate of 1.56 and this has resulted in a profit of £0.7m over the three year period.

Reinsurance Debtors

Recoverable amounts from reinsurers amount to £28.7m virtually all of which is current. There are no provisions for bad debts on the syndicate's reinsurance balances.

An analysis of the security rating for the debtors on our balance sheet at 31 December is set out below:

Debt table by security rating

Standard & Poor's rating	On paid claims £m	On outstanding claims £m	On IBNR £m	Total £m
AA and above	(1.2)	8.1	5.1	12.0
A	10.5	3.2	2.9	16.6
BB and below	(0.1)	0.1	0.1	0.1
	9.2	11.4	8.1	28.7

The negative paid claim figure on the AA and above rating is a repayment due to one of our reinsurers caused by a reduction on a previously paid claim.

2013 Year of Account Forecast

An estimate of the 2013 underwriting result as at 36 months is set out below:

	£'000
Stamp capacity	510,484
Gross premiums written	254,805
Net premiums written	204,348
Claims incurred – net of reinsurance	(72,359)
Net operating expenses	(62,283)
Investment return	6,435
Profit commission	(14,264)
Personal expenses	(4,819)
Estimate of profit for the year of account after personal expenses	57,058

Assumptions underlying the 2013 Estimated Result:

(i) There will be no material reinsurance failures.
(ii) Syndicate expenses, incurred in the calendar year 2015 to be charged to the 2013 year of account, will continue the pattern of previous years as refined by current budgets.
(iii) Exchange rates at 31 December 2015 will not be materially different from those at 31 December 2014.
(iv) Investment returns attributable to 2013 during 2015 = 1.0% for all currencies.
(v) Claims will be paid in line with our expected development patterns.
(vi) No material back year surplus or deficit arises from the RITC.

Seven Year Summary of Closed Years of Account

	Note	2006	2007	2008	2009	2010	2011	2012
Syndicate allocated capacity (£m)		399.6	459.2	400.6	403.7	504.5	504.5	506.8
Number of Underwriting Members		1,387	1,399	1,368	1,508	1,585	1,687	1,718
Aggregate net premiums (£m)		386.5	302.3	255.4	274.0	232.5	232.6	258.4
Results for illustrative share of £10,000		%	%	%	%	%	%	%
Utilisation of capacity at premium income monitoring rates of exchange		86.0	65.6	54.9	53.5	44.7	46.3	48.4
Gross premiums written (% of illustrative share)		104.9	75.4	74.6	83.0	54.2	54.8	61.8
Net premiums (% of illustrative share)		96.7	65.8	63.8	67.9	46.1	46.1	51.0
Profit (% of gross premiums)		42.8	36.9	20.9	38.7	32.7	24.5	18.9
Results for illustrative share of £10,000		£	£	£	£	£	£	£
Gross premiums	*1*	10,495	7,542	7,458	8,296	5,417	5,479	6,185
Net premiums		9,672	6,583	6,377	6,785	4,608	4,612	5,098
Reinsurance to close from an earlier year of account		5,489	6,527	6,748	6,792	5,046	4,545	4,304
Net claims		(3,185)	(2,712)	(3,745)	(1,844)	(1,659)	(1,946)	(2,070)
Reinsurance to close	*2*	(5,573)	(6,048)	(6,224)	(6,326)	(4,782)	(4,361)	(4,553)
Underwriting profit		6,403	4,350	3,155	5,407	3,213	2,850	2,779
Acquisition costs	*1*	(2,211)	(1,621)	(1,633)	(1,746)	(1,161)	(1,157)	(1,370)
Other syndicate operating expenses, excluding personal expenses		(137)	(148)	(136)	(141)	(113)	(130)	(170)
Reinsurers' and profit commissions		20	47	69	97	42	48	39
Exchange movement on foreign currency translation		1,080	320	7	29	(59)	(65)	14
Net investment income		253	568	544	466	398	242	252
Illustrative personal expenses:								
Managing agent's fee		(55)	(55)	(55)	(55)	(55)	(55)	(55)
Profit commission	*3*	(716)	(533)	(332)	(794)	(455)	(351)	(287)
Other personal expenses		(150)	(147)	(63)	(57)	(40)	(39)	(34)
Profit after illustrative personal expenses and illustrative profit commission		4,487	2,781	1,558	3,206	1,770	1,343	1,168

1. Gross premiums and syndicate operating expenses have been grossed up for brokerage costs.

2. Reinsurance to close is stated at relevant average rates applicable or when reserves were first set for each year of account.

3. Profit commission is reported on a pro forma basis before the application of the deficit clause brought forward.

Disclosure of Information to the Auditors

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

By order of the Board

R K Trubshaw
Active Underwriter
Managing Agency Partners Limited

12 March 2015

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008 ('the Lloyd's Regulations') require the managing agent to prepare syndicate underwriting year accounts for each syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005).

The managing agent must prepare the syndicate underwriting year accounts which give a true and fair view of the result of the closed year of account.

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; and
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in these 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 Lloyd's 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.

INDEPENDENT AUDITORS' REPORT

to the Members of Syndicate 2791 – 2012 Closed Year of Account

We have audited the syndicate underwriting year accounts for the 2012 year of account of Syndicate 2791 for the three years ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the related notes 1 to 21 and the Statement of Managing Agent's Responsibilities. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Managing Agent and the Auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 10, 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 legal and regulatory requirements 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 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 Underwriting Year Report and Accounts to identify material inconsistencies with the audited underwriting year accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Syndicate Underwriting Year Accounts

In our opinion the syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2012 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.

Kevin Senior (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

12 March 2015

PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS

2012 Closed Year of Account for the three years ended 31 December 2014

	Note		2012 £'000
Syndicate allocated capacity			506,818
Earned premiums, net of reinsurance:			
Gross premiums written	3	313,450	
Outward reinsurance premiums		(55,063)	
Earned premiums, net of reinsurance			258,387
Reinsurance to close premiums received, net of reinsurance	4		218,134
Allocated investment return transferred from the non-technical account			12,779
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(122,116)	
Reinsurers' share		17,224	
			(104,892)
Reinsurance to close premium payable, net of reinsurance	5		(230,782)
Acquisition expenses		(69,429)	
Reinsurers' commissions and profit participations		1,973	
Administrative expenses	7	(27,695)	
Net operating expenses			(95,151)
Exchange differences arising on foreign currency translation	12		718
Balance on the technical account – general business	11		59,193

PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

2012 Closed Year of Account for the three years ended 31 December 2014

	Note	2012 £'000
Balance on the technical account for general business		59,193
Investment income	*10*	20,090
Unrealised gains on investments		2,433
Unrealised losses on investments		(1,784)
Investment expenses and charges	*10*	(7,960)
Allocated investment return transferred to general business technical account		(12,779)
Profit for the 2012 closed year of account		59,193

BALANCE SHEET

2012 Closed Year of Account as at 31 December 2014

	Note	2012 £'000
Assets		
Investments	*13*	303,645
Debtors	*14*	29,360
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	*6*	19,452
Other assets		
Cash at bank and in hand		8,497
Prepayments and accrued income		
Accrued interest		929
Total assets		361,883
Liabilities		
Amounts due to members	*15*	59,193
Reinsurance to close premiums payable to close the account – gross amount	*6*	258,832
Other creditors	*16*	43,041
Accruals and deferred income		817
Total liabilities		361,883

The financial statements on pages 12 to 26 were approved by the Board of Managing Agency Partners Limited on 12 March 2015 and were signed on its behalf by:

R K Trubshaw
Active Underwriter
12 March 2015

R J Sumner
Finance Director

CASH FLOW STATEMENT

2012 Closed Year of Account for the three years ended 31 December 2014

	Note	2012 £'000
Net cash inflow from operating activities	*17*	55,828
Transfers to members in respect of underwriting participations		–
		55,828
Cash flows were invested as follows:		
Increase in cash holdings	*18*	8,497
Decrease in overseas deposits	*18*	(1,164)
Net portfolio investment	*19*	48,495
Net investment of cash flows		55,828

NOTES TO THE ACCOUNTS

2012 Closed Year of Account for the three years ended 31 December 2014

1. Basis of Preparation

These financial statements have been prepared under regulation 6 of 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) and applicable Accounting Standards in the United Kingdom and comply with the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers.

The Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) requires the aggregation of movements in each of the three calendar years' for any Underwriting Year account. For 2012's Underwriting Year Distribution Account each calendar year result is aggregated using the relevant years' average rate for each item in the profit and loss account. The reinsurance to close received by 2012 from 2011 is presented as both a premium and as part of the reinsurance to close payable at the same rate, which is 2014's opening rate. Any changes made to the opening reinsurance to close are accounted for at the average rate ruling during 2014.

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 2012 year of account which has been closed by reinsurance to close at 31 December 2014; consequently the balance sheet represents the assets and liabilities of the 2012 year of account and the profit and loss account and cash flow statement reflect the transactions for that year of account during the three year period until closure.

As each syndicate year of account is a separate annual venture, comparatives as required by FRS28 are not required to be disclosed.

2. Accounting Policies

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 to the successor year of account.

Premiums written

Premiums written comprise premiums on contracts incepted during the financial year of account as well as adjustments made in the year to premiums written in prior accounting periods. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet notified.

Estimates include an element of judgement with regard to the level of claims affected future premiums receivable by the syndicate. The methods used for assessing future premiums generally involve projecting from past experience, based on the development of claims and the related inwards premiums receivable against these claims. The directors consider the estimates of gross future premium are fairly stated on the basis of the information available currently to them. However, the ultimate receivable will vary as a result of subsequent information or events and this may result in significant adjustments.

The estimated premium income in respect of facility contracts, for example binding authorities and lineslips, includes an estimate of the underlying business attaching to each facility at the balance sheet date.

Premiums are disclosed before the deduction of acquisition costs and taxes or duties levied on them.

Premiums written are treated as fully earned.

Acquisition costs

Acquisition costs, comprising commission and other direct or indirect costs related to the acquisition of insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date. The value of commission paid to insurance intermediaries is determined based on the contractual amounts recorded in all contracts. Where, however, policies are issued to intermediaries on a wholesale basis and they are themselves responsible for setting the final amount payable by the insured without reference to the insurer, the written premium comprises the premium payable to the insurer and accounting for broker acquisition costs is inappropriate.

Reinsurance premium ceded

Outwards reinsurance purchased consists of excess of loss contracts and proportional reinsurance contracts. Initial excess of loss premiums are accounted for in the year of inception. Premiums ceded to reinstate reinsurance cover or additional premiums payable on loss are recognised when they may be assessed with reasonable certainty.

2. Accounting Policies *continued*

Reinsurance to close premium payable

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.

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

The estimate of claims outstanding is assessed on an individual case and class basis, as appropriate, 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. It also includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified.

The reinsurers' share 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 estimates 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 estimates of 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.

Provisions

The syndicate may be subject to legal disputes, in the normal course of business. Provisions for such events and their related costs are recognised where there is a present obligation relating to a past event that can be measured reliably and it is probable that an outflow of economic benefit will be required to settle that obligation.

Bad debt

Bad debts are provided for only where specific information becomes available to suggest a debtor may be unable or unwilling to settle its debts to the syndicate. Specific information may be directly attributed to the debtor company or may be indirect information from a rating agency or other source. The provision is calculated on a case by case basis.

Foreign currency translation

Transactions, other than reinsurance to close, in US Dollars, Canadian Dollars and Euros are translated at the average rates of exchange for each calendar year in which they are booked. Reinsurance to close premiums receivable and underwriting transactions denominated in other foreign currencies, are included at the rate of exchange ruling at the transaction date. Reinsurance to close premiums payable are included in the technical account at relevant average rates applicable when the change occurred or when reserves were first set.

The reinsurance to close premiums payable are included in the balance sheet at the closing rate.

All exchange differences arising on retranslation of opening balances and between average and year-end rates are disclosed separately in the general business technical account. All other exchange differences are within operating expenses.

Balance sheet assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date or if appropriate at the forward contract rate.

2. Accounting Policies *continued*

Foreign currency translation continued

Where Canadian Dollars or Euros are sold or bought relating to the profit or loss of the closed underwriting account after 31 December, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured. Where United States Dollars relating to the profit or loss of a closed underwriting account are bought or sold by the syndicate on behalf of the members on that year, any exchange profit or loss accrues to those members.

The following rates of exchange to Sterling have been used in the preparation of these accounts.

	Year end rate	Average rates during		
	2014	2014	2013	2012
USD	1.56	1.65	1.56	1.59
CAD	1.81	1.82	1.61	1.58
EUR	1.29	1.24	1.18	1.23

Investment values

Financial investments are valued at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Listed investments

Listed and other quoted investments are stated at current bid value at the balance sheet date. For this purpose listed and quoted investments are stated at market value and deposits with credit institutions are stated at cost.

The cost of syndicate investments is the amount paid on the purchase date for those investments still held at the balance sheet date.

Deposits

All deposits with credit institutions are stated at cost.

Unlisted investments

Where an investment is not listed, or a market is not regarded as active because:

- quoted prices are not readily and regularly available; or
- prices do not represent actual and regularly occurring market transactions on an arm's length basis.

In such circumstances the syndicate then seeks to establish fair value by using third party administrator's with experience in valuing such assets using valuation techniques as described below.

Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on estimates. It incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial investment.

The Syndicate participates in a number of hedge/credit funds and related financial instruments for which there are no available quoted market prices. The valuation of these hedge funds is based on fair value techniques (as described above). The fair value of our hedge/credit fund portfolio is calculated by reference to the underlying net asset values (NAVs) of each of the individual funds.

Consideration is also given to adjusting such NAV valuations for any restriction applied to distributions, the existence of side pocket provisions, and the timing of the latest available valuations.

The cost of syndicate investments is deemed to be the aggregate of market value at the accepted RITC date of those investments still held at the current balance sheet date, and purchases during the period.

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 purchase price.

Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Purchases and sales of investments are recognised on the trade date, which is the date the syndicate commits to purchase or sell the assets. Funds receivable or payable after the trade date are recorded in debtors and creditors respectively until settled.

Allocation of investment return

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 generated by insurance related assets.

Investment management expenses

Comprise contractual fees and profit commissions payable to external third party investment managers for managing the syndicate's investment funds. They are accrued in the period to which they relate.

Overseas deposits

Overseas deposits lodged as a condition of conducting underwriting business in certain countries in compliance with Lloyd's licences are stated at the market value, based on a bid price, ruling at the balance sheet date.

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. Syndicate 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.

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

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

Pension costs

MAP operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

Profit commission

Profit commission is charged by the managing agent at a rate of 20% of profit subject to the operation of a deficit clause. This is charged to the syndicate on an earned basis but does not become payable until after the year of account closes.

3. Segmental Analysis

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

	Gross written premiums (note 1) £'000	Gross claims incurred (note 2) £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
2012 pure year						
Direct insurance						
Accident and health	7,697	(2,525)	(3,227)	(30)	1,915	574
Fire and other damage to property	37,404	632	(13,503)	(6,252)	18,281	980
Marine, aviation and transport	23,771	(7,718)	(7,779)	(1,879)	6,395	3,487
Motor (other classes)	12,098	(8,255)	(4,301)	(888)	(1,346)	1,646
Third party liability	4,304	(3,109)	(1,191)	(48)	(44)	2,107
Miscellaneous	760	(233)	(378)	1,169	1,318	160
	86,034	(21,208)	(30,379)	(7,928)	26,519	8,954
2012 pure year						
Reinsurance	231,247	(133,547)	(63,077)	(22,852)	11,771	52,962
	317,281	(154,755)	(93,456)	(30,780)	38,290	61,916
RITC	224,795	(216,962)	(1,695)	1,268	7,406	177,464
Total	542,076	(371,717)	(95,151)	(29,512)	45,696	239,380

Total commissions on direct gross premiums written amount to £18.6m.

1. Gross premiums earned are identical to gross premiums written.
2. Gross claims incurred comprise gross claims paid and gross reinsurance to close premium payable.
3. All premiums are concluded in the UK.
4. Gross operating expenses include reinsurer's commissions and profit participations.
5. All 2011 and prior year movements are reflected in the RITC line.
6. The business class split reported is a statutory reporting requirement but the business is managed by its own business classes and hence an element of allocation is used.

The geographical analysis of premiums by destination is as follows:

	Direct £'000	Reinsurance £'000	Total £'000
UK	2,254	3,334	5,588
Other EU countries	4,295	4,332	8,627
US	58,516	144,221	202,737
Other	21,331	75,167	96,498
Total	86,396	227,054	313,450

4. Reinsurance to Close Premium Receivable

	Syndicate 2791 £'000	Syndicate 6103 £'000	Total £'000
Gross reinsurance to close premium receivable	228,183	443	228,626
Reinsurance recoveries anticipated	(10,492)	–	(10,492)
Reinsurance to close premium receivable, net of reinsurance	217,691	443	218,134

At 1 January 2014, Syndicate 2791 accepted a Reinsurance to Close Premium from Syndicate 6103 in respect of Syndicate 6103's 2011 Year of Account.

5. Movement in Underwriting Reserves

	Reserves £'000	Exchange to closing rate £'000	Closing RITC £'000
2011 and prior			
Opening balance	(217,691)	(10,764)	(228,455)
Change in year	44,434	2,402	46,836
2012 pure			
Change in three year period	(56,587)	(236)	(56,823)
Unallocated loss and loss adjustment expenses	(938)	–	(938)
	(230,782)	(8,598)	(239,380)

The exchange difference arising from the retranslation of the opening reinsurance to close liabilities is exactly matched by the assets transferred in at 1 January 2014 in currency and therefore the effect to the profit and loss account is nil.

6. Reinsurance to Close Premium Payable

	2011 and prior £'000	2012 pure £'000	2012 £'000
Gross outstanding claims	77,057	33,202	110,259
Reinsurance recoveries anticipated	(4,741)	(6,620)	(11,361)
Net outstanding claims	72,316	26,582	98,898
Provision for gross claims incurred but not reported	108,924	34,557	143,481
Reinsurance recoveries anticipated	(3,775)	(4,316)	(8,091)
Provision for net claims incurred but not reported	105,149	30,241	135,390
Unallocated loss and loss adjustment expenses	3,916	1,176	5,092
Net premium for reinsurance to close	181,381	57,999	239,380

A positive run-off of £10.0m on the 2012 and prior years' reserves (2011 and prior: £17.2m) was experienced in the year. This change to the previous closed year reserves was 4.2% of the relevant provisions brought forward. The change in the year was principally due to the favourable run-off of the long-tail casualty classes.

The reinsurance to close is effected to the 2013 year of account of Syndicate 2791.

7. Administrative Expenses

	£'000
Personal expenses	4,525
Outwards profit commission	14,536
Other administrative expenses	7,946
Loss on exchange	688
	27,695

Administrative expenses include:

	£'000
Auditors' remuneration	
Fees for the audit of the syndicate	188
Other services pursuant to Regulations and Lloyd's Byelaws	90
Taxation compliance services	5
Actuarial consultancy services	218

Personal expenses comprise managing agent's fees, Lloyd's subscriptions and central fund contributions.

8. Staff Numbers and Costs

All staff are employed by the managing agent. The following amounts were recharged to the syndicate in respect of salary costs:

	£'000
Wages and salaries	3,778
Social security costs	455
Other pension costs	435
	4,668

Included above are the employment costs of underwriters attributable to acquisition of business and those of claims staff treated within the technical account as Acquisition Costs and Loss Adjustment Expenses respectively.

The average number of employees employed by the managing agent but working for the syndicate during the three years was as follows:

Administration and finance	21
Underwriting	22
Claims	4
	47

9. Emoluments of the Directors of Managing Agency Partners Limited

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

	£'000
Emoluments	887

The 2012 year of account has been charged with active underwriter's remuneration as follows:

	£'000
Emoluments – R K Trubshaw	230

Profit related remuneration in respect of all directors and staff is wholly paid and borne by the managing agent.

10. Investment Return

	£'000
Investment income	
Income from investments	7,418
Gains on the realisation of investments	12,672
	20,090
Investment expenses and charges	
Losses on realisation of investments	(4,436)
Investment management expenses, including interest	(3,524)
	(7,960)

11. Balance on the Technical Account – General Business

	2011 and prior years of account £'000	2012 pure years of account £'000	Total 2012 £'000
Balance excluding investment return and operating expenses	9,535	131,312	140,847
Brokerage and commission on gross premium	332	(69,761)	(69,429)
Allocated investment income	–	12,779	12,779
Net operating expenses other than acquisition costs	(2,025)	(23,697)	(25,722)
Profit on exchange	142	576	718
	7,984	51,209	59,193

12. Exchange Differences Arising on Foreign Currency Translation

	£'000
On 2012 balances brought forward: from opening to closing rates	(50)
On transactions during 2014: from average to year end rates	768
	718

13. Financial Investments

	Market value £'000	Cost £'000
Investments:		
Shares and other variable yield securities and units in unit trusts	35,143	33,982
Debt securities and other fixed income securities	179,985	179,428
Participation in investment pools	3,755	5,164
Other loans	20,561	20,560
Deposits with credit institutions	3,284	3,284
Overseas deposits as investments	14,377	14,377
	257,105	256,795
Hedge Funds / Alternative Assets:		
Shares and other variable yield securities and units in unit trusts	16,329	8,729
Debt securities and other fixed income securities	–	–
Participation in investment pools	30,211	21,901
Other loans	–	–
Deposits with credit institutions	–	–
Overseas deposits as investments	–	–
	46,540	30,630
Total Investments:		
Shares and other variable yield securities and units in unit trusts	51,472	42,711
Debt securities and other fixed income securities	179,985	179,428
Participation in investment pools	33,966	27,065
Other loans	20,561	20,560
Deposits with credit institutions	3,284	3,284
Overseas deposits as investments	14,377	14,377
	303,645	287,425

Within "Shares and other variable yield securities and units in unit trusts" and "Participation in investment pools" £43.6m are listed on a recognised exchange. These comprise 14.4% of the total market value of investments.

14. Debtors

	£'000
Arising out of direct insurance operations:	
Due from policyholders	–
Due from intermediaries	(1,680)
Arising out of reinsurance operations	22,792
Inter-syndicate loan	2,127
Members' agents' fees advances	2,691
Non-standard personal expenses due from members (overseas taxation)	1,613
Profit commission and overriding commission	1,354
Investment settlement	451
Other	12
	29,360

15. Amounts Due to Members

	£'000
Profit for the 2012 closed year of account due to members at 31 December 2014	59,193

16. Other Creditors

	£'000
Arising out of direct insurance operations	
Policyholders	–
Intermediaries	60
Arising out of reinsurance operations	27,364
Profit commissions	14,798
Other	819
	43,041

17. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	£'000
Operating profit on ordinary activities for the closed year of account	59,193
Realised and unrealised investments gains and losses including exchange movements	78,028
Net reinsurance to close payable	239,380
Decrease in debtors, excluding those received as consideration for RITC	15,428
Decrease in creditors, excluding those received as consideration for RITC	(126,288)
Non-cash consideration for net RITC receivable	
Deposits	(14,958)
Portfolio investments	(319,384)
Debtors (Syndicate 2791)	(26,639)
Creditors (Syndicate 2791)	151,510
Debtors (Syndicate 6103)	(19,078)
Creditors (Syndicate 6103)	18,636
Net cash inflow from operating activities	55,828

18. Movement in Opening and Closing Portfolio Investments Net of Financing

	£'000
Net cash inflow	8,497
Cash flow – decrease in overseas deposits	(1,164)
Cash flow – portfolio investments	48,495
Movement arising from cash flows	55,828
Received as non-cash RITC consideration	
Deposits and portfolio investments	334,342
Changes in market value and exchange rates	(78,028)
Total movement in portfolio investments	312,142
Portfolio at 1 January 2012	–
Portfolio at 31 December 2014	312,142

Movement in cash, portfolio investments and financing

	At 1 January 2012 £'000	Cash flow £'000	Received as consideration for net RITC receivable £'000	Changes to market value and currencies £'000	**At 31 December 2014 £'000**
Cash at bank and in hand	–	445	8,221	(169)	**8,497**
Overseas deposits	–	(1,164)	14,958	583	**14,377**
Portfolio investments:					
Shares and other variable yield securities and units in unit trusts	–	(9,141)	41,632	18,981	**51,472**
Debt securities and other fixed income securities	–	52,668	218,256	(90,939)	**179,985**
Participation in investment pools	–	24,463	55,458	(45,955)	**33,966**
Other loans	–	(18,540)	1,856	37,245	**20,561**
Deposits with credit institutions	–	(955)	2,182	2,057	**3,284**
Total portfolio	–	48,495	319,384	(78,611)	**289,268**
Total cash, portfolio investments and financing	–	47,776	342,563	(78,197)	**312,142**

19. Net Cash Inflow/(Outflow) on Portfolio Investments

	£'000
Purchase of shares and other variable yield securities	(4,534)
Purchase of debt securities and other fixed income securities	(765,035)
Purchase of participation in investment pools	(72,240)
Movement in other loans	18,540
Movement of deposits with credit institutions	955
Sale of shares and other variable yield securities	13,675
Sale of debt securities and other fixed income securities	712,367
Sale of participation in investment pools	47,777
Net cash outflow on portfolio investments	(48,495)

20. Related Parties

The managing agent, MAP, is a wholly owned subsidiary of Managing Agency Partners Holdings Limited, the equity of which is 90.1% owned by MAP Equity Limited, a company that is entirely owned by the staff of the managing agency and syndicate.

MAP also manages Syndicate 6103. The underwriting business of Syndicate 6103 is derived solely under a reinsurance contract with Syndicate 2791. Under the terms of this contract, Syndicate 6103 is obliged to accept 30% of all business written

20. Related Parties *continued*

by Syndicate 2791 under certain categories of its property catastrophe book. Syndicate 2791 retains the balance of these contracts net for its own account.

Syndicate 2791 receives a ceding commission of 5% and an overriding commission of 1% of gross written premiums ceded to Syndicate 6103 to cover personal expenses of Syndicate 6103 names borne by Syndicate 2791. A profit commission of 15% of profits, as defined in the contract, is payable to MAP. All funds are retained and invested by Syndicate 2791 on behalf of Syndicate 6103 and interest is payable (or charged on negative balances) to Syndicate 6103 at rates agreed.

The following transactions between the syndicates occurred for the 2012 year of account:

	£'000
Premiums ceded	(24,820)
Paid claims recovered	10,346
Ceding commission	1,260
Overriding commission	269
Investment income payable	(367)

The directors' interests in the ordinary share capital of MAP Equity Limited, which has an issued share capital of 250,000 £1 shares, at the balance sheet date were as follows:

	A Shares (voting)	A Shares (non-voting)
R K Trubshaw	33,000	–
A Kong	22,000	–
J D Denoon Duncan	–	8,333
B S McAuley	–	13,500
C J Smelt	5,000	2,500
R J Sumner	–	10,000

Messrs. Shipley, Denoon Duncan, Kong, Trubshaw, Sumner, Smelt and Ms McAuley, or their related parties, participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member MAP Capital Limited.

MAP Capital Limited commenced underwriting on the 2001 year of account. For the 2012 year of account MAP Capital Limited provided £105.3m of capacity on Syndicate 2791 representing 20.8% of capacity. MAP has no direct interest in the share capital of MAP Capital Limited.

For the 2012 year of account these directors also participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member, Nomina No 208 LLP. For the 2012 year of account it has provided £10.5m of capacity representing 2.1% of capacity. MAP has no direct or indirect interest in Nomina No 208 LLP.

Managing agency fees amounting to £2.8m were paid to MAP for the 2012 year and profit commission of £14.8m is also due to the managing agency in respect of the profit of the 2012 closed year. Expenses totalling £8.2m were recharged to this year of account.

The syndicate has an investment in Steadfast International Limited, an equity investment fund managed by Steadfast Capital Management Limited of which Mr Foote, a director of MAP, is the managing director. The syndicate's participation on this fund is at arm's length and the syndicate was charged fees and profit commissions amounting to US$1.2m during 2014 on normal commercial terms. Mr Foote, a principal in Steadfast Capital Management Limited will participate in any profits of Steadfast Capital Management Limited.

Separately, a fund (Steadfast Capital LP) under the management of Steadfast Capital Management Limited participates in the syndicate through a corporate vehicle – the syndicate does not invest in this fund.

There are no other transactions or arrangements requiring disclosure.

21. Contingent Liabilities

Letters of credit

The syndicate has provided letters of credit to certain insureds and reinsureds to cover losses that might arise on their contracts written in the ordinary course of business. These amount to US$5.1m; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US$5.1m.

SYNDICATE 2791

Annual Report and Accounts
31 December 2014

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Managing Agency Partners Limited (MAP)

Directors
C E Dandridge (Non-executive)
J D Denoon Duncan
H R Dumas (Non-executive)
A S Foote (Non-executive)
A Kong
B S McAuley
D E S Shipley (Non-executive Chairman)
C J Smelt
R J Sumner
R K Trubshaw (Active Underwriter)

Company Secretary
B S McAuley

Managing Agent's Registered Office (until 20 April 2015)
110 Fenchurch Street
London
EC3M 5JT

Managing Agent's Registered Office (from 20 April 2015)
Fitzwilliam House
10 St. Mary Axe
London
EC3A 8EN

Managing Agent's Registration
Registered in England; number: 03985640

SYNDICATE

Active Underwriter
R K Trubshaw

Principal Investment Managers
Schroder Investment Management Limited

Registered Auditors
Ernst & Young LLP, London

The directors of the managing agent present their report for the year ended 31 December 2014. The principal activity of the syndicate is that of writing insurance and reinsurance business.

This annual report is prepared using the annual basis of accounting as required by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the 2008 Regulations').

Separate underwriting year accounts for the closed 2012 year of account are attached to these accounts in the section headed Underwriting Year Distribution Accounts (pages 1 to 26).

UNDERWRITER'S REPORT

A Review of the Calendar Year Result

These financial statements are prepared focusing on the calendar year results under UK Generally Accepted Accounting Practices (GAAP) for insurance companies.

The 2014 calendar year produced an annually accounted profit of £55.7m (2013: £77.8m) on gross earned premiums of £198.6m (2013: £269.7m) gross of acquisition and reinsurance costs. The net combined ratio was 73.0% (2013: 69.6%).

Movement on underwriting years of account during the 2014 calendar year

	2011 and prior periods £'000	2012 £'000	2012 and prior periods £'000	2013 £'000	2014 £'000	**Total £'000**	2013 £'000
Gross written premium	(3,918)	3,301	(617)	16,917	154,040	**170,340**	261,068
Net premium earned	(3,064)	15,234	12,170	65,011	87,262	**164,443**	220,239
Net claims incurred	12,595	(3,586)	9,009	(18,803)	(36,359)	**(46,153)**	(62,419)
Acquisition costs	333	(5,305)	(4,972)	(22,804)	(20,591)	**(48,367)**	(60,236)
	9,864	6,343	16,207	23,404	30,312	**69,923**	97,584
Operating expenses	(2,026)	(4,305)	(6,331)	(6,637)	(12,593)	**(25,561)**	(30,629)
Investment income	–	8,189	8,189	2,623	533	**11,345**	10,890
Annual accounted profit	7,838	10,227	18,065	19,390	18,252	**55,707**	77,845
Currency translation differences	142	2,449	2,591	2,747	1,331	**6,669**	(5,306)
Total recognised gain and losses	7,980	12,676	20,656	22,137	19,583	**62,376**	72,539
As previously reported	–	38,537	38,537	31,580	–	**70,117**	65,259
Cumulative pure year result	7,980	51,213	59,193	53,717	19,583	**132,493**	137,798
Net annual accounting ratios:							
Claims ratio						**28%**	28%
Expense ratio						**45%**	42%
Combined ratio						**73%**	70%

Written premium in the calendar year by syndicate classification

	2014 Gross written £'000	**2014 Net written £'000**	2013 Gross written £'000	2013 Net written £'000
Property reinsurance	**82,876**	**63,639**	146,434	109,503
Direct and facultative property	**23,421**	**17,392**	35,224	25,049
Marine and offshore energy	**18,913**	**16,015**	24,935	24,807
Motor	**26,981**	**21,823**	22,357	20,350
Third party liability	**4,854**	**5,828**	14,485	14,480
Accident and health	**6,201**	**6,204**	8,490	8,489
Specialist lines	**4,173**	**4,129**	6,046	6,048
Terrorism and political risks	**2,921**	**2,920**	3,097	3,096
Total	**170,340**	**137,950**	261,068	211,822

2014 Overview

Capital providers will recall we reduced Stamp Capacity to £453m for the 2014 year of account in anticipation of a rapidly softening market. Despite this, the deterioration in terms and conditions was so extreme that we actually shed over 25% of gross earned premium relative to 2013. Most of this drop was in the property reinsurance lines, which came under intense rating pressure. Despite this it is pleasing to note that the percentage profit earned has held steady at 28.0%, which shows we are maintaining our pricing integrity at the expense of top line volume.

2015 Trading Conditions

Once again we reduced Stamp capacity to £400m for the 2015 year of account, which is where we were back in 2009. The competitive pressures that so severely affected the reinsurance book in 2014 are now starting to contaminate most other lines of business, as the market continues its headlong charge downwards. We are now pretty much down to our core book, which we are defending as appropriate. The strategy for dealing with these wintry conditions is simple: carry on underwriting risk by risk, make sure the expected attritional loss ratio remains acceptable and reduce the net catastrophic risk appetite in line with a lower anticipated return. The alternative is to join the herd, assume a lot more risk for a lot less money and hope for the best. As underwriters whose market franchise relies on pricing integrity, and who have a significant financial stake in the business we are not prepared to do this.

Some commentators maintain that the current state of affairs is the "new norm", that the omni-present capital markets, turbo-charged by cheap money looking for (supposedly) uncorrelated yield, have re-based industry returns to a permanently lower level. My view is that the game never really changes – the teams on the pitch wear different coloured jerseys, they may have more complex strategies, and the referees may blow ever more shrilly on their whistles, but fundamentally it's still about pricing risk properly over time. If these "new norm" commentators were correct, the market would discount to the new hurdle rate, and then flat-line. However, that is not what is happening – price cuts are compounding year on year. Last year I pointed out how there was only a single-digit percentage margin left in the Lloyd's aggregated figures over the last 10 years: 2015 will undoubtedly see all of this insulation removed. The market will therefore only make money if nothing particularly happens (just as in 2013 and 2014), but I would contend that a strategy where prices are discounted by 10-15% in response to every benign year must ultimately be doomed to failure.

The issue then is what happens next? According to the proponents of the "new norm", excess capital merely marches in like automatons to replace the fallen, and so the depression is maintained. My contention is that humans don't behave like this - after all look how the capital markets reacted to market stress in their own sphere in 2008/9. Or rather they (may) do, but certainly not at the same terms and conditions that have just generated a loss. If a catastrophe bond is triggered, there needs to be a capital raise in order to trade on: this requires an expectation of an improved return and so a step-change in pricing. It is in such dislocated market conditions that we, as pure risk analysts, should find enough oxygen to successfully compete, just as we did in the early 90s, post 2001 and post 2005.

FINANCIAL REPORT

Investment Return

Investment return for 2014 was 3.1% (£14.8m), gross of all investment expenses, (2013: 2.9% – £15.8m). The return net of investment expenses was 2.6% (£11.4m) (2013: 1.9% – £10.8m).

The fixed income bond portfolio benefited from falling yields with central bank quantitative easing pushing up values in our equity and credit bond portfolio.

The core portfolio of fixed income bonds is all held in United States Dollars and is comprised US Treasuries, Corporates and Agency Securities with an effective duration of 2 years. It is managed by an outsourced manager who achieved a creditable gross return of 1.7% in 2014. This element of the portfolio is there to pay claims and it has at its heart capital preservation. We do not expect it to generate significant excess return (or deficiency) verses a conservatively set benchmark and it hasn't; over the last three years the core bond portfolio has generated a return within 0.1% of the benchmark comprised 50% US treasuries and 50% US corporates.

Our non-core portfolio of equites, long/short hedge and credit funds performed well during the year with a gross return of 7.4%. This element of our portfolio is invested in individual pooled vehicles each managed by a separate manager. As at the end of 2014, we have four ongoing investment managers, a reduction from the ten held at the end of 2013.

This consolidation is in line with our philosophy of ensuring that our portfolio remains balanced and that the more volatile element of the portfolio reduces in line with total invested assets.

The cash liquidity fund element of the portfolio generated negligible returns. We hold these assets for two reasons; for liquidity to pay claims due and to meet overseas solvency requirements. Solvency requirements in various overseas jurisdictions dictate that the syndicate holds assets in currencies in which we do business. The result is we maintain numerous small pots over a number of jurisdictions which restricts our ability to invest in longer-term assets.

Now on to the future (by looking at the past). Since 2008 the investment markets have been in a constant state of uncertainty as to which extreme economic or central bank influenced scenario will play out. It is now over 6 years since the credit/banking crisis. Economic uncertainly has not diminished and yields are close to all-time lows. In this low yielding environment, all signals point to the 2015 investment return being lower than that we achieved in 2014.

The table below sets out the returns by asset class in our portfolio.

	2014		2013	
	Return	**Closing assets as a proportion of portfolio**	Return	Closing assets as a proportion of portfolio
Asset class	**%**	**%**	%	%
Cash and cash liquidity funds	**0.6**	**13.8**	0.5	12.6
Equities	**12.2**	**8.5**	19.2	10.0
Credit bond funds	**4.6**	**5.2**	18.2	7.7
US treasury bonds	**2.8**	**21.0**	(1.4)	20.3
US agency bonds	**3.0**	**6.8**	(2.3)	11.0
US corporate debt	**1.8**	**40.1**	0.3	33.4
Overseas regulatory trust funds	**2.1**	**4.6**	0.5	5.0
Return	**3.1**		2.9	
Return after charges	**2.6**		1.9	

The key characteristics for each class are described below:

Cash and cash liquidity funds
These comprise either cash at bank or on deposit spread across five different major banks. Our liquidity funds are all AAA rated, predominantly investing in government bonds with no exposure to structured debt.

Equities
These comprise two different funds, one of which has the ability to sell equities short to manage exposure during falling markets. We culled one fund during the year reducing our managers to just the two ongoing funds.

Credit bond funds
We invest in two separate open ended bond funds each managed by an external specialist investment manager. The number of ongoing funds has reduced during 2014 from seven to two funds.

US treasury bonds
These comprise US Treasury bills and notes managed by two large US external investment managers. These assets have duration of around 3.3 years (2013: 2.7 years). US treasuries are split by manager 89% to a short duration manager and 11% to a longer specialist duration manager.

US agency bonds
These comprise direct investment in the 100% Government-backed National Mortgage Association (Ginnie Mae) or National Credit Union Administration (NCUA). These bonds are US government guaranteed. They have a weighted average duration of 3.3 years (2013: 3.8 years).

US corporate debt
These comprise senior and subordinate bonds issued by industrial and financial companies, mainly US based. The average duration of these bonds before redemption is 2.4 years (2013: 2.2 years).

Investment Return *continued*

Overseas regulated trust funds

Separately regulated trust funds set up to satisfy local regulatory requirements. Each of these funds is managed conservatively by Lloyd's.

Valuation risk

Investments are marked to market at bid prices at each period end with all changes taken through the underwriting account. Prices are supplied by external custodians for all investments. The custodians obtain prices from independent sources, with each custodian having an audit of their pricing and control systems. In accordance with the custodian systems, prices are supplied by at least two pricing vendor sources. The pricing sources use market prices, or where it is more appropriate in illiquid markets, pricing models. We reconcile the custodians overall prices to our bond managers records to check for reasonableness. Additional sample checks are made using Bloomberg or exchange market prices. We also conduct a review of the proportion of assets that each manager deems to have a restricted market for valuation purposes. These reviews revealed no significant pricing issues.

Rating and the future

The credit rating of our assets is set out below:

2014	Rating						
Asset class per balance sheet	AAA and government %	AA and above %	A %	BBB %	Equities %	Hedge funds %	**Total %**
Shares and variable yield securities	–	5.7	–	–	5.1	–	**10.8**
Debt securities	42.2	8.6	23.9	2.6	–	–	**77.3**
Participation in investment pools	2.5	–	–	–	–	9.4	**11.9**
Deposits with credit institutions	–	–	–	–	–	–	**-**
Total	44.7	14.3	23.9	2.6	5.1	9.4	**100.0**

2013	Rating						
Asset class per balance sheet	AAA and government %	AA and above %	A %	BBB %	Equities %	Hedge funds %	Total %
Shares and variable yield securities	–	5.0	2.4	–	5.0	–	12.4
Debt securities	49.0	7.6	13.4	–	–	–	70.0
Participation in investment pools	3.0	–	–	–	–	13.9	16.9
Deposits with credit institutions	–	–	0.7	–	–	–	0.7
Total	52.0	12.6	16.5	–	5.0	13.9	100.0

The syndicate does not undertake securities lending or exchange rate management. Lloyd's are custodians of our overseas deposits over which we have no direct investment control.

Currency Translation Differences

Over 89% of the syndicate's assets are held in US Dollars but as results are published in Sterling changes in the £:USD exchange rate can significantly alter the reported Sterling result. However, capital providers receive distributions in both currencies and are therefore unaffected by the accounting exchange loss booked.

The accounting exchange gain for the year is £6.7m (2013: £5.3m loss). This principally reflects the strengthening of the US Dollar against Sterling from the opening rate of 1.66 to the current year end rate of 1.56. We do not seek to hedge exchange exposure.

Reinsurance Balances

There are no provisions for bad debts on the syndicates' reinsurance balances.

An analysis of the security rating for the reinsurance balances on our balance sheet at 31 December is set out below.

Debt table by security rating

Standard & Poor's rating	On paid claims £m	On outstanding claims £m	On IBNR £m	**2014 Total £m**	2013 Total £m
AA and above	(0.7)	14.0	8.0	**21.3**	18.9
A	12.9	4.3	3.8	**21.0**	31.8
BB and below	–	0.1	0.1	**0.2**	0.6
	12.2	18.4	11.9	**42.5**	51.3

Of the total reinsurance debtors rated A in the table above, the amounts owed by Syndicate 6103 are £15.7m.

The negative paid claim figure on the AA and above rating is a repayment due to one of our reinsurers caused by a reduction on a previously paid claim.

Our reinsurance security committee has authorised the use of a number of the insurance companies set up after the 2005 hurricanes. These companies have either no, or a low, Standard and Poor's security rating. As a result they are only accepted on to the syndicate's reinsurance programme if they offer acceptable alternative direct security (Letters of Credit or syndicate specific trust accounts).

Risk Management

We have established a risk management framework whose primary objective is to protect the syndicate from events which negatively impact current and future returns.

Principal Risks and Uncertainties

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover, that the frequency or severity of insured events will be higher than expected, or that estimates of claims subsequently prove to be insufficient.

Underwriting strategy is agreed by the Board and set out in the Syndicate Business Plan which is submitted to Lloyd's each year. Processes are in place to identify, quantify and manage aggregate exposures and technical prices within each of our underwriting classes. Reinsurance is purchased, where appropriate to our risk appetite and reduces the retained financial impact of catastrophic loss. Reserves set are subject to stress testing and independent review.

Credit risk

Credit risk is the risk of default or the inability of one or more of the syndicate's reinsurers or brokers to settle their debts as they fall due.

Reinsurance is only placed with security that meets the criteria agreed by the Board. Use is made of independent rating agencies. Business is only accepted through accredited Lloyd's brokers who are reviewed by the Agency's Security Committee and business accepted via binding authority is subject to a process of rolling review. Aggregate exposure to any counterparty is monitored regularly and a robust system of credit control is in place, itself subject to the internal Security Committee. Exposure to investment counterparties is monitored by a specialist investment reporting company and reviewed by the Investment Committee. This Committee includes a non-executive director with expertise in US fund management. Investment guidelines are set and monitored in view of the syndicate's liability exposures and their durations.

Liquidity risk

This is the risk that the syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. Liquidity management forms an important part of the financial management practices of the syndicate. Cash flow projections and budgetary controls are maintained and reported upon to the Board.

Principal Risks and Uncertainties *continued*

Market risk

Market risk is the potential adverse financial impact of changes in value of financial instruments caused by fluctuations in foreign currency, interest rates or equity prices. The potential impact of market risk elements is reported to the Board and the potential financial impact of changes in market value is monitored through the capital setting process. This risk is managed by spreading the investments of equities over a number of investment managers who each specialise in a market sector or type of investment evaluation.

Foreign currency exchange risk

We operate from the United Kingdom but over 90% of our premiums and claims are settled in currencies other than Sterling. Our reported financial results are denominated in Sterling and are therefore affected by the exchange rate against Sterling of our main currency assets (USD, EUR and CAD). The syndicate settles its surplus assets in both Sterling and USD as each underwriting year closes or earlier if a solvency transfer is approved. We do not therefore seek to hedge the USD exposure. Other currencies are tracked against Sterling to ensure the amount of exposure is monitored and if needed appropriate action taken.

Interest rate risk

Interest rate risk is the potential adverse financial impact of changes in value of assets and liabilities caused by rising and falling market interest rates. For example debt and fixed income securities are exposed to actual fluctuations or changes in market perception of current or future interest rates. Exposure to interest rate risk is monitored through the use of Value-at-Risk analysis, scenario testing, stress testing and duration reviews. Interest rate risk is managed by matching of assets and liabilities to within five years.

Operational risk

Operational risk is the potential adverse financial and reputational impact of inadequate or failed internal processes, people and systems or from external events. An internal risk assessment process has been developed to assess the potential impact and probability of certain events and a system of internal controls has been implemented to mitigate the risks. These controls have been monitored by Senior Management and the Board whilst their ongoing effectiveness is validated through both the ongoing risk assessment and internal audit process.

Regulatory risk

The agency is required to comply with the requirements of the Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The agency has a director of risk and assurance who monitors regulatory developments and assesses the impact on agency policy. She is supported by two assistants who carry out a compliance monitoring programme.

CORPORATE GOVERNANCE

Directors and Directors' Interests

The Directors of the managing agent who served during the year ended 31 December 2014 together with their participations on the syndicate were as follows:

	2014 year of account £'000	2013 year of account £'000
J D Denoon Duncan (1) (2)	**695**	695
H R Dumas	**–**	571
A S Foote (3)	**–**	–
A Kong (1) (2)	**2,150**	2,150
B S McAuley (1) (2)	**963**	695
D E S Shipley (Chairman) (1)	**5,109**	5,496
C Smelt (1) (2)	**1,750**	1,750
R J Sumner (1)	**963**	725
R K Trubshaw (Active Underwriter) (1)	**6,350**	6,350
C E Dandridge	**–**	–

(1) Participate via MAP Capital Limited and Nomina 208 LLP, unaligned corporate members.

(2) Include participations of related parties.

(3) A S Foote, a non-executive director of MAP, is a managing director of Steadfast Advisors, the management company for Steadfast Capital LP, which participates on the syndicate through MAP Capital Limited.

The total capacity of the 2014 year of account of the syndicate was £453.0m.

Reappointment of Auditors

Ernst & Young LLP are deemed to be reappointed as the syndicate's auditors.

Disclosure of Information to the Auditors

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

Annual General Meeting

As permitted under the Syndicate Meetings (Amendment No. 1) Byelaw (No. 18 of 2000) MAP does not propose holding a Syndicate Annual General Meeting of the members of the Syndicate.

Members may object to this proposal or the intention to reappoint the auditors within 21 days of the issue of these accounts. Any such objection should be addressed to B S McAuley, Compliance Director at the registered office of Managing Agency Partners Limited.

By order of the Board

R K Trubshaw
Active Underwriter
Managing Agency Partners Limited
London

B S McAuley
Secretary

12 March 2015

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing the syndicate annual accounts in accordance with applicable law and regulations.

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

In preparing the syndicate annual accounts, the managing agent is required to:

1. select suitable accounting policies which are applied consistently;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
4. prepare the annual accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to presume that the syndicate will do so.

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

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

INDEPENDENT AUDITORS' REPORT

to the Members of Syndicate 2791

We have audited the syndicate annual accounts of Syndicate 2791 for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Managing Agent and the Auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 36, the managing agent is responsible for the preparation of syndicate annual accounts which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Syndicate Annual Accounts

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

Opinion on Syndicate Annual Accounts

In our opinion the annual accounts:

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

Opinion on Other Matter Prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

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

Matters on Which We Are Required to Report by Exception

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

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

Kevin Senior (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

12 March 2015

PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS

for the year ended 31 December 2014

	Note	£'000	2014 £'000	£'000	2013 £'000
Earned premiums, net of reinsurance					
Gross premiums written	3		**170,340**		261,068
Outward reinsurance premiums			**(32,390)**		(49,246)
Net premiums written			**137,950**		211,822
Change in the provision for unearned premiums:					
Gross amount		**28,248**		8,652	
Reinsurers' share		**(1,755)**		(235)	
Change in the net provision for unearned premiums			**26,493**		8,417
Earned premiums, net of reinsurance			**164,443**		220,239
Allocated investment return transferred from the non-technical account			**11,345**		10,890
Claims incurred, net of reinsurance					
Claims paid					
Gross amount	3	**(88,037)**		(106,683)	
Reinsurers' share		**8,902**		13,400	
Net claims paid		**(79,135)**		(93,283)	
Change in the provision for claims					
Gross amount	3	**34,608**		35,941	
Reinsurers' share		**(1,626)**		(5,077)	
Change in the net provision for claims		**32,982**		30,864	
Claims incurred, net of reinsurance			**(46,153)**		(62,419)
Acquisition expenses		**(35,937)**		(60,013)	
Change in deferred acquisition expenses		**(12,430)**		(223)	
Reinsurers' commissions and profit participations		**549**		1,840	
Administrative expenses	5	**(26,110)**		(32,469)	
Net operating expenses	3		**(73,928)**		(90,865)
Balance on the technical account for general business			**55,707**		77,845

All operations are continuing.

PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Balance on the general business technical account		**55,707**	77,845
Investment income	8	**23,266**	11,070
Unrealised gains on investments		**(5,201)**	17,128
Unrealised losses on investments		**279**	(5,818)
Investment expenses and charges	8	**(6,999)**	(11,490)
Allocated investment return transferred to general business technical account		**(11,345)**	(10,890)
Profit for the financial year		**55,707**	77,845

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Profit for the financial year		**55,707**	77,845
Exchange differences on foreign currency translation	10	**6,669**	(5,306)
Total recognised gains and losses since the last annual report		**62,376**	72,539

BALANCE SHEET ASSETS

at 31 December 2014

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Investments					
Financial investments	*11*		**474,540**		497,023
Reinsurers' share of technical provisions					
Provision for unearned premiums		**10,538**		11,919	
Claims outstanding	*4*	**30,314**		30,578	
			40,852		42,497
Debtors					
Debtors arising out of direct insurance operations	*12*	**16,993**		18,482	
Debtors arising out of reinsurance operations	*12*	**53,790**		75,025	
Other debtors	*13*	**17,764**		17,938	
			88,547		111,445
Other assets					
Cash at bank and in hand			**10,411**		10,367
Prepayments and accrued income					
Accrued interest		**1,526**		1,485	
Deferred acquisition costs		**13,451**		25,299	
Other prepayments and accrued income		**1,749**		994	
			16,726		27,778
Total assets			**631,076**		689,110

BALANCE SHEET LIABILITIES

at 31 December 2014

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Capital and reserves					
Members' balances	*14*		**132,493**		137,798
Technical provisions					
Provision for unearned premiums		**55,584**		81,402	
Claims outstanding	*4*	**342,270**		360,523	
			397,854		441,925
Creditors					
Creditors arising out of direct insurance operations	*15*	**304**		526	
Creditors arising out of reinsurance operations	*15*	**64,291**		73,227	
Other creditors	*16*	**33,914**		34,476	
			98,509		108,229
Accruals and deferred income			**2,220**		1,158
Total liabilities			**631,076**		689,110

The financial statements on pages 38 to 56 were approved by the Board of Managing Agency Partners Limited on 12 March 2015 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

12 March 2015

CASH FLOW STATEMENT

for the year ended 31 December 2014

	Note	**2014 £'000**	2013 £'000
Net cash inflow from operating activities	*17*	**14,156**	20,950
Transfer to members in respect of underwriting participations:			
Profits distributed from 2791		**(64,977)**	(86,679)
Profits distributed from 6103		**(5,647)**	(12,522)
		(56,468)	(78,251)
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings	*19*	**272**	(7,920)
(Decrease)/increase in deposits	*19*	**(4,291)**	220
Net portfolio investment	*19*	**(52,449)**	(70,551)
Net investment of cash flows		**(56,468)**	(78,251)

NOTES TO THE ACCOUNTS

for the year ended 31 December 2014

1. Basis of Preparation

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and applicable Accounting Standards in the United Kingdom and comply with the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers.

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

2. Accounting Policies

Premiums written

Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting periods. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet notified. Differences between such estimates and actual amounts will be recorded in the period in which the actual amounts are determined.

Estimates include an element of judgement with regard to the level of claims affected future premiums receivable by the syndicate. The methods used for assessing future premiums generally involve projecting from past experience, based on the development of claims and the related inwards premiums receivable against these claims. The directors consider the estimates of gross future premium are fairly stated on the basis of the information available currently to them. However, the ultimate receivable will vary as a result of subsequent information or events and this may result in significant adjustments.

In addition the most recent underwriting year estimates are considered to be more volatile and consequently are subjected to additional management judgemental prudence adjustments.

The estimated premium income in respect of facility contracts, for example binding authorities and lineslips, includes an estimate of the underlying business attaching to each facility at the balance sheet date.

Premiums are disclosed before the deduction of acquisition costs and taxes or duties levied on them.

Unearned gross premiums

Written premiums are recognised evenly over the term of the contract for those contracts where the incidence of risk does not vary over the term. Contracts where the incidence of risk differs over the term are earned based on the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Acquisition costs

Acquisition costs, comprising commission and other direct or indirect costs related to the acquisition of insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date. The value of commission paid to insurance intermediaries is determined based on the contractual amounts recorded in all contracts. Where, however, policies are issued to intermediaries on a wholesale basis and they are themselves responsible for setting the final amount payable by the insured without reference to the insurer, the written premium comprises the premium payable to the insurer and accounting for broker acquisition costs is inappropriate.

Reinsurance premium ceded

Outwards reinsurance purchased consists of excess of loss contracts and proportional reinsurance contracts. Initial excess of loss premiums are accounted for in the year of inception. Premiums ceded to reinstate reinsurance cover or additional premiums payable on loss are recognised when they may be assessed with reasonable certainty. Proportional outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Reinsurers commissions and profit participations

Overriders and fees due from reinsurers are accrued in accordance with the contractual terms of each arrangement and earned over the policy contract period.

Profit commission receivable from reinsurers is accounted for in the period the related profit is recognised.

Unearned reinsurance premium

Reinsurance premiums paid to purchase excess of loss reinsurance contracts are earned evenly over the period at risk. Proportional reinsurance premiums are earned in the same accounting period as the inwards business being reinsured.

2. **Accounting Policies** *continued*

Claims provisions and related recoveries

Claims paid comprise claims and claim handling expenses paid during the period.

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years. The provision for claims outstanding is assessed on an individual case and class basis, as appropriate, 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. Separate reserves are established for each year of account.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

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

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

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

Future unallocated loss adjustment expenses

An accrual for all future unallocated loss adjustment expenses ('ULAE') is made. The ULAE is comprised of those costs which are related to the settlement of earned claims but which are not directly attributable to individual claims. ULAE expenses are undiscounted and include the expenses of managing the run-off of the business on the basis the business is a going concern. Costs of administration of the reinsurance programme are included in the gross ULAE. Separate reserves are established for each year of account.

Provisions

The syndicate maybe subject to legal disputes, in the normal course of business. Provisions for such events and their related costs are recognised where there is a present obligation relating to a past event that can be measured reliably and it is probable that an outflow of economic benefit will be required to settle that obligation.

Bad debt

Bad debts are provided for only where specific information becomes available to suggest a debtor may be unable or unwilling to settle its debts to the syndicate. Specific information may be directly attributed to the debtor company or may be indirect information from a rating agency or other source. The provision is calculated on a case by case basis.

Unexpired risks provision

A provision for unexpired risks may be made, if necessary, where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date exceed unearned premiums and premiums receivable, after the deduction of any deferred acquisition costs.

The assessment of whether an unexpired risk provision is required and if so its quantum is based on information available at the balance sheet date which may include evidence of relevant previous claims experience on similar contracts. The assessment is not required to take into account any new claims events occurring after the balance sheet date as these are non-adjusting events.

2. Accounting Policies *continued*

Unexpired risks provision continued

The provision for unexpired risks is calculated by reference to classes of business, which are managed on a year of account basis, after taking into account relevant future investment return. The provision for unexpired risks is included in technical provisions in the balance sheet.

Foreign currency translation

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

In accordance with SSAP20, Foreign Currency Translation, assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date or if appropriate at the forward contract rate.

All exchange differences arising on retranslation of opening balances and between average and year-end rates are included in the statement of total recognised gains and losses. All other exchange differences are dealt with in the technical account and included within operating expenses.

The following rates of exchange have been used in the preparation of these accounts.

	2014		2013	
	Year end	**Average**	Year end	Average
USD	**1.56**	**1.65**	1.66	1.56
CAD	**1.81**	**1.82**	1.76	1.61
EUR	**1.29**	**1.24**	1.20	1.18

Investment values

Financial investments are valued at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Listed investments

Listed and other quoted investments are stated at current bid value at the balance sheet date. For this purpose listed and quoted investments are stated at market value and deposits with credit institutions are stated at cost.

The cost of syndicate investments is the amount paid on the purchase date for those investments still held at the balance sheet date.

Deposits

All deposits with credit institutions are stated at cost.

Unlisted investments

Where an investment is not listed, or a market is not regarded as active because:

- quoted prices are not readily and regularly available; or
- prices do not represent actual and regularly occurring market transactions on an arm's length basis.

In such circumstances the syndicate then seeks to establish fair value by using third party administrator's with experience in valuing such assets using valuation techniques as described below.

Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on estimates. It incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk- return factors inherent in the financial investment.

The Syndicate participates in a number of hedge/credit funds and related financial instruments for which there are no available quoted market prices. The valuation of these hedge funds is based on fair value techniques (as described above). The fair value of our hedge/credit fund portfolio is calculated by reference to the underlying net asset values (NAVs) of each of the individual funds. Consideration is also given to adjusting such NAV valuations for any restriction applied to distributions, the existence of side pocket provisions, and the timing of the latest available valuations.

2. Accounting Policies *continued*

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 purchase price.

Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Purchases and sales of investments are recognised on the trade date, which is the date the syndicate commits to purchase or sell the assets. Funds receivable or payable after the trade date are recorded in debtors and creditors respectively until settled.

Allocation of investment return

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.

Investment management expenses

Comprise contractual fees and profit commissions payable to external third party investment managers for managing the syndicate's investment funds. They are accrued in the period to which they relate.

Overseas deposits

Overseas deposits lodged as a condition of conducting underwriting business in certain countries in compliance with Lloyd's licences are stated at the market value, based on a bid price, ruling at the balance sheet date.

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. Syndicate 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.

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

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

Pension costs

MAP operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

Profit commission

Profit commission is charged by the managing agent at a rate of 20.0% for each of the underwriting years of account, subject to the operation of a deficit clause. This is charged to the syndicate as incurred on an earned basis but does not become payable until after the appropriate year of account closes, normally at 36 months.

3. Segmental Analysis

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

2014 **Direct insurance**	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expense £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Accident and health	5,871	6,528	(2,048)	(3,187)	(27)	1,266	7,408
Motor (third party liability)	79	477	162	(348)	2	293	1,293
Motor (other classes)	20,581	18,436	(11,698)	(6,131)	(279)	328	16,662
Marine, aviation and transport	15,205	16,236	(6,643)	(5,258)	(1,198)	3,137	30,807
Fire and other damage to property	20,953	27,191	(6,354)	(11,138)	(3,550)	6,149	26,247
Third party liability	2,769	3,084	(2,210)	(1,514)	436	(204)	30,160
Miscellaneous	482	389	77	(236)	7	237	1,847
	65,940	72,341	(28,714)	(27,812)	(4,609)	11,206	114,424
Reinsurance accepted	104,400	126,247	(24,715)	(46,116)	(22,260)	33,156	242,578
Total	**170,340**	**198,588**	**(53,429)**	**(73,928)**	**(26,869)**	**44,362**	**357,002**

2013 Direct insurance	Gross written premiums £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expense £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Accident and health	8,061	7,706	(4,570)	(2,852)	(3)	281	9,994
Motor (third party liability)	725	438	485	(422)	228	729	2,162
Motor (other classes)	13,918	10,625	(6,594)	(3,734)	(38)	259	14,981
Marine, aviation and transport	21,591	20,438	(3,982)	(7,020)	(1,913)	7,523	31,778
Fire and other damage to property	29,756	34,279	(7,442)	(12,723)	(6,579)	7,535	40,962
Third party liability	3,939	3,894	2,255	(2,398)	(402)	3,349	36,166
Miscellaneous	15	264	5,302	(1,491)	166	4,242	2,011
	78,005	77,644	(14,546)	(30,640)	(8,540)	23,918	138,054
Reinsurance accepted	183,063	192,076	(56,196)	(60,225)	(32,618)	43,037	261,374
Total	261,068	269,720	(70,742)	(90,865)	(41,158)	66,955	399,428

All premiums were concluded in the UK.

The business class split reported is a statutory reporting requirement but the business is managed by its own business classes and hence an element of allocation is used.

Gross operating expenses include reinsurers' commissions and profit participations.

	2014 **£'000**	2013 £'000
Total commissions on gross direct premiums earned	**18,633**	18,706

3. Segmental Analysis *continued*

The geographical analysis of premiums, by destination is as follows:

	Direct	Reinsurance	**2014 £'000**
UK	1,064	1,204	**2,268**
Other EU countries	12,672	1,259	**13,931**
US	38,806	75,691	**114,497**
Other	13,398	26,246	**39,644**
Total	65,940	104,400	**170,340**

	Direct	Reinsurance	2013 £'000
UK	1,502	3,200	4,702
Other EU countries	4,629	2,527	7,156
US	53,622	124,123	177,745
Other	18,250	53,215	71,465
Total	78,003	183,065	261,068

4. Claims Outstanding

The movement in the net provision for claims includes a release of £22.8m in respect of claims outstanding at the previous year end (2013: £20.4m).

	2014 £'000	2013 £'000
Gross outstanding claims	**144,051**	159,420
Reinsurance recoveries anticipated	**(18,388)**	(18,767)
Net outstanding claims	**125,663**	140,653
Provision for gross claims incurred but not reported	**190,796**	194,437
Reinsurance recoveries anticipated	**(11,926)**	(11,811)
Provision for net claims incurred but not reported	**178,870**	182,626
Unallocated loss and loss adjustment expenses	**7,423**	6,666
Net reserves	**311,956**	329,945

5. Administrative Expenses

	2014 £'000	2013 £'000
Personal expenses	**3,224**	4,639
Profit commission payable to managing agent	**13,896**	19,480
Other administrative expenses	**8,444**	7,757
Loss on exchange	**546**	593
	26,110	32,469

Administrative expenses include:

	2014 £'000	2013 £'000
Auditors' remuneration		
Audit of the syndicate annual accounts	**183**	183
Other services pursuant to Regulations and Lloyd's Byelaws	**70**	106
Taxation compliance services	**5**	(10)
Actuarial consultancy services	**340**	282

Personal expenses comprise managing agent's fees, Lloyd's subscriptions and central fund contributions.

6. Staff Numbers and Costs

All staff are employed by the managing agent. The following amounts were recharged to the syndicate in respect of salary costs:

	2014 £'000	2013 £'000
Wages and salaries	**4,026**	3,996
Social security costs	**467**	466
Other pension costs	**575**	453
	5,068	4,915

Included above are the employment costs of underwriters attributable to acquisition of business and those of claims staff treated within the technical account as Acquisition Costs and Loss Adjustment Expenses respectively.

The average number of employees employed by the managing agent but working for the syndicate during the year was as follows:

	2014 Number	2013 Number
Administration and finance	**21**	22
Underwriting	**23**	23
Claims	**4**	4
	48	49

Profit related remuneration in respect of all directors and staff is wholly paid and borne by the managing agent.

7. Emoluments of the Directors of Managing Agency Partners Ltd

The directors of MAP received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	2014 £'000	Restated 2013 £'000
Emoluments	**976**	902

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

	2014 £'000	2013 £'000
Emoluments – R K Trubshaw	**269**	242

During 2014 Mr Trubshaw applied to HMRC for lifetime allowance pension protection. His salary was duly increased to take account of the syndicate no longer providing any employers pension payments to his company pension.

8. Investment Return

	2014 £'000	2013 £'000
Investment income		
Income from investments	**7,133**	7,984
Gains on the realisation of investments	**16,133**	3,086
	23,266	11,070
Investment expenses and charges		
Investment management expenses, including interest	**(2,595)**	(5,114)
Losses on the realisation of investments	**(3,569)**	(6,594)
Investment return (payable)/receivable to/from Syndicate 6103	**(835)**	218
	(6,999)	(11,490)

9. Calendar Year Investment Yield

Average syndicate funds available for investment:

	2014 £'000	2013 £'000
Sterling	**23,553**	24,462
United States Dollars	**689,190**	758,770
Canadian Dollars	**21,531**	24,330
Euros	**24,143**	25,155
Combined Sterling average syndicate funds available for investment	**472,545**	547,283
Investment return – gross of investment expenses	**14,775**	15,786

Analysis of calendar year investment yield by currency, before investment expenses:

	2014	2013
Sterling	**1.2%**	1.0%
United States Dollars	**3.4%**	3.1%
Canadian Dollars	**1.0%**	1.0%
Euros	**0.8%**	0.5%
Combined	**3.1%**	2.9%

10. Exchange Differences on Foreign Currency Translation

Exchange differences on foreign currency translation arise as follows:

	2014 £'000	2013 £'000
On balances brought forward	**3,718**	(1,425)
On transactions during 2014: from average to year end rates	**2,951**	(3,881)
	6,669	(5,306)

11. Financial Investments

	Market value		Cost	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Investments:				
Shares and other variable yield securities and units in unit trusts	**41,681**	35,130	**41,454**	35,015
Debt securities and other fixed income securities	**295,653**	325,841	**294,741**	330,847
Participation in investment pools	**15,053**	17,784	**15,089**	17,779
Other loans	**33,776**	2,771	**33,773**	2,771
Deposits with credit institutions	**3,284**	3,257	**3,284**	3,257
Overseas deposits as investments	**18,790**	22,357	**18,791**	22,357
	408,237	407,140	**407,132**	412,026
Hedge Funds / Alternative Assets:				
Shares and other variable yield securities and units in unit trusts	**23,263**	23,897	**12,436**	20,420
Debt securities and other fixed income securities	**–**	–	**–**	–
Participation in investment pools	**43,040**	65,986	**31,202**	57,519
Other loans	**–**	–	**–**	–
Deposits with credit institutions	**–**	–	**–**	–
Overseas deposits as investments	**–**	–	**–**	–
	66,303	89,883	**43,638**	77,939
Total Investments:				
Shares and other variable yield securities and units in unit trusts	**64,944**	59,027	**53,890**	55,435
Debt securities and other fixed income securities	**295,653**	325,841	**294,741**	330,847
Participation in investment pools	**58,093**	83,770	**46,291**	75,298
Other loans	**33,776**	2,771	**33,773**	2,771
Deposits with credit institutions	**3,284**	3,257	**3,284**	3,257
Overseas deposits as investments	**18,790**	22,357	**18,791**	22,357
	474,540	497,023	**450,770**	489,965

Within "Shares and other variable yield securities and units in unit trusts" and "Participation in investment pools" £59.7m (2013: £56.0m) are listed on a recognised exchange. These comprise 12.6% (2013: 11.3%) of the total market value of investments.

12. Debtors Arising Out of Insurance Operations

	2014 £'000	2013 £'000
Arising out of direct insurance		
Due from policyholders	**–**	–
Due from intermediaries – within one year	**16,992**	18,482
– after one year	**1**	–
	16,993	18,482
Arising out of reinsurance operations		
Due from policyholders	**–**	–
Due from intermediaries – within one year	**51,433**	64,957
– after one year	**2,357**	10,068
	53,790	75,025

Debtors arising out of reinsurance operations of £53.8m (2013: £75.0m) include funds due in respect of Syndicate 6103 of £12.8m (2013: £20.6m).

13. Other Debtors

	2014 £'000	2013 £'000
Due within one year		
Outstanding settlements on investments	**741**	170
Inter-syndicate loan	**2,127**	168
Commissions and overrider receivable	**1,483**	1,431
Foreign taxes	**1,613**	953
Members' agents fees funded	**2,691**	2,704
Other	**154**	33
	8,809	5,459
Due after one year		
Inter-syndicate loan	**1,226**	3,805
Commissions and overrider receivable	**1,500**	2,251
Foreign taxes	**1,121**	1,009
Members' agents fees funded	**5,108**	5,414
	8,955	12,479
	17,764	17,938

14. Reconciliation of Members' Balances

	2014 £'000	2013 £'000
Members' balances brought forward at 1 January	**137,798**	154,530
Profit for the financial year	**55,707**	77,845
Exchange rate difference – transfer from the Statement of Recognised Gains and Losses	**6,669**	(5,306)
Members' agents fees for the 2011 (2010) year of account	**(2,704)**	(2,592)
Payments of profit to members' personal reserve funds for the 2011 (2010) year of account	**(64,977)**	(86,679)
Members' balances carried forward at 31 December	**132,493**	137,798

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

15. Creditors Arising Out of Insurance Operations

	2014 £'000	2013 £'000
Arising out of direct insurance operations		
Policyholders	**–**	–
Intermediaries – within one year	**304**	526
– after one year	**–**	–
	304	526
Arising out of reinsurance operations		
Reinsurance accepted – within one year	**2,435**	3,136
– after one year	**32,049**	25,289
Reinsurance ceded – within one year	**–**	–
– after one year	**29,807**	44,802
	64,291	73,227

Creditors in respect of reinsurance operations of £64.3m (2013: £73.2m) include funds due to Syndicate 6103 of £57.1m (2013: £63.6m).

16. Other Creditors

	2014 £'000	2013 £'000
Outstanding settlements on investments	**–**	17
Profit commissions	**33,123**	34,449
Other	**791**	10
	33,914	34,476

Of the profit commissions above, £18.3m (2013: £17.5m) fall due after one year.

17. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2014 £'000	2013 £'000
Operating profit on ordinary activities	**55,707**	77,845
Realised and unrealised investments gains and losses including exchange movements	**(34,029)**	3,054
(Decrease) in net technical provisions	**(42,426)**	(44,860)
Decrease in debtors	**33,950**	9,733
(Decrease) in creditors	**(8,658)**	(29,446)
Exchange differences on foreign currency translation	**6,669**	(5,306)
Movement on members' balances	**(2,704)**	(2,592)
Syndicate 6103 closed year profit	**5,647**	12,522
Net cash inflow from operating activities	**14,156**	20,950

18. Movement in Opening and Closing Portfolio Investments Net of Financing

	2014 £'000	2013 £'000
Net cash flows for the year	**272**	(7,920)
Cash flow – portfolio investments and overseas deposits	**(56,740)**	(70,331)
Movement arising from cash flows	**(56,468)**	(78,251)
Changes in market value and exchange rates	**34,029**	(3,054)
Total movement in portfolio investments	**(22,439)**	(81,305)
Portfolio at 1 January	**507,390**	588,695
Portfolio at 31 December	**484,951**	507,390

19. Movement in Cash, Portfolio Investments and Financing

	At 1 January 2014 £'000	Cash flow £'000	Changes to market value and currencies £'000	**At 31 December 2014 £'000**
Cash at bank and in hand	10,367	272	(228)	**10,411**
Overseas deposits	22,357	(4,291)	724	**18,790**
Portfolio investments:				
Shares and other variable yield securities and units in unit trusts	59,027	2,793	3,124	**64,944**
Debt securities and other fixed income securities	325,841	(52,486)	22,298	**295,653**
Participation in investment pools	83,770	(33,394)	7,717	**58,093**
Other loans	2,771	30,820	185	**33,776**
Deposits with credit institutions	3,257	(182)	209	**3,284**
Total portfolio investments	474,666	(52,449)	33,533	**455,750**
Total cash, portfolio investments and financing	507,390	(56,468)	34,029	**484,951**

20. Net Cash Inflow/(Outflow) on Portfolio Investments

	2014 £'000	2013 £'000
Purchase of shares and other variable yield securities	**(16,887)**	(457)
Purchase of debt securities and other fixed income securities	**(511,407)**	(819,643)
Purchase of participation in investment pools	**(23,610)**	(4,220)
Deposits with credit institutions	**182**	784
Other loans	**(30,820)**	21,757
Sale of shares and other variable yield securities	**14,094**	14,734
Sale of debt securities and other fixed income securities	**563,893**	833,930
Sale of participation in investment pools	**57,004**	23,666
Net cash inflow on portfolio investments	**52,449**	70,551

21. Related Parties

The managing agent, MAP, is a wholly owned subsidiary of Managing Agency Partners Holdings Limited, the equity of which is 90.1% owned by MAP Equity Limited, a company that is entirely owned by the staff of the managing agent and syndicate.

MAP also manages Syndicate 6103. The underwriting business of Syndicate 6103 is derived solely under a reinsurance contract with Syndicate 2791. Under the terms of this contract, Syndicate 6103 is obliged to accept 30% (2013: 30%) of all business written by Syndicate 2791 under certain categories of its property catastrophe book. Syndicate 2791 retains the balance of these contracts net for its own account.

Syndicate 2791 receives a ceding commission of 5% and an overriding commission of 1% of gross written premiums ceded to Syndicate 6103 to cover personal expenses of Syndicate 6103 names borne by Syndicate 2791. A profit commission of 15% of profits, as defined in the contract, is payable to MAP. All funds are retained and invested by Syndicate 2791 on behalf of Syndicate 6103 and interest is payable (or charged on negative balances) to Syndicate 6103 at rates agreed.

During the year, the following transactions between the syndicates occurred:

	2014 £'000	2013 £'000
Premiums ceded	**(8,943)**	(20,716)
Paid claims recovered	**2,034**	5,707
Ceding commission	**446**	1,046
Overriding commission	**18**	187
Investment income payable	**(835)**	218

Managing agency fees amounting to £2.5m were paid to MAP during 2014 (2013: £2.8m) and profit commission of £13.9m (2013: £19.5m) is also due to the managing agent in respect of the results for this calendar year. Expenses totalling £8.2m (2013: £8.0m) have been recharged during the year.

The directors' interests in the ordinary share capital of MAP Equity Limited, which has an issued share capital of 250,000 £1 shares, at the balance sheet date, were as follows:

	A Shares (voting)	B Shares (non-voting)
R K Trubshaw	33,000	–
A Kong	22,000	–
J D Denoon Duncan	–	8,333
B S McAuley	–	13,500
C J Smelt	5,000	2,500
R J Sumner	–	10,000

21. Related Parties *continued*

Messrs. Shipley, Denoon Duncan, Kong, Trubshaw, Sumner, Smelt and Ms McAuley, or their related parties, participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member MAP Capital Limited. MAP Capital Limited commenced underwriting on the 2001 year of account. For the 2014 year of account MAP Capital Limited provided £92.7m of capacity on Syndicate 2791 (2013: £105.3m) representing 20.5% of capacity (2013: 20.6%). MAP has no direct or indirect interest in the share capital of MAP Capital Limited.

For the 2013 year of account, these directors also participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member, Nomina No 208 LLP. For the 2014 year of account it has provided £12.8m (2013: £12.0m) of capacity representing 2.8% (2013: 2.3%) of capacity. MAP has no direct or indirect interest in Nomina No 208 LLP.

The syndicate has an investment in Steadfast International Limited, an equity investment fund managed by Steadfast Capital Management Limited of which Mr Foote, a director of MAP, is the managing director. The syndicate's participation on this fund is at arm's length and the syndicate was charged fees and profit commissions amounting to US$1.2m during 2014 on normal commercial terms. Mr Foote, a principal in Steadfast Capital Management Limited will participate in any profits of Steadfast Capital Management Limited.

Separately, a fund (Steadfast Capital LP) under the management of Steadfast Capital Management Limited participates in the syndicate through a corporate vehicle – the syndicate does not invest in this fund.

There are no other transactions or arrangements requiring disclosure.

22. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's 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 financial statements by way of such capital resources. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settled losses.

23. Contingent Liabilities

Letters of credit

The syndicate has provided letters of credit to certain insureds and reinsureds to cover losses that might arise on their contracts written in the ordinary course of business. These amount to US$5.5m; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US$5.4m.

24. Post Balance Sheet Event

In accordance with the reinsurance contract with Syndicate 6103, the 2012 Year of Account of that syndicate will be commuted and an RITC effected with this syndicate and the reserves carried for the 2012 Year of Accounting (amounting to £4.2m) transferred to this syndicate during 2015.

25. Reinsurance to Close Premium Received from Syndicate 6103

At 1 January 2014, Syndicate 2791 accepted a Reinsurance to Close Premium from Syndicate 6103 in respect of Syndicate 6103's 2011 Year of Account. In addition, the reinsurance contact between Syndicate 2791 and Syndicate 6103 for the 2011 Year of Account has been commuted with Syndicate 2791 being paid in full for the liabilities assumed as at 1 January 2014.

26. Off-Balance Sheet Items

The syndicate has not been party to any arrangement which is not reflected in its balance sheet.

MAP

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Syndicate 2791 at Lloyd's

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