SYNDICATE 2791

Report and Financial Statements
31 December 2012

MAP

Underwriting at Lloyd's

CONTENTS

MAP continues to produce impressive results in difficult market conditions, once again vindicating the team's rigorous underwriting philosophy and strong technical discipline. Capital providers should compare and contrast Richard's views on correlated risk with the behaviour prevalent in many areas of the market. Prudent pricing of risk, generating margins commensurate with the risk assumed, has always been at the core of our underwriting, and over the years much business has been turned away because the potential reward is inadequate for the risk being assumed. To say that a 15% return on equity can never be achievable for an insurance and reinsurance portfolio with a very significant downside risk, is to ask investors to participate in a high risk, low reward business. In our view this is unacceptable.

There will be times in the difficult years ahead when strong returns are hard to achieve, but as these accounts show, the team has the discipline to take a defensive stance and allow others to chase rates down to their inevitable conclusion. Ours is an active strategy which has been proven in previous market cycles to be the only way to survive unhurt in times of excess competition. It requires a strong and seasoned underwriting team and tight control of costs, and MAP is at a significant competitive advantage in both these areas, giving me confidence that Richard and the team can continue to outperform their peers, both in London and overseas.

D E S Shipley

Chairman

12 March 2013

SYNDICATE 2791

Underwriting Year Distribution Accounts
2010 Closed Year of Account
31 December 2012

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
110 Fenchurch Street
London
EC3M 5JT

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

MANAGING AGENT'S REPORT

The managing agent presents its report on the 2010 year of account of Syndicate 2791 as closed at 31 December 2012.

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 55).

The result for the closing year includes the profit and exchange differences arising from retranslation of the balance sheet, and the result for the closed year is identical to that which would have arisen under the former basis of syndicate accounting.

UNDERWRITER'S REPORT

2010 Year of Account

Capacity £504 million

The 2010 year has closed with a profit of £89.3m after all members' personal expenses, equivalent to 17.7% of stamp capacity, compared with the forecast range of 11% to 16%. Absent a £25.4m back-year release the 2010 pure year result would be 13.7%.

Development of Closed Years (2009 and prior)

Despite the back-year release, remaining completion factors are still comparable to prior years. The total gross IBNR ('incurred but not reported') reserve, less future premiums, has decreased from £130.0m to £114.8m. Only £13.6m or 10.5% of this reserve was utilised in the calendar year.

As per last year, 60% of the reserve release arose from the short-tail account. We have reduced our ultimate expected loss from the 2005 and 2008 hurricanes by a further £2m given the lack of development in the year. It is also pleasing to report that we have able to secure another £2m of subrogated recoveries from the terrorist attack on New York in September 2001. It may well be that further receipts will be finalised in the future, but as yet these are subject to significant on-going legal dispute.

Pure Year 2010

Utilisation of capacity

The final utilisation was 42% at closing rates of exchange. The reinsurance spend was £39m or 18.5% of Lloyd's gross written premium, 48% of which was ceded via a US catastrophe quota share to Syndicate 6103.

Performance review

Capital providers will recall that we pre-empted the syndicate to £505m for 2010, due to the rebasing of sterling under Lloyd's premium income monitoring rules from US$1.99:1 in 2009 to US$1.5:1. In dollar terms – the currency of roughly 90% of our business – this actually equated to a slight drop in capacity. However, for sterling denominated capital providers it was clearly dilutive. In addition, market competition caused increasing amounts of business to fail our technical rate hurdles, such that our gross written premium actually fell by 20% compared to 2009. Against this background it is pleasing to report that the projected ultimate gross loss ratio is 52.6%.

Much of the syndicate's market outperformance in the year was due to being relatively underweight on the international cat events, defined as earthquakes in Chile, New Zealand and Japan, plus the Thai floods. As at year end the 2010 year of account had gross incurred losses of £10.7m (was £6.4m a year ago) with a further provision of £5.4m.

2011 Year of Account Forecast

Our forecast range for the 2011 year of account is a profit of 7% to 12% on Stamp Capacity after all expenses. Competitive pressures intensified at the start of 2011, to the extent that we assumed a very defensive stance in the first quarter. Following the second New Zealand earthquake in February and the Japanese tsunami in March, we were able largely to recover this lost ground as the market began to improve. Ultimate premium volume is likely to be similar to 2010 and the incurred loss ratio at like time is only slightly worse at 36.5% versus 33.9%. Apart from significant tornado/hail activity in the United States, this year was affected by the Thai floods and, to a more limited degree, Super-storm Sandy. At year end we had gross incurred £11.6m from these events, and are holding a further provision of £9.8m.

2012 Overview

The positive effect of the international cat events was a 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 10%. Attritional 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 gross incurred loss for the 2012 year of account (after cessions to Syndicate 6103) was £15.0m with a further provision of £38.5m. At this stage we are comfortable with this loss pick, and, in the absence of any further major events, the year should still ultimately prove profitable.

Class of Business Review for 2012 and 2013

Direct and facultative property

Global risk-managed accounts are notoriously difficult to underwrite. Commanding large premium volumes, the insurance placements are subject to significant competition from both brokers and underwriters, such that technical considerations are rarely met for long. We therefore retreated largely to excess of loss, where it is easier to generate an acceptable margin. Small business, particularly via binders, experienced less competitive pressure, and we were better able to maintain our volume. Given our pricing discipline and our conservative line-guide, it is pleasing to report that Sandy losses should prove modest.

Property reinsurance

Although not as bad as 2011, 2012 continued to experience an historically elevated incidence of tornado/hail events. In addition Sandy will have a reasonably significant impact on the portfolio. However, given that the damage appears to be heavily biased towards coastal commercial flooding, rather than the inland wind business which is the staple of the syndicate's catastrophe book, our currently held reserves may well prove to be conservative.

Third party liability

The book has continued to drift down, now representing less than 7% of the overall income. We are down to a small E&O account and a dwindling number of US medical malpractice clients, where mergers and acquisitions have reduced the need for reinsurance protection.

Accident and health

Continued pressure as competitors look for non-correlated, diversified exposure. We have retreated into our core renewal book of mainly sports personal accident.

Marine and offshore energy

Against the background of a very sluggish market, it is pleasing to note that our marine book continues to outperform. We had minimal involvement with the Costa Concordia loss and look to have avoided many of the marine cargo and fine art losses emanating from Sandy. Unfortunately many of the fundamental skills of pricing, policy form and risk aggregation remain poor in this sector of the market. Unless and until this changes for the better, we will remain cautious.

Terrorism and political risks

We continue to focus the book away from traditional city-centre property exposures to more eclectic risks, such as terrorism liability or limited nuclear, biological and chemical coverage for hospitals and universities. We have minimal political risk or trade credit exposures, and have no immediate plans to enter this very challenging sector.

Specialist lines

Certain opportunistic sectors were reasonably insulated from the general market decline. The European carnet and US entertainment books continue to generate attractive margins. We have reduced our participation in the satellite market, given that achieved rates now appear to be at an historic low, and we have minimal exposure to crop insurance – a line badly affected by last year's drought in the United States.

Motor

Some signs of improvement, as domestic carriers in the United States have suffered badly from heightened catastrophe experience. We have also re-entered the Irish non-standard auto market, where we last participated in 2007, at rates that should afford reasonable potential for profit.

2013 Trading Conditions

Given the loss caused by Super-storm Sandy, coupled with the plethora of international catastrophe events in 2010/11, one might have reasonably expected the catastrophe excess of loss market to improve further. Unfortunately the Capital Markets, faced with the prospect of low yields on their core activities, are increasingly viewing our sector as an opportunistic play to write uncorrelated exposure at attractive margins. Vast amounts of new capital have been allocated, such that we actually lost business during the January 2013 renewal season. As ever, we are happy to compete down to our minimum technical margins, but our view is that much of this new capacity possesses neither the discipline nor the experience necessary to price the business adequately over time. For the moment, there is probably enough rate margin to generate an acceptable portfolio for 2013, but the future is looking somewhat bleaker than we had hoped.

Unfortunately at this stage of the cycle we are faced with rather a stretched business model: as noted above our capacity utilisation is now below 50%. Whilst we require a reasonable amount of capital to support our catastrophe exposures, we are unwilling to compromise our underwriting principles by leveraging that capital against poorly rated non-catastrophe business. I am convinced that the root cause of many of the ills in the insurance industry is excessive capital credit for diversification of risk. Being rather a simple soul I rather hold to the tenet that each unit of exposure needs to stand on its own merits and should be charged a commensurate premium. Just because something is un-correlated doesn't mean the inherent risk price should be discounted.

Analysis of premium written by syndicate classification

	Gross written £'000	Net written £'000
Property reinsurance	151,507	120,679
Direct and facultative property	37,445	27,746
Marine and offshore energy	29,078	28,964
Third party liability	21,345	21,414
Accident and health	12,462	12,436
Motor	10,200	10,164
Terrorism and political risks	5,705	5,700
Specialist lines	5,537	5,358
Total	273,279	232,460

Investment Return

The investment return generated over the last three years has contributed £20.1m to the 2010 closed year result. The returns net of expenses in each year were; 3.4% in 2010, 2.0% in 2011 and 3.8% in 2012. The bulk of the 2010 closed year return was earned during 2012 following the transfer of assets from 2009 year after the Reinsurance to Close.

In line with established policy, the 2010 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 2010 the effect of the GBP:US Dollar exchange rate has moved from an average of 1.55 during 2010 to a closing rate of 1.63 and this has resulted in a loss of £3.0m over the three year period.

Reinsurance Debtors

Recoverable amounts from reinsurers amount to £15.3m virtually all of which is current. There are no provisions for bad debts on the syndicate's reinsurance balances.

Reinsurance Debtors *continued*

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	0.7	7.0	1.6	9.3
A	3.7	0.9	0.2	4.8
BB and below	0.1	0.3	0.8	1.2
	4.5	8.2	2.6	15.3

2011 Year of Account Forecast

An estimate of the 2011 underwriting result as at 36 months is set out below:

	£'000
Stamp capacity	504,476
Gross premiums written	271,024
Net premiums written	228,083
Claims incurred – net of reinsurance	(98,067)
Net operating expenses	(62,982)
Investment return	10,198
Profit commission	(14,459)
Personal expenses	(4,939)
Estimate of profit for the year of account after personal expenses	57,834

Assumptions underlying the 2011 Estimated Result:

(i) There will be no material reinsurance failures.

(ii) Syndicate expenses, incurred in the calendar year 2013 to be charged to the 2011 year of account, will continue the pattern of previous years as refined by current budgets.

(iii) Exchange rates at 31 December 2013 will not be materially different from those at 31 December 2012.

(iv) Investment returns attributable to 2011 during 2013 = 1.6% 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.

MANAGING AGENT'S REPORT

continued

Seven Year Summary of Closed Years of Account

	Note	2004	2005	2006	2007	2008	2009	2010
Syndicate allocated capacity (£m)		325.6	325.6	399.6	459.2	400.6	403.7	504.5
Number of Underwriting Members		1,256	1,359	1,387	1,399	1,368	1,508	1,585
Aggregate net premiums (£m)		317.3	320.1	386.5	302.3	255.4	274.0	232.5
Results for illustrative share of £10,000		%	%	%	%	%	%	%
Utilisation of capacity at premium income monitoring rates of exchange		93.8	94.8	86.0	65.6	54.9	53.5	44.7
Gross premiums written (% of illustrative share)		105.3	112.0	104.9	75.4	74.6	83.0	54.2
Net premiums (% of illustrative share)		97.4	98.3	96.7	65.8	63.8	67.9	46.1
Profit (% of gross premiums)		12.9	5.2	42.8	36.9	20.9	38.7	32.7
Results for illustrative share of £10,000		£	£	£	£	£	£	£
Gross premiums	1	10,526	11,205	10,495	7,542	7,458	8,296	5,417
Net premiums		9,745	9,832	9,672	6,583	6,377	6,785	4,608
Reinsurance to close from an earlier year of account		4,599	5,678	5,489	6,527	6,748	6,792	5,046
Net claims		(4,250)	(5,745)	(3,185)	(2,712)	(3,745)	(1,844)	(1,659)
Reinsurance to close	2	(6,292)	(7,105)	(5,573)	(6,048)	(6,224)	(6,326)	(4,782)
Underwriting profit		3,802	2,660	6,403	4,350	3,155	5,407	3,213
Acquisition costs	1	(2,294)	(2,473)	(2,211)	(1,621)	(1,633)	(1,746)	(1,161)
Other syndicate operating expenses, excluding personal expenses		(152)	(150)	(137)	(148)	(136)	(141)	(113)
Reinsurers' and profit commissions		56	23	20	47	69	97	42
Exchange movement on foreign currency translation		(70)	67	1,080	320	7	29	(59)
Net investment income		554	735	253	568	544	466	398
Illustrative personal expenses:								
Managing agent's fee		(55)	(55)	(55)	(55)	(55)	(55)	(55)
Profit commission	3	(303)	(124)	(716)	(533)	(332)	(794)	(455)
Other personal expenses		(175)	(100)	(150)	(147)	(63)	(57)	(40)
Profit after illustrative personal expenses and illustrative profit commission		1,363	583	4,487	2,781	1,558	3,206	1,770

1. Gross premiums and syndicate operating expenses have been grossed up for brokerage costs.
2. Reinsurance to close for 2004 and subsequent years 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 2013

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 – 2010 Closed Year of Account

We have audited the syndicate underwriting year accounts for the 2010 year of account of Syndicate 2791 for the three years ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the related notes 1 to 22 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. 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 2010 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 2013

PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS

2010 Closed Year of Account for the three years ended 31 December 2012

	Note		2010 £'000
Syndicate allocated capacity			504,476
Earned premiums, net of reinsurance:			
Gross premiums written	*3*	273,279	
Outward reinsurance premiums		(40,819)	
Earned premiums, net of reinsurance			232,460
Reinsurance to close premiums received, net of reinsurance	*4*		254,610
Allocated investment return transferred from the non-technical account			20,103
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(95,136)	
Reinsurers' share		11,421	
			(83,715)
Reinsurance to close premium payable, net of reinsurance	*5*		(241,249)
Acquisition expenses		(58,692)	
Reinsurers' commissions and profit participations		2,097	
Administrative expenses	*7*	(33,357)	
Net operating expenses			(89,952)
Exchange differences arising on foreign currency translation	*12*		(2,984)
Balance on the technical account – general business	*11*		89,273

PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

2010 Closed Year of Account for the three years ended 31 December 2012

	Note	2010 £'000
Balance on the technical account for general business		89,273
Investment income	*10*	15,046
Unrealised gains on investments		19,285
Unrealised losses on investments		(7,601)
Investment expenses and charges	*10*	(6,627)
Allocated investment return transferred to general business technical account		(20,103)
Profit for the 2010 closed year of account		89,273

BALANCE SHEET

2010 Closed Year of Account as at 31 December 2012

	Note		2010 £'000
Assets			
Investments	*13*		385,676
Debtors	*14*		19,206
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	*6*		10,912
Other assets			
Cash at bank and in hand		14,908	
Other	*15*	16,333	
			31,241
Prepayments and accrued income			
Accrued interest			971
Total assets			448,006
Liabilities			
Amounts due to members	*16*		89,273
Reinsurance to close premiums payable to close the account – gross amount	*6*		240,102
Other creditors	*17*		118,124
Accruals and deferred income			507
Total liabilities			448,006

The financial statements on pages 12 to 26 were approved by the Board of Managing Agency Partners Limited on 12 March 2013 and were signed on its behalf by:

R K Trubshaw
Active Underwriter
12 March 2013

R J Sumner
Finance Director

CASH FLOW STATEMENT

2010 Closed Year of Account for the three years ended 31 December 2012

	Note	2010 £'000
Net cash inflow from operating activities	*18*	(59,517)
Transfers to members in respect of underwriting participations		–
		(59,517)
Cash flows were invested as follows:		
Increase in cash holdings	*19*	14,908
Decrease in overseas deposits	*19*	(471)
Net portfolio investment	*20*	73,954
Net investment of cash flows		(59,517)

NOTES TO THE ACCOUNTS

2010 Closed Year of Account for the three years ended 31 December 2012

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 2010'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 2010 from 2009 is presented as both a premium and as part of the reinsurance to close payable at the same rate, which is 2012's opening rate. Any changes made to the opening reinsurance to close are accounted for at the average rate ruling during 2012.

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 2010 year of account which has been closed by reinsurance to close at 31 December 2012; consequently the balance sheet represents the assets and liabilities of the 2010 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

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

Premiums written are treated as fully earned.

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

Initial reinsurance premiums paid to purchase policies which give excess of loss protection are charged to the year of account in which the protection commences. Premiums for other reinsurances are charged to the same year of account as the risks being protected.

Claims paid and related recoveries

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

2. Accounting Policies *continued*

Reinsurance to close premium payable

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.

Reinsurance 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.

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.

2. Accounting Policies *continued*

Foreign currency translation continued

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

	Year end rate	Average rates during		
	2012	2012	2011	2010
USD	1.63	1.59	1.60	1.55
CAD	1.62	1.58	1.59	1.59
EUR	1.23	1.23	1.15	1.17

Investments

Investments are stated at current bid value at the balance sheet date. For this purpose listed investments are stated at market value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the bid price at which they are traded on the balance sheet date or the last trading day before that date.

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. The returns on assets arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and market value at the previous balance sheet date, or purchase price if acquired during the year. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year.

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.

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% 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
2010 pure year						
Direct insurance						
Accident and health	8,451	(3,517)	(3,506)	(16)	1,412	785
Fire and other damage to property	31,573	(12,417)	(11,739)	(2,160)	5,257	1,974
Marine, aviation and transport	27,518	(7,815)	(8,335)	(204)	11,164	4,089
Motor (other classes)	7,732	(6,464)	(2,707)	(19)	(1,458)	1,506
Third party liability	5,339	(3,731)	(2,580)	(288)	(1,260)	2,732
Miscellaneous	2,096	(1,625)	(1,157)	9	(677)	807
	82,709	(35,569)	(30,024)	(2,678)	14,438	11,893
2010 pure year						
Reinsurance	194,388	(74,916)	(60,632)	(26,001)	32,839	40,548
	277,097	(110,485)	(90,656)	(28,679)	47,277	52,441
RITC	261,548	(237,502)	704	127	24,877	176,749
Total	538,645	(347,987)	(89,952)	(28,552)	72,154	229,190

Total commissions on direct gross premiums written amount to £19.6m.

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 2009 and prior year movements are reflected in the RITC line.

The geographical analysis of premiums by destination is as follows:

	Direct £'000	Reinsurance £'000	Total £'000
UK	1,976	3,877	5,853
Other EU countries	3,767	6,128	9,895
US	58,187	125,696	183,883
Other	23,905	49,743	73,648
Total	87,835	185,444	273,279

4. Reinsurance to Close Premium Receivable

	Syndicate 2791 £'000	Syndicate 6103 £'000	Total £'000
Gross reinsurance to close premium receivable	265,334	34	265,368
Reinsurance recoveries anticipated	(10,758)	–	(10,758)
Reinsurance to close premium receivable, net of reinsurance	254,576	34	254,610

At 1 January 2012, Syndicate 2791 accepted a Reinsurance to Close Premium from Syndicate 6103 in respect of Syndicate 6103's 2009 Year of Account.

5. Movement in Underwriting Reserves

	Reserves £'000	Exchange to closing rate £'000	Closing RITC £'000
2009 and prior			
Opening balance	(254,576)	11,078	(243,498)
Change in year	65,581	(1,166)	64,415
2010 pure			
Change in three year period	(50,827)	2,147	(48,680)
Unallocated loss and loss adjustment expenses	(1,427)	–	(1,427)
	(241,249)	12,059	(229,190)

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 2012 in currency and therefore the effect to the profit and loss account is nil.

6. Reinsurance to Close Premium Payable

	2009 and prior £'000	2010 pure £'000	2010 £'000
Gross outstanding claims	83,128	28,754	111,882
Reinsurance recoveries anticipated	(5,702)	(2,586)	(8,288)
Net outstanding claims	77,426	26,168	103,594
Provision for gross claims incurred but not reported	101,312	22,859	124,171
Reinsurance recoveries anticipated	(1,989)	(635)	(2,624)
Provision for net claims incurred but not reported	99,323	22,224	121,547
Unallocated loss and loss adjustment expenses	3,278	771	4,049
Net premium for reinsurance to close	180,027	49,163	229,190

The reinsurance to close is effected to the 2011 year of account of Syndicate 2791.

7. Administrative Expenses

	£'000
Personal expenses	4,786
Outwards profit commission	22,961
Other administrative expenses	5,704
(Profit) on exchange	(94)
	33,357

Administrative expenses include:

	£'000
Auditors' remuneration	
Fees for the audit of the syndicate	234
Taxation compliance services	11
Actuarial consultancy services	211

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	3,446
Social security costs	391
Other pension costs	381
	4,218

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	20
Underwriting	22
Claims	4
	46

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	935

The 2010 year of account has been charged with active underwriters' remuneration as follows:

	£'000
Emoluments – R K Trubshaw	214

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	8,772
Gains on the realisation of investments	6,274
	15,046
Investment expenses and charges	
Losses on realisation of investments	(3,652)
Investment management expenses, including interest	(2,975)
	(6,627)

11. Balance on the Technical Account – General Business

	2009 and prior years of account £'000	2010 pure years of account £'000	Total 2010 £'000
Balance excluding investment return and operating expenses	24,173	137,933	162,106
Brokerage and commission on gross premium	1,105	(59,797)	(58,692)
Allocated investment income	–	20,103	20,103
Net operating expenses	(402)	(30,858)	(31,260)
Loss on exchange	(646)	(2,338)	(2,984)
	24,230	65,043	89,273

12. Exchange Differences Arising on Foreign Currency Translation

	£'000
On 2010 balances brought forward: from opening to closing rates	(2,284)
On transactions during 2012: from average to year end rates	(700)
	(2,984)

13. Financial Investments

	Market value £'000	Cost £'000
Shares and other variable yield securities and units in unit trusts	53,145	52,382
Debt securities and other fixed income securities	246,711	245,362
Participation in investment pools	65,715	64,293
Other loans	17,304	17,299
Deposits with credit institutions	2,801	2,801
	385,676	382,137

Included within the above assets are funds comprising listed equities of £37.6m.

14. Debtors

	£'000
Arising out of direct insurance operations:	
Due from policyholders	–
Due from intermediaries	2,857
Arising out of reinsurance operations	11,544
Members' agents' fees advances	2,593
Non-standard personal expenses due from members (overseas taxation)	1,100
Profit commission and overriding commission	947
Investment settlement	149
Other	16
	19,206

15. Other Assets

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

16. Amounts Due to Members

	£'000
Profit for the 2010 closed year of account due to members at 31 December 2012	89,273

17. Other Creditors

	£'000
Arising out of direct insurance operations	
Policyholders	–
Intermediaries	126
Arising out of reinsurance operations	23,103
Profit commissions	22,318
Inter-syndicate loan	301
Inter year loan	57,525
Investment settlement	14,751
	118,124

18. Reconciliation of Operating Profit to Net Cash Outflow from Operating Activities

	£'000
Operating profit on ordinary activities for the closed year of account	89,273
Realised and unrealised investments gains and losses including exchange movements	10,598
Net reinsurance to close payable	229,190
Decrease in debtors, excluding those received as consideration for RITC	33,922
Decrease in creditors, excluding those received as consideration for RITC	(182,297)
Non-cash consideration for net RITC receivable	
Deposits	(17,470)
Portfolio investments	(469,562)
Debtors (Syndicate 2791)	(21,265)
Creditors (Syndicate 2791)	268,128
Debtors (Syndicate 6103)	(32,834)
Creditors (Syndicate 6103)	32,800
Net cash outflow from operating activities	(59,517)

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

	£'000
Net cash inflow	14,908
Cash flow – decrease in overseas deposits	(471)
Cash flow – portfolio investments	(73,954)
Movement arising from cash flows	(59,517)
Received as non-cash RITC consideration	
Deposits and portfolio investments	487,032
Changes in market value and exchange rates	(10,598)
Total movement in portfolio investments	416,917
Portfolio at 1 January 2010	–
Portfolio at 31 December 2012	416,917

Movement in cash, portfolio investments and financing

	At 1 January 2010 £'000	Cash flow £'000	Received as consideration for net RITC receivable £'000	Changes to market value and currencies £'000	At 31 December 2012 £'000
Cash at bank and in hand	–	888	14,407	(387)	**14,908**
Overseas deposits	–	(471)	17,470	(666)	**16,333**
Portfolio investments:					
Shares and other variable yield securities and units in unit trusts	–	(2,159)	55,237	67	**53,145**
Debt securities and other fixed income securities	–	(66,892)	321,929	(8,326)	**246,711**
Participation in investment pools	–	(952)	67,739	(1,072)	**65,715**
Other loans	–	(3,971)	21,822	(547)	**17,304**
Deposits with credit institutions	–	20	2,835	(54)	**2,801**
Total portfolio	–	(73,954)	469,562	(9,932)	**385,676**
Total cash, portfolio investments and financing	–	(73,537)	501,439	(10,985)	**416,917**

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

	£'000
Purchase of shares and other variable yield securities	(5,165)
Purchase of debt securities and other fixed income securities	(1,093,666)
Purchase of participation in investment pools	(16,855)
Movement in other loans	3,971
Movement of deposits with credit institutions	(20)
Sale of shares and other variable yield securities	7,324
Sale of debt securities and other fixed income securities	1,160,558
Sale of participation in investment pools	17,807
Net cash inflow on portfolio investments	73,954

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 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 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 2010 year of account:

	£'000
Premiums ceded	(31,030)
Paid claims recovered	2,674
Ceding commission	988
Overriding commission	178
Investment income payable	(1,668)

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 2010 year of account MAP Capital Limited provided £105.3m of capacity on Syndicate 2791 representing 20.9% of capacity. MAP has no direct interest in the share capital of MAP Capital Limited.

For the 2010 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 2010 year of account it has provided £9.8m of capacity representing 1.95% 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 2010 year and profit commission of £22.3m is also due to the managing agency in respect of the profit of the 2010 closed year. Expenses totalling £7.0m were recharged to this year of account.

21. Related Parties *continued*

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$0.7m during 2012 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. 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$6.0m; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US$6.0m.

SYNDICATE 2791

Annual Report and Accounts
31 December 2012

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
110 Fenchurch Street
London
EC3M 5JT

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 2012.

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 2010 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 2012 calendar year produced an annually accounted profit of £101.8m (2011: £50.0m) on gross earned premiums of £304.8m (2011: £258.3m) gross of acquisition and reinsurance costs. The net combined ratio was 68.1% (2011: 83.2%).

Movement on underwriting years of account during the 2012 calendar year

	2009 and prior periods £'000	2010 £'000	2010 and prior periods £'000	2011 £'000	2012 £'000	**Total £'000**	2011 £'000
Gross written premium	(3,819)	(2,407)	(6,226)	22,403	291,083	**307,260**	241,828
Net premium earned	(3,706)	8,499	4,793	79,804	166,296	**250,893**	218,083
Net claims incurred	27,879	6,159	34,038	(234)	(106,619)	**(72,815)**	(104,370)
Acquisition costs	1,105	(2,416)	(1,311)	(24,138)	(38,375)	**(63,824)**	(54,321)
	25,278	12,242	37,520	55,432	21,302	**114,254**	59,392
Operating expenses	(401)	(10,848)	(11,249)	(12,238)	(10,760)	**(34,247)**	(21,106)
Investment income	–	15,671	15,671	4,333	1,820	**21,824**	11,726
Annual accounted profit	24,877	17,065	41,942	47,527	12,362	**101,831**	50,012
Currency translation							
Currency translation differences	(648)	(2,736)	(3,384)	(1,883)	(319)	**(5,586)**	3,179
Total recognised gain and losses	24,229	14,329	38,558	45,644	12,043	**96,245**	53,191
As previously reported	–	50,715	50,715	7,570	–	**58,285**	134,554
Cumulative pure year result	24,229	65,044	89,273	53,214	12,043	**154,530**	187,745
Members' balances						**154,530**	187,745
Net annual accounting ratios:							
Claims ratio						**29%**	48%
Expense ratio						**39%**	35%
Combined ratio						**68%**	83%

Written premium in the calendar year by syndicate classification

	2012 Gross written £'000	**2012 Net written £'000**	2011 Gross written £'000	2011 Net written £'000
Property reinsurance	**187,824**	**144,531**	146,390	115,975
Direct and facultative property	**48,129**	**35,464**	30,660	20,262
Marine and offshore energy	**30,015**	**30,008**	26,216	25,969
Third party liability	**12,913**	**13,000**	11,209	11,403
Accident and health	**9,182**	**9,189**	9,281	9,262
Specialist lines	**(220)**	**(395)**	7,970	7,812
Motor	**14,978**	**14,961**	5,151	5,298
Terrorism and political risks	**4,439**	**4,437**	4,951	4,949
Total	**307,260**	**251,195**	241,828	200,930

2012 Overview

The positive effect of the international cat events was a 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 net earned premium by around 15%. Attritional 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 gross incurred loss (after cessions to Syndicate 6103) was £15.8m with a further provision of £41.2m. Given that the damage appears to be heavily biased towards coastal commercial flooding, rather than the inland wind business which is the staple of the syndicate's catastrophe book, our currently held reserves may well prove to be conservative.

2013 Trading Conditions

Given the loss caused by Super-storm Sandy, coupled with the plethora of international catastrophe events in 2010/11, one might have reasonably expected the catastrophe excess of loss market to improve further. Unfortunately the Capital Markets, faced with the prospect of low yields on their core activities, are increasingly viewing our sector as an opportunistic play to write uncorrelated exposure at attractive margins. Vast amounts of new capital have been allocated, such that we actually lost business during the January 2013 renewal season. As ever, we are happy to compete down to our minimum technical margins, but our view is that much of this new capacity possesses neither the discipline nor the experience necessary to price the business adequately over time. For the moment, there is probably enough rate margin to generate an acceptable portfolio for 2013, but the future is looking somewhat bleaker than we had hoped.

Unfortunately at this stage of the cycle we are faced with rather a stretched business model: as noted above our capacity utilisation is now below 50%. Whilst we require a reasonable amount of capital to support our catastrophe exposures, we are unwilling to compromise our underwriting principles by leveraging that capital against poorly rated non-catastrophe business. I am convinced that the root cause of many of the ills in the insurance industry is excessive capital credit for diversification of risk. Being rather a simple soul I rather hold to the tenet that each unit of exposure needs to stand on its own merits and should be charged a commensurate premium. Just because something is un-correlated doesn't mean the inherent risk price should be discounted.

FINANCIAL REPORT

Investment Return

The investment return for 2012 was 4.4% gross of all investment expenses (2011: 2.3%) and 3.8% net of investment expenses (2011: 2.0%).

Given the opening balance sheet position of a very low interest rate environment the investment portfolio performed reasonably, mainly due to the continued accommodative nature of the US central bank. This fiscal stimulus and the reaction of the markets to further reduce both fixed income yield and the yield spread to corporate bonds resulted in the return for the year being above the embedded yield in our fixed income portfolio. The syndicate also benefited from the increase in value of the equity element of the portfolio as equity markets rose especially towards the end of 2012.

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

	2012		2011	
	Return	Closing assets as a proportion of portfolio	Return	Closing assets as a proportion of portfolio
Asset class	%	%	%	%
Cash and cash liquidity funds	0.9	14.0	0.7	12.4
Equities	12.1	9.6	6.2	7.9
Credit bond funds	12.4	8.2	(0.7)	6.6
US treasury bonds	1.5	21.3	2.6	23.7
US agency bonds	2.5	19.9	3.4	11.5
US corporate debt	5.0	22.3	1.8	34.2
Overseas regulatory trust funds	0.9	4.9	1.9	3.7
Return	4.4		2.3	
Return after charges	3.8		2.0	

The syndicate investments are managed by investment managers chosen for their expertise in different asset classes. The overall portfolio can be described as being comprised of risk, fixed income and liquidity assets. We use ten managers for the risk assets (equity and credit bonds) each overseeing a small portfolio and two for the fixed income assets (treasury, agency and corporate bonds). The spread of assets between managers and strategies is intended to allow the portfolio to produce a return with a limited loss probability.

Our equity portfolio generated a return of 12% in 2012. The long only equity portfolio of lowly geared companies performed well in 2012 with a return of 17%, just beating the S&P500. The balance of our equity allocation is in two long/short funds, whose combined return of 8% reflects the costs of the portfolio protections indicating our decision to maintain our exposure after their relatively poor performance in 2011.

The credit bond funds were our best performing asset class in 2012. It was however our worse performing class last year but our confidence in retaining the seven managers we used in 2011 was vindicated b them making up for the prior year loss with a 12% return in 2012.

The fixed income bonds are fairly evenly split between US treasuries, US agency (Government National Mortgage Association (GNMA)) and 'A' or higher rated corporate bonds. This element of the portfolio is allocated to two managers. The current investment environment for fixed income bonds is very tricky to call due to what appear to be experimental central bank easing policies. Once the experiment stops, rates will rise and fixed income bonds will suffer a loss in capital value. The only uncertainly is when, rather than if, fixed income yields rise. Our fixed income investment managers are therefore focused on ensuing they are able to cut duration at the appropriate time.

Over the last 3 years the syndicate has produced good profits for members. These profits have been distributed which has reduced the investment portfolio from £700m at the end of 2009 to £547m at the end of 2012. The reduction in assets will continue in 2013 with the 2010's Year of Account profit distribution. To maintain the portfolio balance we will be trimming the equity and bond funds.

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. Asset duration is around 60 days.

Equities

These comprise three different funds, two of which have the ability to sell equities short to manage exposure during falling markets.

Credit bond funds

These comprise seven separate open ended bond funds each managed by an external specialist investment manager. The number of funds has remained the same between 2011 and 2012.

US treasury bonds

These comprise US Treasury bills and notes managed by two large US external investment managers. These assets have a duration of around 3.8 years (2011: 3.1 years). US treasuries are split by manager 93% to a short duration manager and 7% 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 2.3 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 2.6 years (2011: 2.0 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 our below:

2012	Rating					
Asset class per balance sheet	AAA and government %	AA and above %	A %	Equities %	Hedge funds %	Total %
Shares and variable yield securities	–	5.9	1.7	4.7	–	12.3
Debt securities	58.1	2.5	9.1	–	–	69.7
Participation in investment pools	3.7	–	–	–	13.6	17.3
Deposits with credit institutions	–	–	0.7	–	–	0.7
Total	61.8	8.4	11.5	4.7	13.6	100.0

2011	Rating					
Asset class per balance sheet	AAA and government %	AA and above %	A %	Equities %	Hedge funds %	Total %
Shares and variable yield securities	–	5.2	1.8	3.6	–	10.6
Debt securities	49.4	8.9	16.0	–	–	74.3
Participation in investment pools	3.1	–	–	–	11.4	14.5
Deposits with credit institutions	–	–	0.6	–	–	0.6
Total	52.5	14.1	18.4	3.6	11.4	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 control.

Currency Translation Differences

Over 85% of the syndicate's assets are held in US Dollars but as results are published in Sterling changes in the £:$ 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 loss for the year is £5.6m (2011: £3.2m gain). This principally reflects the weakening of the US Dollar against Sterling from the opening rate of 1.55 to the current year end rate of 1.63.

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	**2012 Total £m**	2011 Total £m
AA and above	1.1	10.6	7.1	**18.8**	20.1
A	19.3	4.8	12.2	**36.3**	24.7
BB and below	–	0.3	1.1	**1.4**	0.9
	20.4	15.7	20.4	**56.5**	45.7

Of the total reinsurance debtors rated A in the table above, the amounts owed by Syndicate 6103 are £22.1m.

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.

Principal Risks and Uncertainties *continued*

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.

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.

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.

Equity price risk

We are subject to equity price risk due to changes in the market value of equities. 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. The performance of each fund is monitored by the Investment Committee.

Interest rate risk

Interest rate risk arises primarily from the value of our investments. 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 Financial Services Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The agency has a compliance officer 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 2012 together with their participations on the syndicate were as follows:

	2012 year of account £'000	2011 year of account £'000
J D Denoon Duncan [1] [2]	**545**	440
H R Dumas	**571**	571
A S Foote [3]	**–**	–
A Kong [1] [2]	**1,866**	1,579
B S McAuley [1] [2]	**550**	435
D E S Shipley (Chairman) [1]	**5,496**	5,496
C Smelt [1] [2]	**1,210**	1,173
R J Sumner [1]	**537**	397
R K Trubshaw (Active Underwriter) [1]	**6,209**	6,209
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 2012 year of account of the syndicate was £506.8m.

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 2013

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 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 27. 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. 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 2012 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 2013

PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS

for the year ended 31 December 2012

	Note	£'000	2012 £'000	£'000	2011 £'000
Earned premiums, net of reinsurance					
Gross premiums written	3		307,260		241,828
Outward reinsurance premiums			(56,065)		(40,898)
Net premiums written			251,195		200,930
Change in the provision for unearned premiums:					
Gross amount		(2,418)		16,464	
Reinsurers' share		2,116		689	
Change in the net provision for unearned premiums			(302)		17,153
Earned premiums, net of reinsurance			250,893		218,083
Allocated investment return transferred from the non-technical account			21,824		11,726
Claims incurred, net of reinsurance					
Claims paid					
Gross amount	3	(115,262)		(108,151)	
Reinsurers' share		15,524		17,421	
Net claims paid		(99,738)		(90,730)	
Change in the provision for claims					
Gross amount	3	21,333		(18,363)	
Reinsurers' share		5,590		4,723	
Change in the net provision for claims		26,923		(13,640)	
Claims incurred, net of reinsurance			(72,815)		(104,370)
Acquisition expenses		(66,234)		(50,147)	
Change in deferred acquisition expenses		2,410		(4,174)	
Reinsurers' commissions and profit participations		3,401		1,592	
Administrative expenses	5	(37,648)		(22,698)	
Net operating expenses	3		(98,071)		(75,427)
Balance on the technical account for general business			101,831		50,012

All operations are continuing.

PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Balance on the general business technical account		**101,831**	50,012
Investment income	*8*	**15,739**	14,526
Unrealised gains on investments		**19,514**	17,863
Unrealised losses on investments		**(5,720)**	(13,901)
Investment expenses and charges	*8*	**(7,709)**	(6,762)
Allocated investment return transferred to general business technical account		**(21,824)**	(11,726)
Profit for the financial year		**101,831**	50,012

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Profit for the financial year		**101,831**	50,012
Exchange differences on foreign currency translation	*10*	**(5,586)**	3,179
Total recognised gains and losses since the last annual report		**96,245**	53,191

BALANCE SHEET ASSETS

at 31 December 2012

	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Investments					
Financial investments	11		546,889		653,296
Reinsurers' share of technical provisions					
Provision for unearned premiums		12,343		10,782	
Claims outstanding	4	36,021		32,008	
			48,364		42,790
Debtors					
Debtors arising out of direct insurance operations	12	17,092		13,719	
Debtors arising out of reinsurance operations	12	86,010		80,423	
Other debtors	13	17,532		20,988	
			120,634		115,130
Other assets					
Cash at bank and in hand			18,262		17,751
Other	14		23,544		21,260
Prepayments and accrued income					
Accrued interest		1,403		2,300	
Deferred acquisition costs		25,942		24,613	
Other prepayments and accrued income		978		1,477	
			28,323		28,390
Total assets			786,016		878,617

BALANCE SHEET LIABILITIES

at 31 December 2012

	Note	£'000	2012 £'000	£'000	2011 £'000
Capital and reserves					
Members' balances	*15*		154,530		187,745
Technical provisions					
Provision for unearned premiums		91,152		92,883	
Claims outstanding	*4*	401,500		441,308	
			492,652		534,191
Creditors					
Creditors arising out of direct insurance operations	*16*	529		470	
Creditors arising out of reinsurance operations	*16*	76,921		83,678	
Other creditors	*17*	60,242		71,428	
			137,692		155,576
Accruals and deferred income			1,142		1,105
Total liabilities			786,016		878,617

The financial statements on pages 38 to 55 were approved by the Board of Managing Agency Partners Limited on 12 March 2013 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

12 March 2013

CASH FLOW STATEMENT

for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Net cash inflow from operating activities	*18*	**56,376**	80,620
Transfer to members in respect of underwriting participations:			
Profits distributed from 2791		**(127,679)**	(60,892)
Profits distributed from 6103		**(23,925)**	(2,688)
		(95,228)	17,040
Cash flows were invested as follows:			
Increase in cash holdings	*20*	**1,042**	10,560
Increase in deposits	*20*	**1,614**	(2,066)
Net portfolio investment	*20*	**(97,884)**	8,546
Net investment of cash flows		**(95,228)**	17,040

NOTES TO THE ACCOUNTS

for the year ended 31 December 2012

1. Basis of Preparation

These financial statements have been prepared in accordance with Regulation 5 of 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. Premiums are shown gross of acquisition costs payable to intermediaries and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet notified. Differences between such estimates and actual amounts will be recorded in the period in which the actual amounts are determined.

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.

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.

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.

2. Accounting Policies *continued*

Claims provisions and related recoveries continued

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.

Reinsurance 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.

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.

2. Accounting Policies *continued*

Foreign currency translation continued

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

	2012		2011	
	Year end	Average	Year end	Average
USD	1.63	1.59	1.55	1.60
CAD	1.62	1.58	1.58	1.59
EUR	1.23	1.23	1.20	1.15

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 deemed to be the aggregate of market value at the previous balance sheet 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 market value at the previous balance sheet date, or purchase price if acquired during the year.

Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year.

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.

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:

2012 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	7,799	7,900	(1,815)	(3,530)	(2)	2,553	9,128
Motor (third party liability)	642	776	(79)	(386)	9	320	2,632
Motor (other classes)	10,336	8,716	(5,907)	(2,807)	23	25	13,286
Marine, aviation and transport	18,750	24,033	(6,235)	(8,155)	(656)	8,987	35,922
Fire and other damage to property	38,019	34,359	(11,312)	(12,281)	(3,646)	7,120	48,137
Third party liability	5,164	5,019	443	(2,442)	(115)	2,905	42,050
Miscellaneous	493	783	882	(551)	4	1,118	6,371
	81,203	81,586	(24,023)	(30,152)	(4,383)	23,028	157,526
Reinsurance accepted	226,057	223,256	(69,906)	(67,919)	(28,452)	56,979	286,762
Total	307,260	304,842	(93,929)	(98,071)	(32,835)	80,007	444,288

2011 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	9,416	9,008	(3,415)	(3,741)	(16)	1,836	11,851
Motor (third party liability)	(252)	423	(253)	(231)	80	20	3,534
Motor (other classes)	5,549	6,386	(3,657)	(2,578)	(112)	39	12,025
Marine, aviation and transport	30,433	30,358	(3,920)	(9,982)	(454)	16,001	46,801
Fire and other damage to property	36,479	33,059	(23,926)	(8,837)	(3,116)	(2,819)	54,145
Third party liability	4,886	4,862	(1,374)	(1,612)	194	2,069	51,319
Miscellaneous	2,203	1,605	41	(525)	53	1,174	5,278
	88,714	85,701	(36,504)	(27,506)	(3,371)	18,320	184,953
Reinsurance accepted	153,114	172,591	(90,010)	(47,921)	(14,694)	19,966	306,448
Total	241,828	258,292	(126,514)	(75,427)	(18,065)	38,286	491,401

All premiums were concluded in the UK.

Gross operating expenses include reinsurers' commissions and profit participations.

	2012 **£'000**	2011 £'000
Total commissions on gross direct premiums earned	**19,575**	19,559

3. Segmental Analysis *continued*

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

	Direct	Reinsurance	2012 £'000
UK	2,084	3,456	5,540
Other EU countries	4,209	4,750	8,959
US	55,640	144,597	200,237
Other	19,269	73,255	92,524
Total	81,202	226,058	307,260

	Direct	Reinsurance	2011 £'000
UK	2,402	2,296	4,698
Other EU countries	3,548	3,995	7,543
US	58,119	103,022	161,141
Other	24,645	43,801	68,446
Total	88,714	153,114	241,828

4. Claims Outstanding

A positive run-off of £25m on the 2010 and prior years' reserves (2009 and prior: £22m) was experienced in the year. This change to the previous closed year reserves was 10% of the relevant provisions brought forward. The change in the year was principally due to the favourable run-off of the property book.

	2012 £'000	2011 £'000
Gross outstanding claims	**161,246**	175,634
Reinsurance recoveries anticipated	**(15,668)**	(16,588)
Net outstanding claims	**145,578**	159,046
Provision for gross claims incurred but not reported	**234,065**	260,865
Reinsurance recoveries anticipated	**(20,353)**	(15,420)
Provision for net claims incurred but not reported	**213,712**	245,445
Unallocated loss and loss adjustment expenses	**6,189**	4,809
Net reserves	**365,479**	409,300

5. Administrative Expenses

	2012 £'000	2011 £'000
Personal expenses	**5,093**	4,480
Profit commission payable to managing agent	**25,307**	12,524
Other administrative expenses	**7,316**	5,584
(Profit)/loss on exchange	**(68)**	110
	37,648	22,698

Administrative expenses include:

	2012 £'000	2011 £'000
Auditors' remuneration		
Audit of the syndicate annual accounts	**195**	189
Other services pursuant to Regulations and Lloyd's Byelaws	**63**	–
Taxation compliance services	**4**	6
Actuarial consultancy services	**252**	200

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:

	2012 £'000	2011 £'000
Wages and salaries	**3,778**	3,467
Social security costs	**455**	413
Other pension costs	**435**	394
	4,668	4,274

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:

	2012 Number	2011 Number
Administration and finance	**21**	20
Underwriting	**22**	21
Claims	**4**	4
	47	45

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:

	2012 £'000	2011 £'000
Emoluments	997	963

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

	2012 £'000	2011 £'000
Emoluments – R K Trubshaw	230	224

8. Investment Return

	2012 £'000	2011 £'000
Investment income		
Income from investments	9,422	9,509
Gains on the realisation of investments	6,317	5,017
	15,739	14,526
Investment expenses and charges		
Investment management expenses, including interest	3,376	2,492
Losses on the realisation of investments	3,399	3,356
Investment return payable to Syndicate 6103	934	914
	7,709	6,762

9. Calendar Year Investment Yield

Average syndicate funds available for investment:

	2012 '000	2011 '000
Sterling	27,458	18,793
United States Dollars	839,884	932,942
Canadian Dollars	25,849	27,827
Euros	24,321	30,959
Combined Sterling average syndicate funds available for investment	578,453	664,102
Investment return – gross of investment expenses	26,134	15,132

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

	2012	2011
Sterling	1.2%	1.3%
United States Dollars	4.8%	2.5%
Canadian Dollars	1.0%	1.2%
Euros	1.5%	0.8%
Combined	4.4%	2.3%

10. Exchange Differences on Foreign Currency Translation

Exchange differences on foreign currency translation arise as follows:

	2012 £'000	2011 £'000
On balances brought forward	**(3,334)**	1,482
On transactions during 2012: from average to year end rates	**(2,252)**	(1,350)
	(5,586)	3,179

11. Financial Investments

	Market value		Cost	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Shares and other variable yield securities and units in unit trusts	**67,140**	68,557	**64,421**	66,059
Debt securities and other fixed income securities	**355,976**	454,940	**354,030**	454,133
Participation in investment pools	**94,764**	94,954	**92,711**	93,441
Other loans	**24,968**	30,838	**24,961**	30,644
Deposits with credit institutions	**4,041**	4,007	**4,041**	4,007
	546,889	653,296	**540,164**	648,284

Included within the above assets are funds comprising listed equities of £54.3m (2011: £51.4m).

12. Debtors Arising Out of Insurance Operations

	2012 £'000	2011 £'000
Arising out of direct insurance		
Due from policyholders	**–**	–
Due from intermediaries – within one year	**17,092**	13,681
– after one year	**–**	38
	17,092	13,719
Arising out of reinsurance operations		
Due from policyholders	**–**	–
Due from intermediaries – within one year	**70,454**	69,008
– after one year	**15,556**	11,415
	86,010	80,423

Debtors arising out of reinsurance operations of £86.0m (2011: £80.4m) include funds due in respect of Syndicate 6103 of £63.8m (2011: £71.1m).

13. Other Debtors

	2012 £'000	2011 £'000
Due within one year		
Outstanding settlements on investments	225	6,837
Commissions and overrider receivable	1,705	2,771
Foreign taxes	1,100	326
Members' agents fees funded	2,593	1,781
Other	34	54
	5,657	11,769
Due after one year		
Inter syndicate debt	2,662	658
Foreign taxes	1,563	1,276
Members' agents fees funded	5,401	5,300
Commissions and overrider receivable	2,249	1,985
	11,875	9,219
	17,532	20,988

14. Other Assets

	2012 £'000	2011 £'000
Overseas deposits	23,544	21,260

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

15. Reconciliation of Members' Balances

	2012 £'000	2011 £'000
Members' balances brought forward at 1 January	187,745	196,957
Profit for the financial year	101,831	50,012
Exchange rate difference – transfer from the Statement of Recognised Gains and Losses	(5,586)	3,179
Members' agents fees for the 2009 (2008) year of account	(1,781)	(1,511)
Payments of profit to members' personal reserve funds for the 2009 (2008) year of account	(127,679)	(60,892)
Members' balances carried forward at 31 December	154,530	187,745

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.

16. Creditors Arising Out of Insurance Operations

	2012 £'000	2011 £'000
Arising out of direct insurance operations		
Policyholders	–	–
Intermediaries – within one year	529	470
– after one year	–	–
	529	470
Arising out of reinsurance operations		
Reinsurance accepted – within one year	5,809	4,117
– after one year	26,123	39,881
Reinsurance ceded – within one year	–	–
– after one year	44,989	39,680
	76,921	83,678

Creditors in respect of reinsurance operations of £76.9m (2011: £83.7m) include funds due to Syndicate 6103 of £22.1m (2011: £17.7m).

17. Other Creditors

	2012 £'000	2011 £'000
Outstanding settlement on investments	21,282	23,479
Profit commissions	38,632	46,936
Inter-syndicate	301	985
Other	27	28
	60,242	71,428

Of the profit commissions above, £16.3m (2011: £14.6m) fall due after one year.

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

	2012 £'000	2011 £'000
Operating profit on ordinary activities	101,831	50,012
Realised and unrealised investments gains and losses including exchange movements	8,384	(12,942)
(Decrease)/increase in net technical provisions	(47,113)	1,264
(Increase)/decrease in debtors	(5,437)	19,714
(Decrease)/increase in creditors	(17,847)	18,216
Exchange differences on foreign currency translation	(5,586)	3,179
Movement on members' balances	(1,781)	(1,511)
Syndicate 6103 closed year profit	23,925	2,688
Net cash inflow from operating activities	56,376	80,620

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

	2012 £'000	2011 £'000
Net cash flows for the year	1,042	10,560
Cash flow – portfolio investments and overseas deposits	(96,270)	6,480
Movement arising from cash flows	(95,228)	17,040
Changes in market value and exchange rates	(8,384)	12,942
Total movement in portfolio investments	(103,612)	29,981
Portfolio at 1 January	692,307	662,325
Portfolio at 31 December	**588,695**	692,307

20. Movement in Cash, Portfolio Investments and Financing

	At 1 January 2012 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 December 2012 £'000
Cash at bank and in hand	17,751	1,042	(531)	18,262
Overseas deposits	21,260	1,614	670	23,544
Portfolio investments:				
Shares and other variable yield securities and units in unit trusts	68,557	(2,755)	1,338	67,140
Debt securities and other fixed income securities	454,940	(82,999)	(15,965)	355,976
Participation in investment pools	94,954	(7,751)	7,561	94,764
Other loans	30,838	–	(5,870)	24,968
Deposits with credit institutions	4,007	(4,379)	4,413	4,041
Total portfolio investments	653,296	(97,884)	(8,523)	546,889
Total cash, portfolio investments and financing	692,307	(95,228)	(8,384)	**588,695**

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

	2012 £'000	2011 £'000
Purchase of shares and other variable yield securities	(2,352)	(13,861)
Purchase of debt securities and other fixed income securities	(1,076,443)	(1,431,518)
Purchase of participation in investment pools	(12,016)	(19,374)
Deposits with credit institutions	–	2,075
Other loans	4,379	544
Sale of shares and other variable yield securities	5,107	10,939
Sale of debt securities and other fixed income securities	1,159,442	1,002,400
Sale of participation in investment pools	19,767	9,809
Net cash inflow/(outflow) on portfolio investments	**97,884**	(8,546)

22. 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% (2010: 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:

	2012 £'000	2011 £'000
Premiums ceded	**(26,674)**	(18,950)
Paid claims recovered	**8,275**	10,359
Ceding commission	**1,334**	948
Overriding commission	**244**	135
Investment income payable	**(934)**	(914)

Managing agency fees amounting to £2.8m were paid to MAP during 2012 (2011: £2.8m) and profit commission of £25.3m (2011: £12.5m) is also due to the managing agent in respect of the results for this calendar year. Expenses totalling £8.3m (2011: £7.0m) 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

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 (2011: £105.3m) representing 20.8% of capacity (2011: 20.9%). MAP has no direct or indirect 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.

22. Related Parties *continued*

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$0.7m during 2012 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.

23. 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 FSA 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.

24. 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$6.6m; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US$6.6m.

25. Post Balance Sheet Event

In accordance with the reinsurance contract with Syndicate 6103, the 2010 Year of Account of that syndicate will be commuted and an RITC effected with this syndicate and the reserves carried for the 2010 Year of Accounting (amounting to £0.08m) transferred to this syndicate in 2013.

26. Reinsurance to Close Premium Received from Syndicate 6103

At 1 January 2012, Syndicate 2791 accepted a Reinsurance to Close Premium from Syndicate 6103 in respect of Syndicate 6103's 2009 Year of Account. In addition, the reinsurance contact between Syndicate 2791 and Syndicate 6103 for the 2009 Year of Account has been commuted with Syndicate 2791 being paid in full for the liabilities assumed as at 1 January 2012.

27. Off-Balance Sheet Items

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

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