SYNDICATE 2791

Report and Financial Statements
31 December 2013

MAP

Underwriting at Lloyd's

CONTENTS

CHAIRMAN'S REPORT

We are at that strange point in the insurance market cycle when brokers, whose role by and large is to drive prices down, are showing concern that rates have fallen too low and conditions too generous, while many underwriting managers are painting an improbably rosy picture of market conditions. Declared profits are strong but these were earned in better times, and not all of those releasing prior year reserves to bolster their more marginal recent performance are doing so from a position of strength.

Richard and the team have maintained their underwriting discipline, with close attention to detail in risk analysis and policy form, and the volume written reflects the proportion of business that can be written at acceptable terms. It is a simple strategy, but one that few market participants are able and willing to put into practice. Our underwriters' judgment is regularly back-tested against outcomes, and the results of this testing give us great confidence in their ability to assess the state of the market. It is critically important to have a fixed point in shifting conditions, and this consistency is valuable to brokers and clients even in a very soft market.

Our premium volumes will continue to be reduced until the market regains the will to charge premium rates that recognize the whole of the risk that is being transferred, with all its inherent uncertainty. Whether this comes as a result of a major external shock such as windstorm or earthquake, or as a consequence of continued attritional loss of margin, nobody can tell, but in any event our very experienced underwriters and our lean efficient support team will be ready to take full advantage of the inevitable market dislocation.

D E S Shipley
Chairman

11 March 2014

SYNDICATE 2791

Underwriting Year Distribution Accounts
2011 Closed Year of Account
31 December 2013

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 2011 year of account of Syndicate 2791 as closed at 31 December 2013.

These accounts have been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005). Separate annual accounts under UK GAAP on the calendar year results are available to all the syndicate's members (see pages 28 to 56).

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

2011 Year of Account

Capacity £504 million

The 2011 year has closed with a profit of £67.7m after all members' personal expenses, equivalent to 13.4% of stamp capacity, compared with the forecast range of 9% to 14%. Absent a £17.2m back-year release the 2011 pure year result would be 10.7%.

Development of Closed Years (2010 and prior)

The total gross IBNR ('incurred but not reported') reserve, less future premiums, is up marginally from £112.8m to £114.7m. Only £7.1m or 6.3% of this reserve was utilised in the calendar year. Nevertheless, as we assume an increasingly defensive stance in the market our book will inevitably shrink and become more vulnerable to volatility and severity. We have observed that this latency is already leading to a lengthening tail. Given that more recent years are unlikely to have as benign a run-off pattern as their predecessors, to our minds this reinforces the need for a considered and prudent approach to reserving. Despite the back year release, our remaining completion factors are therefore appropriately more conservative than in prior years.

The long-tail casualty classes account for a little over half of the back-year release, and constitute around two-thirds of the remaining IBNR reserve. Much of the short-tail reserve relates to catastrophes, in particular the international cat events, defined as earthquakes in Chile, New Zealand and Japan, plus the Thai floods. As at year end, across all years of account, the syndicate had gross incurred losses in these events of £19.9m with a further provision of £11.1m. There was also a reasonably significant late deterioration on the 2005 account from Hurricane Katrina, which reinforces our view that complex catastrophic events can take many years to settle out completely.

Pure Year 2011

Utilisation of capacity

The final utilisation was 43% at closing rates of exchange, similar to 2010. The reinsurance spend was £42m or 19.7% of Lloyd's gross written premium, 44% of which was ceded via a US catastrophe quota share to Syndicate 6103.

Performance review

Following relatively good market performance in the period 2009-10, 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 actually higher than 2010, although the ultimate loss ratio is projected to be slightly worse due to increased tornado/hail losses in the American Mid-west, a potentially large medical malpractice claim arising from contaminated steroid medication in New England and a large provision held against the New Zealand earthquake.

2012 Year of Account Forecast

Our forecast range for the 2012 year of account is a profit of 6% to 11% on Stamp Capacity after all expenses. The positive effect of the 2010-11 international cat events was a temporarily dislocated worldwide property market. Prices at worst stabilised, and in many areas increased – not always enough to meet our technical hurdles, but affording sufficient opportunity for us to modestly grow our gross written premium by around 10%. Incurred loss ratios are in line with those seen in prior years with the exception of Super-storm Sandy, which struck the United States in late October, causing in our estimation around US$25bn of insured damage. At year end our expected ultimate gross loss for the 2012 year of account (after cessions to Syndicate 6103) was £53.0m (unchanged since last year), of which £39.2m had been incurred at year end.

2013 Overview

Despite some corrective action on Sandy affected accounts, the majority of our business continued to come under competitive pressure. This intensified as the year progressed, particularly on US reinsurance where the Capital Markets, faced with the prospect of low yields on their core activities, increasingly viewed our sector as an opportunistic play to write uncorrelated exposure at seemingly attractive margins.

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

2014 Trading Conditions

In a word: bleak. Premium volume written to date is again down on prior years, and rate adequacy is declining. Market conditions are rapidly approaching those observed in the late 80's and 90's, which were characterised by a fixation with securing business volume almost regardless of underwriting integrity or contract terms. From our perspective this latest downwards shift is somewhat perplexing – after all it is not as though the market is discounting off vintage years such as 1993 or 2003. Interestingly, if one examines the performance of those Lloyd's syndicates who have traded throughout the last 9 years, 19 out of 51 have failed to make an underwriting profit in the period 2004-12 (GAAP reporting) i.e. had an aggregate combined ratio (ignoring investment income and rate of exchange fluctuation) greater than 100%. Collectively these 51 syndicates (who represent around 85% of the entire market today) scored a combined loss ratio of 94.7% over this period and generated an underwriting profit of £6.5bn. All very laudable, but note it only takes a 5% "as if" rate reduction for this £6.5bn profit to completely disappear.

Of course part of the historical experience has been down to catastrophes, and in the absence of anything meaningful, the market may still keep its head above water, but the conclusions must be:

1) There is very little true margin left across the board, particularly set against low investment yields.
2) If nothing happens, rates fall further (as we are witnessing following the benign experience of 2013) so the "as if" exercise will only get worse over time.
3) If we had an event over and above what we've seen over the last 10 years there would be significant market impairment.

I am sure that market diversification will help, and MAP is probably more exposed to the current competitive headwinds than the average, but even so it is hard to be anything other than deeply defensive for the foreseeable future.

Analysis of premium written by syndicate classification

	Gross written £'000	Net written £'000
Property reinsurance	155,715	123,276
Direct and facultative property	42,036	30,806
Marine and offshore energy	26,407	26,267
Third party liability	20,718	20,726
Motor	12,439	12,504
Accident and health	9,226	9,219
Terrorism and political risks	4,521	4,523
Specialist lines	5,320	5,321
Total	276,382	232,642

Investment Return

The investment return generated over the last three years has contributed £12.2m to the 2011 closed year result. The returns net of expenses in each year were; 2.0% in 2011, 3.8% in 2012 and 1.9% in 2013.

In line with established policy, the 2011 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 2011, the GBP:USD exchange rate has moved from an average of 1.60 during 2011 to a closing rate of 1.66 and this has resulted in a loss of £3.3m over the three year period.

Reinsurance Debtors

Recoverable amounts from reinsurers amount to £20.4m virtually all of which is current. There are no provisions for bad debts on the syndicate's reinsurance balances.

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

Debt table by security rating

Standard & Poor's rating	On paid claims £m	On outstanding claims £m	On IBNR £m	Total £m
AA and above	(0.8)	5.9	2.4	7.5
A	10.7	1.2	0.4	12.3
BB and below	0.0	0.2	0.4	0.6
	9.9	7.3	3.2	20.4

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

2012 Year of Account Forecast

An estimate of the 2012 underwriting result as at 36 months is set out below:

	£'000
Stamp capacity	506,818
Gross premiums written	300,972
Net premiums written	247,294
Claims incurred – net of reinsurance	(124,951)
Net operating expenses	(70,040)
Investment return	8,330
Profit commission	(11,091)
Personal expenses	(5,181)
Estimate of profit for the year of account after personal expenses	44,361

Assumptions underlying the 2012 Estimated Result:

(i) There will be no material reinsurance failures.
(ii) Syndicate expenses, incurred in the calendar year 2014 to be charged to the 2012 year of account, will continue the pattern of previous years as refined by current budgets.
(iii) Exchange rates at 31 December 2014 will not be materially different from those at 31 December 2013.
(iv) Investment returns attributable to 2012 during 2014 = 1.11% for all currencies.
(v) Claims will be paid in line with our expected development patterns.
(vi) No material back year surplus or deficit arises from the RITC.

Seven Year Summary of Closed Years of Account

	Note	2005	2006	2007	2008	2009	2010	2011
Syndicate allocated capacity (£m)		325.6	399.6	459.2	400.6	403.7	504.5	504.5
Number of Underwriting Members		1,359	1,387	1,399	1,368	1,508	1,585	1,687
Aggregate net premiums (£m)		320.1	386.5	302.3	255.4	274.0	232.5	232.6
Results for illustrative share of £10,000		%	%	%	%	%	%	%
Utilisation of capacity at premium income monitoring rates of exchange		94.8	86.0	65.6	54.9	53.5	44.7	46.3
Gross premiums written (% of illustrative share)		112.0	104.9	75.4	74.6	83.0	54.2	54.8
Net premiums (% of illustrative share)		98.3	96.7	65.8	63.8	67.9	46.1	46.1
Profit (% of gross premiums)		5.2	42.8	36.9	20.9	38.7	32.7	24.5
Results for illustrative share of £10,000		£	£	£	£	£	£	£
Gross premiums	1	11,205	10,495	7,542	7,458	8,296	5,417	5,479
Net premiums		9,832	9,672	6,583	6,377	6,785	4,608	4,612
Reinsurance to close from an earlier year of account		5,678	5,489	6,527	6,748	6,792	5,046	4,545
Net claims		(5,745)	(3,185)	(2,712)	(3,745)	(1,844)	(1,659)	(1,946)
Reinsurance to close	2	(7,105)	(5,573)	(6,048)	(6,224)	(6,326)	(4,782)	(4,361)
Underwriting profit		2,660	6,403	4,350	3,155	5,407	3,213	2,850
Acquisition costs	1	(2,473)	(2,211)	(1,621)	(1,633)	(1,746)	(1,161)	(1,157)
Other syndicate operating expenses, excluding personal expenses		(150)	(137)	(148)	(136)	(141)	(113)	(130)
Reinsurers' and profit commissions		23	20	47	69	97	42	48
Exchange movement on foreign currency translation		67	1,080	320	7	29	(59)	(65)
Net investment income		735	253	568	544	466	398	242
Illustrative personal expenses:								
Managing agent's fee		(55)	(55)	(55)	(55)	(55)	(55)	(55)
Profit commission	3	(124)	(716)	(533)	(332)	(794)	(455)	(351)
Other personal expenses		(100)	(150)	(147)	(63)	(57)	(40)	(39)
Profit after illustrative personal expenses and illustrative profit commission		583	4,487	2,781	1,558	3,206	1,770	1,343

1. Gross premiums and syndicate operating expenses have been grossed up for brokerage costs.
2. Reinsurance to close is stated at relevant average rates applicable or when reserves were first set for each year of account.
3. Profit commission is reported on a pro forma basis before the application of the deficit clause brought forward.

Disclosure of Information to the Auditors

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

By order of the Board

R K Trubshaw
Active Underwriter
Managing Agency Partners Limited

11 March 2014

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 – 2011 Closed Year of Account

We have audited the syndicate underwriting year accounts for the 2011 year of account of Syndicate 2791 for the three years ended 31 December 2013 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 2011 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

11 March 2014

PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS

2011 Closed Year of Account for the three years ended 31 December 2013

	Note		2011 £'000
Syndicate allocated capacity			504,451
Earned premiums, net of reinsurance:			
Gross premiums written	3	276,382	
Outward reinsurance premiums		(43,740)	
Earned premiums, net of reinsurance			232,642
Reinsurance to close premiums received, net of reinsurance	4		229,269
Allocated investment return transferred from the non-technical account			12,188
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(116,333)	
Reinsurers' share		18,191	
			(98,142)
Reinsurance to close premium payable, net of reinsurance	5		(219,998)
Acquisition expenses		(58,368)	
Reinsurers' commissions and profit participations		2,404	
Administrative expenses	7	(29,042)	
Net operating expenses			(85,006)
Exchange differences arising on foreign currency translation	12		(3,272)
Balance on the technical account – general business	11		67,681

PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

2011 Closed Year of Account for the three years ended 31 December 2013

	Note	2011 £'000
Balance on the technical account for general business		67,681
Investment income	*10*	11,326
Unrealised gains on investments		16,746
Unrealised losses on investments		(5,998)
Investment expenses and charges	*10*	(9,886)
Allocated investment return transferred to general business technical account		(12,188)
Profit for the 2011 closed year of account		67,681

BALANCE SHEET

2011 Closed Year of Account as at 31 December 2013

	Note		2011 £'000
Assets			
Investments	*13*		319,383
Debtors	*14*		25,646
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	*6*		10,492
Other assets			
Cash at bank and in hand		8,221	
Other	*15*	14,958	
			23,179
Prepayments and accrued income			
Accrued interest			994
Total assets			379,694
Liabilities			
Amounts due to members	*16*		67,681
Reinsurance to close premiums payable to close the account – gross amount	*6*		228,183
Other creditors	*17*		83,309
Accruals and deferred income			521
Total liabilities			379,694

The financial statements on pages 12 to 26 were approved by the Board of Managing Agency Partners Limited on 11 March 2014 and were signed on its behalf by:

R K Trubshaw
Active Underwriter
11 March 2014

R J Sumner
Finance Director

CASH FLOW STATEMENT

2011 Closed Year of Account for the three years ended 31 December 2013

	Note	2011 £'000
Net cash outflow from operating activities	*18*	(63,369)
Transfers to members in respect of underwriting participations		–
		(63,369)
Cash flows were invested as follows:		
Increase in cash holdings	*19*	8,221
Decrease in overseas deposits	*19*	(1,367)
Net portfolio investment	*20*	(70,223)
Net investment of cash flows		(63,369)

NOTES TO THE ACCOUNTS

2011 Closed Year of Account for the three years ended 31 December 2013

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 2011'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 2011 from 2010 is presented as both a premium and as part of the reinsurance to close payable at the same rate, which is 2013's opening rate. Any changes made to the opening reinsurance to close are accounted for at the average rate ruling during 2013.

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 2011 year of account which has been closed by reinsurance to close at 31 December 2013; consequently the balance sheet represents the assets and liabilities of the 2011 year of account and the profit and loss account and cash flow statement reflect the transactions for that year of account during the three year period until closure.

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

2. **Accounting Policies**

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

Premiums written

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

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

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

Premiums written are treated as fully earned.

Acquisition costs

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

Reinsurance premium ceded

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

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.

Provisions

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

Bad debt

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

Foreign currency translation

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

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

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

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

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		
	2013	2013	2012	2011
USD	1.66	1.56	1.59	1.60
CAD	1.76	1.61	1.58	1.59
EUR	1.20	1.18	1.23	1.15

Investment values

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

Listed investments

Listed and other quoted investments in active markets are stated at market value which is defined as current bid value at the balance sheet date.

Deposits

All deposits with credit institutions are stated at cost.

Unlisted investments

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

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

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

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

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

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

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

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

Investment return

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

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

Allocation of investment return

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments are generated by insurance related assets.

Investment management expenses

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

Overseas deposits

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

Operating expenses

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

Taxation

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

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

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

Pension costs

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

Profit commission

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

3. Segmental Analysis

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

	Gross written premiums (note 1) £'000	Gross claims incurred (note 2) £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
2011 pure year						
Direct insurance						
Accident and health	9,308	(5,050)	(3,141)	(11)	1,106	1,604
Fire and other damage to property	47,586	(14,428)	(13,157)	(7,148)	12,853	1,412
Marine, aviation and transport	28,760	(7,990)	(9,020)	(211)	11,539	3,398
Motor (other classes)	4,974	(3,089)	(1,566)	(5)	314	1,123
Third party liability	7,920	(3,540)	(3,207)	(10)	1,163	2,316
Miscellaneous	6,665	(3,988)	(3,721)	(31)	(1,075)	305
	105,213	(38,085)	(33,812)	(7,416)	25,900	10,158
2011 pure year						
Reinsurance	174,257	(88,926)	(50,969)	(18,794)	15,568	36,201
	279,470	(127,011)	(84,781)	(26,210)	41,468	46,359
RITC	237,093	(219,878)	(225)	307	17,297	171,332
Total	516,563	(346,889)	(85,006)	(25,903)	58,765	217,691

Total commissions on direct gross premiums written amount to £18.7m.

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 2010 and prior year movements are reflected in the RITC line.
6. The business class split reported is a statutory reporting requirement but the business is managed by its own business classes and hence an element of allocation is used.

The geographical analysis of premiums by destination is as follows:

	Direct £'000	Reinsurance £'000	Total £'000
UK	2,427	2,962	5,389
Other EU countries	3,042	4,989	8,031
US	58,307	122,602	180,909
Other	20,671	61,382	82,053
Total	84,447	191,935	276,382

4. Reinsurance to Close Premium Receivable

	Syndicate 2791 £'000	Syndicate 6103 £'000	Total £'000
Gross reinsurance to close premium receivable	240,102	79	240,181
Reinsurance recoveries anticipated	(10,912)	–	(10,912)
Reinsurance to close premium receivable, net of reinsurance	229,190	79	229,269

At 1 January 2013, Syndicate 2791 accepted a Reinsurance to Close Premium from Syndicate 6103 in respect of Syndicate 6103's 2010 Year of Account.

5. Movement in Underwriting Reserves

	Reserves £'000	Exchange to closing rate £'000	Closing RITC £'000
2010 and prior			
Opening balance	(229,190)	3,584	(225,606)
Change in year	52,776	(2,552)	50,224
2011 pure			
Change in three year period	(43,479)	1,275	(42,204)
Unallocated loss and loss adjustment expenses	(105)	–	(105)
	(219,998)	2,307	(217,691)

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 2013 in currency and therefore the effect to the profit and loss account is nil.

6. Reinsurance to Close Premium Payable

	2010 and prior £'000	2011 pure £'000	2011 £'000
Gross outstanding claims	82,364	16,899	99,263
Reinsurance recoveries anticipated	(5,569)	(1,656)	(7,225)
Net outstanding claims	76,795	15,243	92,038
Provision for gross claims incurred but not reported	96,149	28,617	124,766
Reinsurance recoveries anticipated	(1,612)	(1,655)	(3,267)
Provision for net claims incurred but not reported	94,537	26,962	121,499
Unallocated loss and loss adjustment expenses	3,482	672	4,154
Net premium for reinsurance to close	174,814	42,877	217,691

A positive run-off of £17.2m on the 2011 and prior years' reserves (2010 and prior: £25m) was experienced in the year. This change to the previous closed year reserves was 7.9% of the relevant provisions brought forward. The change in the year was principally due to the favourable run-off of the long-tail casualty classes.

The reinsurance to close is effected to the 2012 year of account of Syndicate 2791.

7. Administrative Expenses

	£'000
Personal expenses	4,728
Outwards profit commission	17,715
Other administrative expenses	6,582
Loss on exchange	17
	29,042

Administrative expenses include:

	£'000
Auditors' remuneration	
Fees for the audit of the syndicate	189
Other services pursuant to Regulations and Lloyd's Byelaws	12
Taxation compliance services	3
Actuarial consultancy services	214

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	3,467
Social security costs	413
Other pension costs	394
	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 three years was as follows:

Administration and finance	21
Underwriting	22
Claims	4
	47

9. Emoluments of the Directors of Managing Agency Partners Limited

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

	£'000
Emoluments	963

The 2011 year of account has been charged with active underwriter's remuneration as follows:

	£'000
Emoluments – R K Trubshaw	222

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

10. Investment Return

	£'000
Investment income	
Income from investments	7,600
Gains on the realisation of investments	3,726
	11,326
Investment expenses and charges	
Losses on realisation of investments	(5,307)
Investment management expenses, including interest	(4,579)
	(9,886)

11. Balance on the Technical Account – General Business

	2010 and prior years of account £'000	2011 pure years of account £'000	Total 2011 £'000
Balance excluding investment return and operating expenses	17,522	126,249	143,771
Brokerage and commission on gross premium	889	(59,257)	(58,368)
Allocated investment income	–	12,188	12,188
Net operating expenses other than acquisition costs	(1,114)	(25,524)	(26,638)
Loss on exchange	(711)	(2,561)	(3,272)
	16,586	51,095	67,681

12. Exchange Differences Arising on Foreign Currency Translation

	£'000
On 2011 balances brought forward: from opening to closing rates	(2,659)
On transactions during 2013: from average to year end rates	(613)
	(3,272)

13. Financial Investments

	Market value £'000	Cost £'000
Investments:		
Shares and other variable yield securities and units in unit trusts	25,626	26,639
Debt securities and other fixed income securities	218,255	221,608
Participation in investment pools	11,260	11,256
Other loans	1,856	1,856
Deposits with credit institutions	2,182	2,182
	259,179	263,541
Hedge Funds / Alternative Assets:		
Shares and other variable yield securities and units in unit trusts	16,006	13,678
Debt securities and other fixed income securities	–	–
Participation in investment pools	44,198	38,528
Other loans	–	–
Deposits with credit institutions	–	–
	60,204	52,206
Total Investments:		
Shares and other variable yield securities and units in unit trusts	41,632	40,317
Debt securities and other fixed income securities	218,255	221,608
Participation in investment pools	55,458	49,784
Other loans	1,856	1,856
Deposits with credit institutions	2,182	2,182
	319,383	315,747

14. Debtors

	£'000
Arising out of direct insurance operations:	
Due from policyholders	–
Due from intermediaries	(646)
Arising out of reinsurance operations	21,079
Inter-syndicate loan	168
Members' agents' fees advances	2,704
Non-standard personal expenses due from members (overseas taxation)	953
Profit commission and overriding commission	1,269
Investment settlement	109
Other	10
	25,646

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 2011 closed year of account due to members at 31 December 2013	67,681

17. Other Creditors

	£'000
Arising out of direct insurance operations	
Policyholders	–
Intermediaries	306
Arising out of reinsurance operations	19,619
Profit commissions	16,921
Inter year loan	46,451
Investment settlement	12
	83,309

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

	£'000
Operating profit on ordinary activities for the closed year of account	67,681
Realised and unrealised investments gains and losses including exchange movements	(3,923)
Net reinsurance to close payable	217,691
Decrease in debtors, excluding those received as consideration for RITC	12,987
Decrease in creditors, excluding those received as consideration for RITC	(143,445)
Non-cash consideration for net RITC receivable	
Deposits	(16,334)
Portfolio investments	(385,675)
Debtors (Syndicate 2791)	(20,177)
Creditors (Syndicate 2791)	207,905
Debtors (Syndicate 6103)	(19,449)
Creditors (Syndicate 6103)	19,370
Net cash outflow from operating activities	(63,369)

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

	£'000
Net cash inflow	8,221
Cash flow – decrease in overseas deposits	(1,367)
Cash flow – portfolio investments	(70,223)
Movement arising from cash flows	(63,369)
Received as non-cash RITC consideration	
Deposits and portfolio investments	402,008
Changes in market value and exchange rates	3,923
Total movement in portfolio investments	342,562
Portfolio at 1 January 2011	–
Portfolio at 31 December 2013	342,562

Movement in cash, portfolio investments and financing

	At 1 January 2011 £'000	Cash flow £'000	Received as consideration for net RITC receivable £'000	Changes to market value and currencies £'000	**At 31 December 2013 £'000**
Cash at bank and in hand	–	(6,687)	14,908	–	**8,221**
Overseas deposits	–	(1,367)	16,333	(8)	**14,958**
Portfolio investments:					
Shares and other variable yield securities and units in unit trusts	–	(12,733)	53,145	1,220	**41,632**
Debt securities and other fixed income securities	–	(31,341)	246,710	2,886	**218,255**
Participation in investment pools	–	(10,310)	65,715	53	**55,458**
Other loans	–	(15,198)	17,304	(250)	**1,856**
Deposits with credit institutions	–	(641)	2,801	22	**2,182**
Total portfolio	–	(70,223)	385,675	3,931	**319,383**
Total cash, portfolio investments and financing	–	(78,277)	416,916	3,923	**342,562**

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

	£'000
Purchase of shares and other variable yield securities	(3,585)
Purchase of debt securities and other fixed income securities	(841,780)
Purchase of participation in investment pools	(10,382)
Movement in other loans	15,198
Movement of deposits with credit institutions	641
Sale of shares and other variable yield securities	16,318
Sale of debt securities and other fixed income securities	873,121
Sale of participation in investment pools	20,692
Net cash inflow on portfolio investments	70,223

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.

21. Related Parties *continued*

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 2011 year of account:

	£'000
Premiums ceded	(19,559)
Paid claims recovered	11,029
Ceding commission	951
Overriding commission	196
Investment income payable	(251)

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 2011 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 2011 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 2011 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 2011 year and profit commission of £17.7m is also due to the managing agency in respect of the profit of the 2011 closed year. Expenses totalling £7.3m were recharged to this year of account.

The syndicate has an investment in Steadfast International Limited, an equity investment fund managed by Steadfast Capital Management Limited of which Mr Foote, a director of MAP, is the managing director. The syndicate's participation on this fund is at arm's length and the syndicate was charged fees and profit commissions amounting to US$1.5m during 2013 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$5.5m; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US$5.4m.

SYNDICATE 2791

Annual Report and Accounts
31 December 2013

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 2013. 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 2011 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 2013 calendar year produced an annually accounted profit of £77.8m (2012: £101.8m) on gross earned premiums of £269.7m (2012: £304.8m) gross of acquisition and reinsurance costs. The net combined ratio was 69.6% (2012: 68.1%).

Movement on underwriting years of account during the 2013 calendar year

	2010 and prior periods £'000	2011 £'000	2011 and prior periods £'000	2012 £'000	2013 £'000	**Total £'000**	2012 £'000
Gross written premium	(3,087)	2,781	(306)	22,159	239,215	**261,068**	307,260
Net premium earned	(2,740)	13,743	11,003	79,919	129,317	**220,239**	250,893
Net claims incurred	20,263	(13,233)	7,030	(19,930)	(49,519)	**(62,419)**	(72,815)
Acquisition costs	889	(4,097)	(3,208)	(26,082)	(30,946)	**(60,236)**	(63,824)
	18,412	(3,587)	14,825	33,907	48,852	**97,584**	114,254
Operating expenses	(1,114)	(4,673)	(5,787)	(8,632)	(16,210)	**(30,629)**	(34,247)
Investment income	–	7,261	7,261	2,771	858	**10,890**	21,824
Annual accounted profit	17,298	(999)	16,299	28,046	33,500	**77,845**	101,831
Currency translation							
Currency translation differences	(711)	(1,121)	(1,832)	(1,554)	(1,920)	**(5,306)**	(5,586)
Total recognised gain and losses	16,587	(2,120)	14,467	26,492	31,580	**72,539**	96,245
As previously reported	–	53,214	53,214	12,045	–	**65,259**	58,285
Cumulative pure year result	16,587	51,094	67,681	38,537	31,580	**137,798**	154,530
Net annual accounting ratios:							
Claims ratio						**28%**	29%
Expense ratio						**42%**	39%
Combined ratio						**70%**	68%

Written premium in the calendar year by syndicate classification

	2013 Gross written £'000	**2013 Net written £'000**	2012 Gross written £'000	2012 Net written £'000
Property reinsurance	**146,434**	**109,503**	187,824	144,531
Direct and facultative property	**35,224**	**25,049**	48,129	35,464
Marine and offshore energy	**24,935**	**24,807**	30,015	30,008
Motor	**22,357**	**20,350**	14,978	14,961
Third party liability	**14,485**	**14,480**	12,913	13,000
Accident and health	**8,490**	**8,489**	9,182	9,189
Specialist lines	**6,046**	**6,048**	(220)	(395)
Terrorism and political risks	**3,097**	**3,096**	4,439	4,437
Total	**261,068**	**211,822**	307,260	251,195

2013 Overview

Despite some corrective action on Sandy affected accounts, the majority of our business continued to come under competitive pressure. This intensified as the year progressed, particularly on US reinsurance where the Capital Markets, faced with the prospect of low yields on their core activities, increasingly viewed our sector as an opportunistic play to write uncorrelated exposure at seemingly attractive margins.

Faced with this strategic threat, much of the traditional market responded by price-matching and offering broader coverage, such that significant volumes of business failed to meet our minimum technical margins. In consequence our gross premium earned is over 10% less than that written in 2012, although given the absence of any meaningful catastrophic activity the year has proven to be similarly profitable.

2014 Trading Conditions

In a word: bleak. Premium volume written to date is again down on prior years, and rate adequacy is declining. Market conditions are rapidly approaching those observed in the late 80's and 90's, which were characterised by a fixation with securing business volume almost regardless of underwriting integrity or contract terms. From our perspective this latest downwards shift is somewhat perplexing – after all it is not as though the market is discounting off vintage years such as 1993 or 2003. Interestingly, if one examines the performance of those Lloyd's syndicates who have traded throughout the last 9 years, 19 out of 51 have failed to make an underwriting profit in the period 2004-12 (GAAP reporting) i.e. had an aggregate combined ratio (ignoring investment income and rate of exchange fluctuation) greater than 100%. Collectively these 51 syndicates (who represent around 85% of the entire market today) scored a combined loss ratio of 94.7% over this period and generated an underwriting profit of £6.5bn. All very laudable, but note it only takes a 5% "as if" rate reduction for this £6.5bn profit to completely disappear.

Of course part of the historical experience has been down to catastrophes, and in the absence of anything meaningful, the market may still keep its head above water, but the conclusions must be:

1) There is very little true margin left across the board, particularly set against low investment yields.
2) If nothing happens, rates fall further (as we are witnessing following the benign experience of 2013) so the "as if" exercise will only get worse over time.
3) If we had an event over and above what we've seen over the last 10 years there would be significant market impairment.

I am sure that market diversification will help, and MAP is probably more exposed to the current competitive headwinds than the average, but even so it is hard to be anything other than deeply defensive for the foreseeable future.

FINANCIAL REPORT

Investment Return

The investment return for 2013 was 2.9% gross of all investment expenses (2012: 4.4%) and 1.9% net of investment expenses (2012: 3.8%).

It was a difficult year for our investment managers, with the embedded yield from the fixed income portfolio, which comprises the largest element of our portfolio, being 1%. Our excess return was a consequence of the decent returns from the equity and credit fund components of the portfolio which achieved their objective of providing a balance against falling bond values.

In last year's report, I referred to our fixed income manager being focused on cutting the duration of the portfolio at the appropriate time: in the short term, they failed. The mid-year indication from the US Central Bank that 2014 would see the start of a tapering of bond purchases prompted yields to rise and our fixed income bonds made a loss for the year of 0.6%. Further tapering is all but inevitable, but trying to anticipate bond price changes on statements rather than actual changes in economic circumstances risks disaster for an insurance entity with liabilities longer than a few months. The downside of not chasing yield and market guesswork is the fixed income portfolio may underperform in any particular calendar year, and this is especially true in a low basic return environment. We have said before that our portfolio is designed to try to ensure balance; if one investment class performs less well, such as was the case with bonds in 2013, the balance of the portfolio mitigating the poor performer. However, this will not always work over the short term and cannot cater for the accounting rules requiring investments to be marked to market at each year end. For example, one month after closing, the bond portfolio recouped its entire 2013 loss.

Over the year we have taken action to trim our exposure to the non-fixed income bond assets, notably equities and credit funds, but their good performance during 2013 year will result in us realising further profits on these assets in 2014.

Our equity portfolio comprises three funds: a UCIT long only fund holding global ungeared large company equities, and two US based long/short funds with strategies based on identification of value in specific companies or trades. The combined equity return was 19.2% in 2013. This is below the S&P500 index return of 32.3%, giving some indication of the more defensive nature of this element of our portfolio, although returns will be much more volatile than that from our bonds. Our credit portfolio, which was the best performer in 2012, again did well in 2013 returning 18.2%. We started investing in this asset class half way through 2008 just as the "credit crunch" was gathering speed: since 2008 it has returned 4% pa; not a huge return but one of its main strengths is a low correlation to our bond portfolio, whilst still adding return.

Richard's underwriters' report talks to the reducing rates in our underwriting portfolio. The impact this has on the size of the investment pot is magnified by the good profit releases for both this and earlier years, and has necessitated a reassessment of the asset mix and means we will be reallocating assets during 2014 to ensure the risk, return, liquidity balance is maintained.

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

	2013		2012	
	Return	Closing assets as a proportion of portfolio	Return	Closing assets as a proportion of portfolio
Asset class	%	%	%	%
Cash and cash liquidity funds	0.5	12.6	0.9	14.0
Equities	19.2	10.0	12.1	9.4
Credit bond funds	18.2	7.7	12.4	8.2
US treasury bonds	(1.4)	20.3	1.5	21.3
US agency bonds	(2.3)	11.0	2.5	19.9
US corporate debt	0.3	33.4	5.0	22.3
Overseas regulatory trust funds	0.5	5.0	0.9	4.9
Return	2.9		4.4	
Return after charges	1.9		3.8	

The key characteristics for each class are described below:

Cash and cash liquidity funds

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

Equities

These comprise 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 2012 and 2013.

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 2.7 years (2012: 3.8 years). US treasuries are split by manager 92% to a short duration manager and 8% to a longer specialist duration manager.

US agency bonds

These comprise direct investment in the 100% Government-backed National Mortgage Association (Ginnie Mae) or National Credit Union Administration (NCUA). These bonds are US government guaranteed. They have a weighted average duration of 3.8 years (2012: 2.3 years).

Investment Return *continued*

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 2.2 years (2012: 2.6 years).

Overseas regulated trust funds

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

Valuation risk

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

Rating and the future

The credit rating of our assets is set out below:

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

2012	Rating					
	AAA and government	AA and above	A	Equities	Hedge funds	Total
Asset class per balance sheet	%	%	%	%	%	%
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

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

The accounting exchange loss for the year is £5.3m (2012: £5.6m loss). This principally reflects the weakening of the US Dollar against Sterling from the opening rate of 1.63 to the current year end rate of 1.66. 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	**2013 Total £m**	2012 Total £m
AA and above	(0.1)	13.6	5.4	**18.9**	18.8
A	20.8	5.0	6.0	**31.8**	36.3
BB and below	–	0.2	0.4	**0.6**	1.4
	20.7	18.8	11.8	**51.3**	56.5

Of the total reinsurance debtors rated A in the table above, the amounts owed by Syndicate 6103 are £23.8m.

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

Risk Management

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

Principal Risks and Uncertainties

Insurance risk

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

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

Credit risk

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

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

Liquidity risk

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

Principal Risks and Uncertainties *continued*

Market risk

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

Foreign currency exchange risk

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

Interest rate risk

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

CORPORATE GOVERNANCE

Directors and Directors' Interests

The Directors of the managing agent who served during the year ended 31 December 2013 together with their participations on the syndicate were as follows:

	2013 year of account £'000	2012 year of account £'000
J D Denoon Duncan [1] [2]	**695**	545
H R Dumas	**571**	571
A S Foote [3]	**–**	–
A Kong [1] [2]	**2,150**	1,866
B S McAuley [1] [2]	**695**	550
D E S Shipley (Chairman) [1]	**5,496**	5,496
C Smelt [1] [2]	**1,750**	1,210
R J Sumner [1]	**725**	537
R K Trubshaw (Active Underwriter) [1]	**6,350**	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 2013 year of account of the syndicate was £510.5m.

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

B S McAuley
Secretary

Managing Agency Partners Limited
London

11 March 2014

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 2013 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 2013 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

11 March 2014

PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS

for the year ended 31 December 2013

	Note	£'000	2013 £'000	£'000	2012 £'000
Earned premiums, net of reinsurance					
Gross premiums written	3		261,068		307,260
Outward reinsurance premiums			(49,246)		(56,065)
Net premiums written			211,822		251,195
Change in the provision for unearned premiums:					
Gross amount		8,652		(2,418)	
Reinsurers' share		(235)		2,116	
Change in the net provision for unearned premiums			8,417		(302)
Earned premiums, net of reinsurance			220,239		250,893
Allocated investment return transferred from the non-technical account			10,890		21,824
Claims incurred, net of reinsurance					
Claims paid					
Gross amount	3	(106,683)		(115,262)	
Reinsurers' share		13,400		15,524	
Net claims paid		(93,283)		(99,738)	
Change in the provision for claims					
Gross amount	3	35,941		21,333	
Reinsurers' share		(5,077)		5,590	
Change in the net provision for claims		30,864		26,923	
Claims incurred, net of reinsurance			(62,419)		(72,815)
Acquisition expenses		(60,013)		(66,234)	
Change in deferred acquisition expenses		(223)		2,410	
Reinsurers' commissions and profit participations		1,840		3,401	
Administrative expenses	5	(32,469)		(37,648)	
Net operating expenses	3		(90,865)		(98,071)
Balance on the technical account for general business			77,845		101,831

All operations are continuing.

PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Balance on the general business technical account		**77,845**	101,831
Investment income	*8*	**11,070**	15,739
Unrealised gains on investments		**17,128**	19,514
Unrealised losses on investments		**(5,818)**	(5,720)
Investment expenses and charges	*8*	**(11,490)**	(7,709)
Allocated investment return transferred to general business technical account		**(10,890)**	(21,824)
Profit for the financial year		**77,845**	101,831

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Profit for the financial year		**77,845**	101,831
Exchange differences on foreign currency translation	*10*	**(5,306)**	(5,586)
Total recognised gains and losses since the last annual report		**72,539**	96,245

BALANCE SHEET ASSETS

at 31 December 2013

	Note	£'000	2013 £'000	£'000	2012 £'000
Investments					
Financial investments	11		474,666		546,889
Reinsurers' share of technical provisions					
Provision for unearned premiums		11,919		12,343	
Claims outstanding	4	30,578		36,021	
			42,497		48,364
Debtors					
Debtors arising out of direct insurance operations	12	18,482		17,092	
Debtors arising out of reinsurance operations	12	75,025		86,010	
Other debtors	13	17,938		17,532	
			111,445		120,634
Other assets					
Cash at bank and in hand			10,367		18,262
Other	14		22,357		23,544
Prepayments and accrued income					
Accrued interest		1,485		1,403	
Deferred acquisition costs		25,299		25,942	
Other prepayments and accrued income		994		978	
			27,778		28,323
Total assets			689,110		786,016

BALANCE SHEET LIABILITIES

at 31 December 2013

	Note	£'000	2013 £'000	£'000	2012 £'000
Capital and reserves					
Members' balances	*15*		137,798		154,530
Technical provisions					
Provision for unearned premiums		81,402		91,152	
Claims outstanding	*4*	360,523		401,500	
			441,925		492,652
Creditors					
Creditors arising out of direct insurance operations	*16*	526		529	
Creditors arising out of reinsurance operations	*16*	73,227		76,921	
Other creditors	*17*	34,476		60,242	
			108,229		137,692
Accruals and deferred income			1,158		1,142
Total liabilities			689,110		786,016

The financial statements on pages 38 to 56 were approved by the Board of Managing Agency Partners Limited on 11 March 2014 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

11 March 2014

CASH FLOW STATEMENT

for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	*18*	**20,950**	56,376
Transfer to members in respect of underwriting participations:			
Profits distributed from 2791		**(86,679)**	(127,679)
Profits distributed from 6103		**(12,522)**	(23,925)
		(78,251)	(95,228)
Cash flows were invested as follows:			
(Decrease)/increase in cash holdings	*20*	**(7,920)**	1,042
Increase in deposits	*20*	**220**	1,614
Net portfolio investment	*20*	**(70,551)**	(97,884)
Net investment of cash flows		**(78,251)**	(95,228)

NOTES TO THE ACCOUNTS

for the year ended 31 December 2013

1. **Basis of Preparation**

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

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

2. **Accounting Policies**

Premiums written

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

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

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

Unearned gross premiums

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

Acquisition costs

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

Reinsurance premium ceded

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

Reinsurers commissions and profit participations

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

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

Unearned reinsurance premium

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

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.

2. Accounting Policies *continued*

Claims provisions and related recoveries continued

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

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

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

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

Future unallocated loss adjustment expenses

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

Provisions

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

Bad debt

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

Unexpired risks provision

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

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

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.

2. Accounting Policies *continued*

Foreign currency translation continued

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

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

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

	2013		2012	
	Year end	Average	Year end	Average
USD	1.66	1.56	1.63	1.59
CAD	1.76	1.61	1.62	1.58
EUR	1.20	1.18	1.23	1.23

Investment values

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

Listed investments

Listed and other quoted investments in active markets are stated at market value which is defined as current bid value at the balance sheet date.

Deposits

All deposits with credit institutions are stated at cost.

Unlisted investments

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

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

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

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

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

The cost of syndicate investments is deemed to be the aggregate of market value at the 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.

2. Accounting Policies *continued*

Investment return continued

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.

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

Allocation of investment return

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

Investment management expenses

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

Overseas deposits

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

Operating expenses

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

Taxation

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

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

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

Pension costs

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

Profit commission

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

3. Segmental Analysis

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

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

2012 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	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

All premiums were concluded in the UK.

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

Gross operating expenses include reinsurers' commissions and profit participations.

	2013 £'000	2012 £'000
Total commissions on gross direct premiums earned	**18,706**	19,575

3. Segmental Analysis *continued*

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

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

	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

4. Claims Outstanding

The movement in the net provision for claims includes a release of £20.4m in respect of claims outstanding at the previous year end (2012: £57.9m).

	2013 £'000	2012 £'000
Gross outstanding claims	**159,420**	161,246
Reinsurance recoveries anticipated	**(18,767)**	(15,668)
Net outstanding claims	**140,653**	145,578
Provision for gross claims incurred but not reported	**194,437**	234,065
Reinsurance recoveries anticipated	**(11,811)**	(20,353)
Provision for net claims incurred but not reported	**182,626**	213,712
Unallocated loss and loss adjustment expenses	**6,666**	6,189
Net reserves	**329,945**	365,479

5. Administrative Expenses

	2013 £'000	2012 £'000
Personal expenses	4,639	5,093
Profit commission payable to managing agent	19,480	25,307
Other administrative expenses	7,757	7,316
Loss/(profit) on exchange	593	(68)
	32,469	37,648

Administrative expenses include:

	2013 £'000	2012 £'000
Auditors' remuneration		
Audit of the syndicate annual accounts	183	195
Other services pursuant to Regulations and Lloyd's Byelaws	106	63
Taxation compliance services	(10)	4
Actuarial consultancy services	282	252

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:

	2013 £'000	2012 £'000
Wages and salaries	3,996	3,778
Social security costs	466	455
Other pension costs	453	435
	4,915	4,668

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

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

	2013 Number	2012 Number
Administration and finance	22	21
Underwriting	23	22
Claims	4	4
	49	47

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:

	2013 £'000	2012 £'000
Emoluments	1,014	997

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

	2013 £'000	2012 £'000
Emoluments – R K Trubshaw	242	230

8. Investment Return

	2013 £'000	2012 £'000
Investment income		
Income from investments	7,984	9,422
Gains on the realisation of investments	3,086	6,317
	11,070	15,739
Investment expenses and charges		
Investment management expenses, including interest	(5,114)	(3,376)
Losses on the realisation of investments	(6,594)	(3,399)
Investment return receivable/(payable) from/to Syndicate 6103	218	(934)
	(11,490)	(7,709)

9. Calendar Year Investment Yield

Average syndicate funds available for investment:

	2013 '000	2012 '000
Sterling	24,462	27,458
United States Dollars	758,770	839,884
Canadian Dollars	24,330	25,849
Euros	25,155	24,321
Combined Sterling average syndicate funds available for investment	547,283	578,453
Investment return – gross of investment expenses	15,786	26,134

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

	2013	2012
Sterling	1.0%	1.2%
United States Dollars	3.1%	4.8%
Canadian Dollars	1.0%	1.0%
Euros	0.5%	1.5%
Combined	2.9%	4.4%

10. Exchange Differences on Foreign Currency Translation

Exchange differences on foreign currency translation arise as follows:

	2013 £'000	2012 £'000
On balances brought forward	(1,425)	(3,334)
On transactions during 2013: from average to year end rates	(3,881)	(2,252)
	(5,306)	(5,586)

11. Financial Investments

	Market value		Cost	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Investments:				
Shares and other variable yield securities and units in unit trusts	35,130	41,190	35,015	41,190
Debt securities and other fixed income securities	325,841	355,976	330,847	354,030
Participation in investment pools	17,784	20,142	17,779	20,142
Other loans	2,771	24,968	2,771	24,961
Deposits with credit institutions	3,257	4,041	3,257	4,041
	384,783	446,317	389,669	444,364
Hedge Funds / Alternative Assets:				
Shares and other variable yield securities and units in unit trusts	23,897	25,950	20,420	23,231
Debt securities and other fixed income securities	–	–	–	–
Participation in investment pools	65,986	74,622	57,519	72,569
Other loans	–	–	–	–
Deposits with credit institutions	–	–	–	–
	89,883	100,572	77,939	95,800
Total Investments:				
Shares and other variable yield securities and units in unit trusts	59,027	67,140	55,435	64,421
Debt securities and other fixed income securities	325,841	355,976	330,847	354,030
Participation in investment pools	83,770	94,764	75,298	92,711
Other loans	2,771	24,968	2,771	24,961
Deposits with credit institutions	3,257	4,041	3,257	4,041
	474,666	546,889	467,608	540,164

12. Debtors Arising Out of Insurance Operations

	2013 £'000	2012 £'000
Arising out of direct insurance		
Due from policyholders	–	–
Due from intermediaries – within one year	18,482	17,092
– after one year	–	–
	18,482	17,092
Arising out of reinsurance operations		
Due from policyholders	–	–
Due from intermediaries – within one year	64,957	70,454
– after one year	10,068	15,556
	75,025	86,010

Debtors arising out of reinsurance operations of £75.0m (2012: £86.0m) include funds due in respect of Syndicate 6103 of £63.6m (2012: £63.8m).

13. Other Debtors

	2013 £'000	2012 £'000
Due within one year		
Outstanding settlements on investments	170	225
Inter-syndicate loan	168	–
Commissions and overrider receivable	1,431	1,705
Foreign taxes	953	1,100
Members' agents fees funded	2,704	2,593
Other	33	34
	5,459	5,657
Due after one year		
Inter-syndicate loan	3,805	2,662
Foreign taxes	1,009	1,563
Members' agents fees funded	5,414	5,401
Commissions and overrider receivable	2,251	2,249
	12,479	11,875
	17,938	17,532

14. Other Assets

	2013 £'000	2012 £'000
Overseas deposits	22,357	23,544

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

15. Reconciliation of Members' Balances

	2013 £'000	2012 £'000
Members' balances brought forward at 1 January	154,530	187,745
Profit for the financial year	77,845	101,831
Exchange rate difference – transfer from the Statement of Recognised Gains and Losses	(5,306)	(5,586)
Members' agents fees for the 2010 (2009) year of account	(2,592)	(1,781)
Payments of profit to members' personal reserve funds for the 2010 (2009) year of account	(86,679)	(127,679)
Members' balances carried forward at 31 December	137,798	154,530

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	526	529
– after one year	–	–
	526	529
Arising out of reinsurance operations		
Reinsurance accepted – within one year	3,136	5,809
– after one year	25,289	26,123
Reinsurance ceded – within one year	–	–
– after one year	44,802	44,989
	73,227	76,921

Creditors in respect of reinsurance operations of £73.2m (2012: £76.9m) include funds due to Syndicate 6103 of £23.8m (2012: £22.1m).

17. Other Creditors

	2013 £'000	2012 £'000
Outstanding settlements on investments	17	21,282
Profit commissions	34,449	38,632
Inter-syndicate	–	301
Other	10	27
	34,476	60,242

Of the profit commissions above, £17.5m (2012: £16.3m) fall due after one year.

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

	2013 £'000	2012 £'000
Operating profit on ordinary activities	77,845	101,831
Realised and unrealised investments gains and losses including exchange movements	3,054	8,384
(Decrease) in net technical provisions	(44,860)	(47,113)
Decrease /(increase) decrease in debtors	9,733	(5,437)
(Decrease) in creditors	(29,446)	(17,847)
Exchange differences on foreign currency translation	(5,306)	(5,586)
Movement on members' balances	(2,592)	(1,781)
Syndicate 6103 closed year profit	12,522	23,925
Net cash inflow from operating activities	20,950	56,376

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

	2013 £'000	2012 £'000
Net cash flows for the year	(7,920)	1,042
Cash flow – portfolio investments and overseas deposits	(70,331)	(96,270)
Movement arising from cash flows	(78,251)	(95,228)
Changes in market value and exchange rates	(3,054)	(8,384)
Total movement in portfolio investments	(81,305)	(103,612)
Portfolio at 1 January	588,695	692,307
Portfolio at 31 December	507,390	588,695

20. Movement in Cash, Portfolio Investments and Financing

	At 1 January 2013 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 December 2013 £'000
Cash at bank and in hand	18,262	(7,920)	25	10,367
Overseas deposits	23,544	220	(1,407)	22,357
Portfolio investments:				
Shares and other variable yield securities and units in unit trusts	67,140	(14,277)	6,164	59,027
Debt securities and other fixed income securities	355,976	(14,287)	(15,848)	325,841
Participation in investment pools	94,764	(19,446)	8,452	83,770
Other loans	24,968	(21,757)	(440)	2,771
Deposits with credit institutions	4,041	(784)	–	3,257
Total portfolio investments	546,889	(70,551)	(1,672)	474,666
Total cash, portfolio investments and financing	588,695	(78,251)	(3,054)	507,390

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

	2013 £'000	2012 £'000
Purchase of shares and other variable yield securities	**(457)**	(2,352)
Purchase of debt securities and other fixed income securities	**(819,643)**	(1,076,443)
Purchase of participation in investment pools	**(4,220)**	(12,016)
Deposits with credit institutions	**784**	–
Other loans	**21,757**	4,379
Sale of shares and other variable yield securities	**14,734**	5,107
Sale of debt securities and other fixed income securities	**833,930**	1,159,442
Sale of participation in investment pools	**23,666**	19,767
Net cash inflow on portfolio investments	**70,551**	97,884

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% (2012: 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:

	2013 £'000	2012 £'000
Premiums ceded	**(20,716)**	(26,674)
Paid claims recovered	**5,707**	8,275
Ceding commission	**1,046**	1,334
Overriding commission	**187**	244
Investment income payable	**218**	(934)

Managing agency fees amounting to £2.8m were paid to MAP during 2013 (2012: £2.8m) and profit commission of £19.5m (2012: £25.3m) is also due to the managing agent in respect of the results for this calendar year. Expenses totalling £8.0m (2012: £8.3m) 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

22. Related Parties *continued*

Messrs. Shipley, Denoon Duncan, Kong, Trubshaw, Sumner, Smelt and Ms McAuley, or their related parties, participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member MAP Capital Limited. MAP Capital Limited commenced underwriting on the 2001 year of account. For the 2013 year of account MAP Capital Limited provided £105.3m of capacity on Syndicate 2791 (2012: £105.3m) representing 20.6% of capacity (2012: 20.8%). MAP has no direct or indirect interest in the share capital of MAP Capital Limited.

For the 2013 year of account, these directors also participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member, Nomina No 208 LLP. For the 2013 year of account it has provided £12.0m (2012: £10.5m) of capacity representing 2.3% (2012: 2.1%) of capacity. MAP has no direct or indirect interest in Nomina No 208 LLP.

The syndicate has an investment in Steadfast International Limited, an equity investment fund managed by Steadfast Capital Management Limited of which Mr Foote, a director of MAP, is the managing director. The syndicate's participation on this fund is at arm's length and the syndicate was charged fees and profit commissions amounting to US$1.5m during 2013 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 PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settled losses.

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$5.5m; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US$5.4m.

25. Post Balance Sheet Event

In accordance with the reinsurance contract with Syndicate 6103, the 2011 Year of Account of that syndicate will be commuted and an RITC effected with this syndicate and the reserves carried for the 2011 Year of Accounting (amounting to £0.4m) transferred to this syndicate in 2014.

26. Reinsurance to Close Premium Received from Syndicate 6103

At 1 January 2013, Syndicate 2791 accepted a Reinsurance to Close Premium from Syndicate 6103 in respect of Syndicate 6103's 2010 Year of Account. In addition, the reinsurance contact between Syndicate 2791 and Syndicate 6103 for the 2010 Year of Account has been commuted with Syndicate 2791 being paid in full for the liabilities assumed as at 1 January 2013.

27. Off-Balance Sheet Items

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

MAP

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