Antares Syndicate 1274

Annual Report and Accounts

31 December 2014

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Table of Contents

Page

Directors and Administration

Managing Agent:
Antares Managing Agency Limited

Directors
E H Gilmour*, MA, FCA (appointed Chairman 9 September 2014)
M J Sullivan*, OBE (resigned 25 June 2014)
J A Battle
T A Clegg*, FCII, ACIArb
M C Graham, MSc, FIA
J M Linsao, BA, JD
A S Minns*, LLB
S D Redmond, FCII
R A Stuchbery*, FCII (resigned 25 June 2014)
R A Sutlow, ACII, ACMA
G Saacke* (appointed 11 July 2014)

* Non-Executive Director

Secretary
J M Linsao, BA, JD

Managing Agent's Registered Office
10 Lime Street
London, EC3M 7AA

Managing Agent's Registered Number
6646629

Syndicate 1274:

Active Underwriter
J A Battle

Bankers
Lloyds TSB Bank plc
25 Gresham Street
London, EC2V 7HN

Registered Auditor
Ernst & Young LLP
1 More London Place
London, SE1 2AF

Managing Agent's Report

The Directors of Antares Managing Agency Limited ('the Managing Agent') present their Report for the year ended 31 December 2014.

The names of the Directors who served during the year can be found in the Directors and Administration information on page 3.

The Managing Agent
The Managing Agent is Antares Managing Agency Limited, whose registered office is 10 Lime Street, London, EC3M 7AA and registered number is 6646629.

Results
The results for the year are set out on pages 13 and 14. The retained profit for the year is £21.8m (2013: retained profit £18.9m).

Principal Activity and Business Review
The principal activity of Syndicate 1274 is the transaction of general insurance and reinsurance business in the United Kingdom.

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

	2014	**2013**	**Change**
	£'000	£'000	%
Gross Premium Written	250,576	245,598	+2.0
Net Premium Earned	206,766	187,627	+10.2
Profit for the Financial Year	18,386	23,775	-22.7
Combined Ratio	91.6%	90.5%	

Note: The combined ratio is the ratio of net claims incurred and net operating expenses excluding foreign exchange to net premiums earned. The lower the combined ratio, the more profitable the result will be. A ratio of 100% is considered to represent a 'break-even' or zero profit insurance result.

Overview
The Syndicate reports a third successive year of profitable performance in 2014. The Syndicate produced a profit of £18.4m (2013: £23.8m).

Combined Ratio
The combined ratio of 91.6% was a creditable performance in a softening market, being only marginally higher than last year (2013: 90.5%). The ratio was lower than the historic average due to the relatively low levels of claims activity with no material catastrophe-related claims during 2014. The calculation of the combined ratio includes all claims and other costs but excludes foreign exchange gains or losses on the basis this provides the most transparent and useful measure of operating performance.

Gross Premium Written
Continued growth of 2.0% in gross premium written (GWP) £250.6m (2013: £245.6m) was the result of an increase in Syndicate capacity in particular for the Credit and Suretyship segment (notably, the addition of a Political Risk class). Underlying GWP grew by 7.9% using constant rates of exchange, however growth was partially offset by the weakening of Sterling, in particular against the US Dollar, combined with an overall softening of rates of around -4.4%. Some lines suffered more than others with the worst affected being Property XL and Aviation. In addition the Reinsurance segment was impacted by cedants retaining more business and as a result its total GWP was 21.3% lower than 2013 (£12.7m). The business retention ratio remained strong across the whole account at 77% (2013: 72%).

Net Premium Earned
Net premium earned grew to £206.8m (2013: £187.6m), partly as a result of the higher gross written premiums, but also due to significantly lower ceded premiums. Outward reinsurance written was reduced to £27.3m (2013: £35.6m). The savings were realised through tendering the programme and increased levels of retention.

Managing Agent's Report (continued)

Net Claims Incurred
Net claims incurred of £117.6m (2013: £107.7m) have increased in line with the overall growth in the business. The absence of any catastrophe losses contributed to the Syndicate's lowest Claims Ratio of 56.9% (2013: 57.4%), notwithstanding the partially offsetting effect of a number of large losses in the year. The Syndicate's largest loss (£5.2m net) arose on the Financial Institutions class, part of Third Party Liability, and related to a corporate restructuring.

Net Operating Expenses
Net operating expenses of £73.7m (2013: £57.9m) were incurred during the year. Within this were net acquisition costs of £51.1m (2013: £43.1m), administrative expenses of £20.6m (2013: £19.0m) and a foreign exchange loss of £2.0m (2013: £4.2m gain).

The ratio of net earned acquisition costs to net earned premiums increased to 24.7% (2013: 23.0%). These costs primarily comprised commissions paid to brokers but also included an element of internal costs directly attributable to underwriting. The year on year increase in the ratio to net earned premium was the result of new business being written at higher commission rates.

Administrative expenses which primarily consisted of staff costs, were £1.6m higher than 2013. The increase was the result of the 11% rise in average head count (116 by year end) required to support the growth of the business. The ratio of administrative expenses to net earned premium remained stable at 10.0% (2013: 10.1%).

Currency movements during the year gave rise to a foreign exchange loss of £2.0m (2013: £4.2m gain) which was more than offset by translation gains in the Statement of Total Recognised Gains and Losses of £3.5m (2013: £4.9m loss).

Investment Return
Interest rates have continued to remain at historic low levels throughout the last three years. These low rates coupled with the traditionally conservative nature of the short-duration, fixed-income investment portfolio have served to limit the levels of return. Investment return was £3.2m (2013: £2.0m), representing a yield of 1.3% (2013: 1.0%). The year was volatile on an intra-month basis due to varying interest rate expectations but the majority of assets performed broadly in line with expectations.

Underwriting Result Review by Class
The Syndicate returned a total underwriting result before investment return of £15.5m (2013: £22.0m profit).

Marine Aviation and Transport
The Marine Aviation and Transport class is the largest sector of business, representing 43.3% of the Syndicate's underwriting portfolio (2013: 42.9%), and produced a £7.7m profit (2013: £1.8m loss). Aviation reported a profit in 2014 despite exposure to the two headline Malaysian Airline losses and the Air Asia loss. Better than expected claims experience also contributed to profitable performance from Cargo & Specie and Hull. This profitable performance was partially offset by a loss on the Energy class where there were a number of large losses during the year.

Fire and Other Damage to Property
The £9.2m profit (2013: £6.0m profit) returned by the Fire and Other Damage to Property class was principally the result of the growing Terrorism account and the absence of any significant claims notifications despite recording its first ever claims notifications in the year.

Third Party Liability
The Third Party Liability class comprising Financial Institutions and Professional Indemnity lines of business produced a loss of £10.8m (£3.4m profit). PI endured a challenging year with a higher than expected incidence of claims. Albeit to a lesser extent, Financial Institutions also reported a number of large losses.

Reinsurance
The Reinsurance class delivered a profit of £9.0m (2013: £14.4m profit) driven by the absence of catastrophes. Notwithstanding this, the result was lower than 2013 due to lower premium income. Gross Premium Written was down by 21.3% partly due to further softening of rates in Property XL but also due to an increase in clients' self-retention on risks.

Managing Agent's Report (continued)

Accident & Health and Credit and Suretyship
The developing classes of business Accident & Health and Credit and Suretyship together contributed a profit of £0.3m driven by the new Political Risk line of business.

Post Balance Sheet Events
There are no events that are material to the operations of the Syndicate that have occurred since the reporting date.

Future Developments
The directors do not anticipate any changes to the Syndicate's strategy and will continue to maintain a balanced portfolio for 2015.

Principal Risk and Uncertainties
The Syndicate's activities expose the business to a number of risks which have the potential to affect the achievement of the business objectives. The Board of the Managing Agency (the AMAL Board) is responsible for maintaining an appropriate structure for managing these risks and acknowledges that it is not possible to eliminate risk entirely. However, the AMAL Board seeks to manage risk in line with risk appetite by maintaining effective systems and controls.

Risk Categories
The Syndicate is exposed to risk in the following categories:

Underwriting Risk is defined as: "The risk that the frequency and severity of insured events exceeds the expectations of Syndicate 1274 at the time of underwriting".

Reinsurance is an important risk mitigation tool employed by the Syndicate to reduce its exposure to Underwriting Risk. Reinsurance strategy is developed with reference to the overall risk appetite of the Syndicate and the Company, historical and projected future reinsurance costs, and potential sources of capital alternatives. The reinsurance strategy is approved by the AMAL Board and implemented by senior management.

Underwriting Risk is managed through underwriting authorities, and both peer and independent expert review procedures. Pricing is determined through the use of bespoke pricing models. Underwriting authorities are monitored through systems which report adherence to individual underwriter limits (including contract limits and jurisdiction restrictions). Any delegated underwriting authorities are subject to diligence review, and regular audit.

Realistic Disaster Scenario (RDS) and Probable Maximum Loss (PML) limits are set to limit the exposure to underwriting risk. Aggregate and Class of Business exposures are assessed and monitored, in line with the Exposure Management Framework, to control the risk from the underwriting activities.

Detailed underwriting management information is prepared regularly, including metrics for the main components of risk. These include pricing, loss ratio selection, experience variations, cycle management, reinsurance protection and catastrophe modelling through proprietary software.

Reserving Risk is defined as: "The risk of loss due to the previously established reserves for claims reported on previously exposed business turning out to be incorrect in terms of quantum or timing".

The Reserving Policy and Technical Provisions Framework sets out the detailed principles, methodologies, practice and governance arrangements for the estimation of reserves and technical provisions. The Reserving Policy seeks to ensure consistency in reserving from year to year, and the equitable treatment of capital providers on closure of a Syndicate Year of Account.

Reserving risk is controlled by the robust application of actuarial methodologies, sign-off procedures, quarterly tracking of projected ultimate loss ratios and reassessment of methodologies where appropriate. Regular dialogue between actuaries, underwriters and claims adjusters also assists the process.

Managing Agent's Report (continued)

Claims Management Risk is the risk of loss or regulatory breach due to inappropriate claim management process and/or inadequate governance.

Claims related risks are managed through a number of control activities and Key Performance Indicators that range from claim authority and claims processing time to potential significant loss event reporting and outstanding case reserve monitoring.

Credit Risk is defined as: "The risk of loss due to counterparty default or failure to fulfil their obligations". This is the risk of loss or of adverse change in the Syndicate's financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which the Syndicate is exposed, in the form of counterparty default risk, spread risk, or market risk concentrations.

Syndicate Investment Guidelines are approved by the AMAL Board and include details of permitted securities (including limits), minimum credit ratings and maximum concentrations, to mitigate credit and counterparty default risk exposures in respect of the investment portfolio. Adherence to these guidelines is monitored on a monthly basis.

The Syndicate deals only with brokers that are registered with Lloyd's and with which it has a current, signed Terms of Business Agreement (TOBA) and their payment performance is monitored. The Security Committee approves reinsurer exposure thresholds based on credit ratings. Reinsurer exposures are monitored on a regular basis and reported to the Security Committee, which considers the ongoing appropriateness of the thresholds and agrees strategies for reducing exposure in respect of any breaches. The Security Committee also monitors the creditworthiness of approved reinsurers, their payment performance and sets out bad debt write-off provisions.

Market Risk is defined as: "The risk of loss, or of adverse change in the financial situation, resulting directly or indirectly from fluctuations in the volatility of market prices of assets, liabilities and financial instruments". Market risk is driven by currency risk, interest risk, and spread risk as follows:

Currency Risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the level, or in the volatility of, currency exchange rates.

The Syndicate underwrites a significant proportion of business in currencies other than Sterling, which gives rise to a potential exposure to currency risk. In addition, the Syndicate has a natural currency mismatch, as a higher proportion of its expenses are incurred in Sterling. The most significant non-GBP currency exposure relates to the US Dollar.

Currency risk is controlled through an Asset Liability Matching (ALM) process. The Balance Sheet ALM process is performed on a quarterly basis to achieve alignment of assets and liabilities in currency, to address any mismatch between currency premiums and claims, and the natural mismatch between US Dollar income and Sterling expenses. AMAL does not specifically target asset liability matching for duration. Benchmarks are broadly in line with average liabilities on the main trust fund assets, and deliberate mismatching is viewed as a valid strategy to limit any losses arising from interest rate risk and, where possible, to enhance returns.

Interest Risk: is the risk that the value and/or future cash flows of a financial instrument will fluctuate due to changes in interest rates. AMAL's exposure to interest rate risk is spread across the Syndicate's investment portfolio and cash and cash equivalents. In managing interest rate risk, the Syndicate currently invests in short duration financial investments, cash and cash equivalents. Interest rate risk is controlled by imposing maximum duration limits to the conventional fixed income assets, as defined in the investment guidelines provided to investment managers.

The Syndicate's financial assets comprise a portfolio of fixed income securities, UCITS funds and bank deposits. The portfolio of fixed income securities is managed by a professional fund manager, under a segregated investment mandate, and in accordance with guidelines approved by the AMAL Board. The guidelines permit investment in a range of fixed income investment products, including government securities, corporate bonds and asset backed securities.

Spread Risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure. Spread risk is controlled by imposing Value at Risk (VaR) limits, at a specified confidence level and time period, to the overall investment funds. This is reviewed on a monthly basis by the Finance Committee.

Managing Agent's Report (continued)

Liquidity Risk is defined as: "The risk of loss, or inability to realise investments and other assets, in order to settle financial obligations when they fall due."

Liquidity Policy includes a specific requirement to hold sufficient funds in working capital to meet the following quarter's estimated claims liabilities and this position is reviewed by the Finance Committee on a quarterly basis. Additionally, an annual stress test is performed to ensure that sufficient liquidity is maintained in order to meet a Realistic Disaster Scenario ("RDS") event without unnecessary cost to AMAL. Rolling 12-month cash flow projections, in each of the underlying main operating currencies, are prepared quarterly, reviewed against available liquid funds and used in the quarterly balance sheet asset liability matching exercise. The review recognises the restrictions placed on funds committed to meet Lloyd's overseas trust fund requirements. Liquidity requirements for all accounts and respective currency amounts are determined periodically via a process of analysis of historic daily settlements.

Operational Risk is defined as: "The risk of loss arising from inadequate or failed internal processes, people, systems or from external events impacting the Syndicate's ability to operate. This risk encompasses all functions rendered in the course of conducting business. This includes legal and regulatory risk, but excludes risks arising from strategic and reputational risk".

AMAL has formally documented policies and procedures for all aspects of the business that define the end-to-end business processes, provide guidelines, put in place appropriate governance structures and include control activities to ensure the robustness of the business operations. Internal Audit provides independent assurance over the robustness of the business operations and compliance with the internal policies/procedures.

Strategic Risk is defined as: "The risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions. This risk is a function of the compatibility between the Syndicate's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, the quality of implementation and appropriateness of response to changing business conditions. This includes reputational risk that is recognised as a by-product of inappropriate/inadequate management and mitigation of other risk categories".

The Syndicate mitigates this risk through a variety of planning techniques including robust business planning, stress and scenario testing and capital contingency planning.

Regulatory risk is the risk that the Managing Agency fails to meet the regulatory requirements of the PRA, FCA and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. AMAL has a Compliance department that monitors regulatory developments and assesses the impact on agency policy.

Risk Governance
The AMAL Board is ultimately responsible for ensuring the effective management and control of risk affecting the Syndicate. The AMAL Board is committed to maintaining sound risk management and control systems that are suitable, effective and proportionate to protect the interests of all stakeholders, including those of its capital providers and policyholders. The AMAL Board has, for practical reasons, delegated its day-to-day responsibility for different aspects of the risk management to committees and the senior management.

The AMAL Board utilises a "Three Lines of Defence" model for risk governance.

First Line: Those individuals undertaking any activity or making decisions on behalf of the Managing Agency are responsible for managing the risk that is attached to that activity. They are the 'first risk managers'. *Second Line*: Those functions and executive level committees responsible for the provision of the risk management framework and policies within which the First Line is expected to operate and who are responsible for providing assurance to the Board of adherence to that framework. *Third Line*: Oversight of the above by the AMAL Board, Audit Committee together with Internal Audit.

The majority of risk reporting is through the Risk, Actuarial and Exposure Management Departments, that routinely engage individual business units and report to the AMAL Board and its Committees.

Managing Agent's Report (continued)

Risk Appetite
Risk Appetite is the amount of risk that the AMAL Board is prepared to take in pursuit of its objectives. Although set by the AMAL Board, Risk Appetite is driven by key stakeholders and includes both qualitative and quantitative statements. The Risk Appetite Statement covers all material risk categories (Underwriting, Reserve, Credit, Market, Liquidity and Operational Risk). In addition, it details the approved Risk Appetite and Risk Tolerances for losses arising from various events, based upon the extent to which the risks could impact the business.

Risk Monitoring and controls
Risk management processes are based on risk identification; assessment and quantification; response; and monitoring and reporting.

All risk categories are identified in the risk register. Supporting controls mitigate the inherent impact of the risks to a residual level that is within the approved risk appetite and tolerance levels. All risk categories and related controls are assigned risk owners and control owners that are responsible for managing the risks.

The risk register is maintained through regular review by the Risk Department and through the monthly self-certification process by the risk and control owners. The Risk Department provides regular reports on key risk issues and actions required to the AMAL Board and its Committees.

Disclosure of Information to the Auditors
The Directors each confirm that:

- so far as they are aware, there is no relevant audit information of which the Syndicate's auditors are unaware; and

- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Auditors
The Managing Agent intends to reappoint Ernst & Young LLP as the Company's auditors.

By order of the Board

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J M Linsao
Company Secretary

17 February 2015

Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the syndicate annual report and annual accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 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 and then apply them 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 Auditor's Report to the Members of Syndicate 1274

We have audited the syndicate annual accounts of Syndicate 1274 for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows, and the related notes 1 to 22. 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 syndicate annual accounts which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate annual accounts

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

Opinion on syndicate annual accounts

In our opinion the annual accounts:

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

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

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

Independent Auditor’s Report to the Members of Syndicate 1274 (continued)

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.

Ed Jervis (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
17 February 2015

Profit and Loss Account

For the year ended 31 December 2014

Technical Account – General Business	Notes	2014 £000	2013 £000
Earned Premium, Net of Reinsurance			
Gross Premium Written	3	250,576	245,598
Outward Reinsurance Premium		(27,259)	(35,627)
Net Premiums Written		**223,317**	**209,971**
Change in the Provision for Unearned Premium			
Gross Amount		(15,445)	(24,371)
Reinsurers' Share		(1,107)	2,027
Net Change in Provision for Unearned Premium		**(16,552)**	**(22,344)**
Earned Premiums, Net of Reinsurance		**206,765**	**187,627**
Allocated Investment Return Transferred from the Non-Technical Account	9	**2,937**	**1,810**
Claims Incurred, Net of Reinsurance			
Claims Paid			
Gross Amount		(102,149)	(117,835)
Reinsurers' Share		17,377	26,181
Net Claims Paid		**(84,772)**	**(91,654)**
Change in the Provision for Claims			
Gross Amount		(24,530)	3,882
Reinsurers' Share		(8,301)	(19,951)
Net Change in the Provision for Claims	4	**(32,831)**	**(16,069)**
Claims Incurred, Net of Reinsurance		**(117,603)**	**(107,723)**
Net Operating Expenses	5	**(73,713)**	**(57,939)**
Balance on the Technical Account – General Business		**18,386**	**23,775**

All the amounts above are in respect of continuing operations.

Profit and Loss Account
For the year ended 31 December 2014

Non - Technical Account	Notes	2014 £000	2013 £000
Balance on General Business Account		18,386	23,775
Investment Income	9	3,577	3,020
Unrealised (Losses)	9	(348)	(975)
Investment Expenses and Charges	9	(292)	(235)
Allocated Investment Return Transferred to General Business Technical Account		(2,937)	(1,810)
Profit for the Financial Year		**18,386**	**23,775**

Statement of Total Recognised Gains and Losses
For the year ended 31 December 2014

	2014 £000	2013 £000
Profit for the Financial Year	18,386	23,775
Currency Translation Differences on Foreign Currency Net Investment	3,453	(4,859)
Total Recognised Gains and Losses Relating to the Financial Year	**21,839**	**18,916**

Balance Sheet - Assets
at 31 December 2014

	Notes	2014 £000	2013 £000
Investments			
Financial Investments	8	226,578	185,111
Deposits with Ceding Undertakings		329	179
Reinsurers' Share of Technical Provisions			
Provision for Unearned Premiums		7,027	7,898
Claims Outstanding		53,338	59,710
		60,365	**67,608**
Debtors			
Debtors Arising out of Direct Insurance Operations	11	91,826	66,026
Debtors Arising out of Reinsurance Operations		35,562	44,031
Other Debtors		2,089	24
		129,477	**110,081**
Other Assets			
Cash at Bank and in Hand		21,467	17,833
Other	12	16,652	17,844
Prepayments and Accrued Income			
Other Prepayments and Accrued Income		2,229	2,092
Deferred Acquisition Costs		25,337	19,689
		27,566	21,781
Total Assets		**482,434**	**420,437**

Balance Sheet – Liabilities
at 31 December 2014

	Notes	2014 £000	2013 £000
Capital and Reserves			
Members' Balances	13	33,043	20,521
Technical Provisions			
Provision for Unearned Premiums		117,552	98,462
Claims Outstanding		285,974	253,968
		403,526	**352,430**
Deposits Received from Reinsurers		355	341
Creditors			
Creditors Arising out of Direct Insurance Operations	14	17,674	17,304
Creditors Arising out of Direct Reinsurance Operations		17,465	20,350
Other creditors		10,371	9,491
		45,510	**47,145**
Accruals and Deferred Income		-	-
Total Liabilities		**482,434**	**420,437**

The annual accounts on page 13 to 30 were approved by the Board of Antares Managing Agency Limited on 17 February 2015 and signed on its behalf by:

………………………………..

S D Redmond
Managing Director

17 February 2015

R A Sutlow
Chief Financial Officer

17 February 2015

Statement of Cash Flows

for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Net Cash Inflow from Operating Activities	15	47,959	42,183
Transfer to/(from) members in Respect of Underwriting Participations	13	(9,317)	15,809
	16	**38,642**	**57,992**
Cash Flows were Invested as Follows:			
Increase/(Decrease) in Cash at Bank	16	4,545	(10,631)
(Decrease) in Deposits	16	(1,032)	(1,728)
Increase in Financial Investments	16	35,129	70,351
Net Investment of Cash Flows	16	**38,642**	**57,992**

Notes to the Annual Accounts

at 31 December 2014

1. Basis of Preparation

These annual accounts 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. The recommendations of 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 have been adopted, except that exchange differences are dealt with in the technical account as there are no non-technical items.

2. Accounting Policies

Premiums Written

Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Premiums include estimates for pipeline premiums, representing amounts due to the Syndicate not yet notified.

Unearned Premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written 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.

Reinsurance Premium Ceded

Outwards reinsurance premiums are earned according to the type of policy. For losses occurring during (LOD) contracts the premium is earned on a straight line basis over the period of coverage. For risks attaching during (RAD) contracts the premium is earned in line with the gross premiums earned to which the risks attaching contract relates.

Claims Provisions and Related Recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years. The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported ("IBNR") at the balance sheet date based on statistical methods.

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

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

Notes to the Annual Accounts
at 31 December 2014

Claims Provisions and Related Recoveries (continued)

The two most critical assumptions regarding 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 annual accounts for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Unexpired Risks Provision

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

The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return.

Deferred Acquisition Costs

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

Foreign Currencies

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

Monetary and non-monetary 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.

Exchange differences arising on the retranslation of opening balance sheet items at the closing balance sheet rate and the retranslation of the profit and loss account for the year from the average rate to the closing balance sheet rate are taken to reserves and 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.

Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at market value (bid value) and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date. Directors’ valuations are used for other unlisted investments, mortgages and loans.

Notes to the Annual Accounts
at 31 December 2014

Investment Return

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

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

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

Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate 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

Antares Underwriting Services Limited operates a defined contribution scheme for staff working on behalf of Antares Syndicate 1274. Pension contributions relating to these members of staff are charged to the Syndicate and included within net operating expenses. Antares Underwriting Services Limited is a wholly owned subsidiary within the Antares Group.

Notes to the Annual Accounts
at 31 December 2014

3. Segmental Analysis

An analysis of the underwriting result before investment return for 2013 and 2014 is set out below:

2014	Gross Written Premiums £000	Gross Premiums Earned £000	Gross Claims Incurred £000	Gross Operating Expenses £000	Reinsurance Balance £000	Total £000	Net Technical Provisions £000
Direct insurance:							
Accident & Health	645	520	(390)	(200)	1	(69)	(750)
Marine Aviation and Transport	108,591	102,305	(55,788)	(33,642)	(5,141)	7,734	(137,809)
Fire and Other Damage to Property	37,483	31,975	(7,657)	(10,453)	(4,637)	9,228	(29,293)
Third Party Liability	51,612	51,362	(44,209)	(15,984)	(1,993)	(10,824)	(125,357)
Credit and Suretyship	5,317	1,376	(254)	(568)	(136)	418	(4,346)
	203,648	**187,538**	**(108,298)**	**(60,847)**	**(11,906)**	**6,487**	**(297,555)**
Reinsurance	46,928	47,593	(18,381)	(12,866)	(7,384)	8,962	(45,606)
	250,576	**235,131**	**(126,679)**	**(73,713)**	**(19,290)**	**15,449**	**(343,161)**

2013	Gross Written Premiums £000	Gross Premiums Earned £000	Gross Claims Incurred £000	Gross Operating Expenses £000	Reinsurance Balance £000	Total £000	Net Technical Provisions £000
Direct insurance:							
Accident & Health	474	238	(130)	(68)	(22)	18	(334)
Marine Aviation and Transport	105,392	93,603	(59,376)	(26,594)	(9,468)	(1,835)	(105,182)
Fire and Other Damage to Property	25,662	22,166	(3,884)	(6,387)	(5,913)	5,982	(20,108)
Third Party Liability	53,841	46,546	(19,489)	(12,125)	(11,534)	3,398	(103,448)
Credit and Suretyship	589	462	(276)	(114)	(100)	(28)	(1,187)
	185,958	**163,015**	**(83,155)**	**(45,288)**	**(27,037)**	**7,535**	**(230,259)**
Reinsurance	59,640	58,212	(30,798)	(12,651)	(333)	14,430	(54,563)
	245,598	**221,227**	**(113,953)**	**(57,939)**	**(27,370)**	**21,965**	**(284,822)**

Commissions on direct insurance gross premiums earned were £42,861,000 during 2014 and £32,142,000 during 2013.

Gross Operating Expenses include reinsurance commissions receivable.

All premium transactions were concluded in the UK.

Notes to the Annual Accounts
at 31 December 2014

3. Segmental Analysis (continued)

The geographical analysis of premiums by destination (or by situs of the risk) is as follows:

	2014	2013
	£000	£000
UK	38,593	39,600
Other EU Countries	30,312	29,619
US	57,930	61,448
Central & South America	25,987	17,225
Japan	9,074	14,669
Australia	11,699	9,443
Other	76,981	73,594
Total	**250,576**	**245,598**

4. Change in Net Provision for Claims

The change in net provision for claims is made up of the following:

	2014	2013
	£000	£000
Outstanding Claims	5,051	1,963
Claims Incurred but not Reported	27,192	14,021
Claims Handling Expenses Provision	588	85
Change in Net Provision for Claims	**32,831**	**16,069**

The movement in the net provision for claims includes a release of £0.2m in respect of claims outstanding at the previous year end (2013: release £4.5m). The release comprises net claim reductions including the change in claims incurred but not reported ('IBNR').

Notes to the Annual Accounts
at 31 December 2014

5. Net Operating Expenses

	2014	**2013**
	£000	£000
Acquisition costs	56,710	48,504
Change in deferred acquisition costs	(4,971)	(4,598)
Administrative expenses	20,643	18,975
(Profit)/loss on exchange	1,966	(4,179)
	74,348	**58,702**
Reinsurance commissions receivable	(635)	(763)
Net operating expenses	**73,713**	**57,939**

Administrative Expenses Include:

	2014	**2013**
	£000	£000
Auditors' Remuneration		
Audit Services	246	219
Actuarial and Tax Services	0	48
Members' Standard Personal Expenses (Lloyd's Subscription, New Central Fund Contributions, Managing Agent's Fees and Profit Commission)	2,483	2,557

6. Staff Numbers and Costs

All staff are employed by Antares Underwriting Services Limited. The following amounts were recharged to the Syndicate in respect of salary costs:

	2014	**2013**
	£000	£000
Wages and Salaries	14,647	12,280
Social Security Costs	1,980	1,585
Other Pension Costs	1,186	1,127
Other Staff Costs including Recruitment, Training and Medical Insurance	1,402	951
	19,215	**15,943**

Notes to the Annual Accounts
at 31 December 2014

6. Staff Numbers and Costs (continued)

The average number of employees employed by Antares Underwriting Services Limited and working for the Syndicate during the year was as follows:

	2014	2013
	Number	Number
Management	5	5
Underwriting	53	45
Claims	10	9
Administration	42	40
	110	**99**

7. Emoluments of the Directors of Antares Managing Agency Limited

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

	2014	2013
	£000	£000
Total Emoluments	**2,328**	**2,028**

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

	2014	2013
	£000	£000
Total Emoluments	**670**	**395**

No advances or credits granted by the Managing Agent to any of its Directors subsisted during the year.

8. Financial Investments

	Market Value		Cost	
	2014	2013	2014	2013
	£000	£000	£000	£000
Shares and Other Variable Yield Securities and Units in Unit Trusts	28,748	21,840	28,230	21,410
Debt Securities and other Fixed Income Securities	181,749	150,792	182,635	151,753
Participation in Investment Pools	16,081	12,479	16,081	12,479
	226,578	**185,111**	**226,946**	**185,642**

Notes to the Annual Accounts
at 31 December 2014

9. Investment Income and Expenses

	2014	2013
	£000	£000
Investment Income		
Income from Investments	4,153	3,926
Realised Losses on Investments	(576)	(906)
Unrealised Losses on Investments	(348)	(975)
	3,229	**2,045**
Investment Expenses and Charges		
Investment Management Expenses	(292)	(235)

10. Calendar Year Investment Yield

The average amount of syndicate funds available for investment during 2014 and the investment return and yield for that calendar year was as follows:

	2014	2013
	£000	£000
Average Fund	252,587	204,794
Investment Return	3,229	2,045
Calendar Year Investment Yield	1.3%	1.0%
Average Funds Available for Investment by Fund		
Sterling and Other	£93,179	£70,745
United States Dollars	$227,411	$190,799
Canadian Dollars	C$21,948	C$18,904
Analysis of Calendar Year Investment Yield by Fund	%	%
Sterling and Other	2.1	1.6
United States Dollars	0.9	0.6
Canadian Dollars	1.2	1.0

“Average fund” is the average of bank balances, overseas deposits and investments held during the calendar year.

Notes to the Annual Accounts
at 31 December 2014

11. Debtors Arising out of Direct Insurance Operations

	2014	2013
	£000	£000
Due from Intermediaries	**91,826**	**66,026**

There were no balances due from policyholders arising out of direct insurance operations as at 31 December 2014 (2013: £nil).

12. Other Assets

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

13. Reconciliation of Members' Balances

	Total Balance
	£000
Members' Balances Brought Forward at 1 January 2013	(14,204)
Capital Provided by Members	-
Settlement of 2010 Year of Account Loss	15,809
Other Recognised Gains	(4,859)
2013 Financial Year Profit	23,775
Members' Balances Carried Forward at 31 December 2013	20,521
Capital Provided by Members	-
Settlement of 2011 Year of Account Profit	(9,317)
Other Recognised Gains	3,453
2014 Financial Year Profit	18,386
Members' Balances Carried Forward at 31 December 2014	**33,043**

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.

Notes to the Annual Accounts
at 31 December 2014

14. Creditors Arising out of Direct Insurance Operations

	2014	2013
	£000	£000
Due to Intermediaries	**17,674**	**17,304**

There were no balances due to policyholders arising out of direct insurance operations as at 31 December 2014 (2013: £nil).

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

	2014	2013
	£000	£000
Operating Profit on Ordinary Activities	18,386	23,775
Realised/Unrealised Gains/(Losses) on Cash and Investments including Foreign Exchange	(5,403)	9,535
Increase in Net Technical Provisions	58,339	28,971
Increase in Debtors and Prepayments	(25,182)	(29,230)
(Decrease)/Increase in Creditors and Accruals	(1,634)	13,991
Retranslation of Opening Balances	3,453	(4,859)
Net Cash Inflow from Operating Activities	**47,959**	**42,183**

16. Movement in Opening and Closing Cash, deposits and Portfolio Investments Net of Financing

	2014	2013
	£000	£000
Increase/(Decrease) in Cash at Bank	4,545	(10,631)
Increase in financial Investments	35,129	70,351
(Decrease) in Deposits	(1,032)	(1,728)
Movement Arising from Cash Flows	**38,642**	**57,992**
Changes in Market Value and Exchange Rates	5,403	(9,536)
Total Movement in Cash and Deposits	**44,045**	**48,456**
Portfolio at 1 January	220,626	172,170
Portfolio at 31 December	**264,671**	**220,626**

Notes to the Annual Accounts
at 31 December 2014

16. Movement in Opening and Closing Cash, deposits and Portfolio Investments Net of Financing (continued)

Analysis of Movement in Cash and Portfolio Investments

2014	At 1 January 2014	Cash Flow	Changes to Market Value And Currencies	At 31 December 2014
	£000	£000	£000	£000
Cash at Bank and in Hand	17,833	4,545	(911)	21,467
Deposits:				
Overseas Deposits	17,844	(1,158)	(34)	16,652
Deposits with Ceding Undertakings	179	148	2	329
Deposits Received from Reinsurers	(341)	(22)	8	(355)
Total Deposits	**17,682**	**(1,032)**	**(935)**	**16,626**
Portfolio Investments:				
Debt Securities and Other Fixed Income Securities	150,792	23,993	6,964	181,749
UCITS Funds	34,319	11,136	(626)	44,829
Total Portfolio Investments	**185,111**	**35,129**	**6,338**	**226,578**
Total Cash and Profit Investments	**220,626**	**38,642**	**5,403**	**264,671**

Notes to the Annual Accounts
at 31 December 2014

16. Movement in Opening and Closing Cash, deposits and Portfolio Investments Net of Financing (continued)

Analysis of Movement in Cash and Portfolio Investments

2013	At 1 January 2013	Cash Flow	Changes to Market Value And Currencies	At 31 December 2013
	£000	£000	£000	£000
Cash at Bank and in Hand	30,574	(10,631)	(2,110)	17,833
Deposits:				
Overseas Deposits	21,778	(1,782)	(2,152)	17,844
Deposits with Ceding Undertakings	145	35	(1)	179
Deposits Received from Reinsurers	(417)	19	57	(341)
Total Deposits	**21,506**	**(1,728)**	**(2,096)**	**17,682**
Portfolio Investments:				
Debt Securities and Other Fixed Income Securities	98,704	56,487	(4,399)	150,792
UCITS Funds	21,386	13,864	(931)	34,319
Total Portfolio Investments	**120,090**	**70,351**	**(5,330)**	**185,111**
Total Cash and Profit Investments	**172,170**	**57,992**	**(9,536)**	**220,626**

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

	2014	2013
	£000	£000
Purchase of Shares and Other Variable Yield Securities and Unites in Unit Trusts	(208,798)	(169,242)
Purchase of Debt Securities and Other Fixed Income Securities	(296,328)	(273,097)
Sale of Shares and Other Variable Yield Securities and Units in Unit Trusts	197,661	155,378
Sale of Debt Securities and Other Fixed Income Securities	272,336	216,610
Net Cash Inflow/(Outflow) on Portfolio Investments	**(35,129)**	**(70,351)**

Notes to the Annual Accounts
at 31 December 2014

18. Related Parties

During the year the Syndicate entered into transactions in the ordinary course of business with Qatar Insurance Company SAQ (QIC) as well as Qatar Reinsurance Company LLC (QRE), a wholly owned subsidiary of QIC. QIC is the ultimate parent of Antares Holdings Limited. Antares Holdings Limited is the parent company of the Antares Group that supports the majority of the capacity of Syndicate 1274.

The Syndicate had gross written premium income of £494,000 with QIC during the year. As at 31 December 2014 £418,000 was due from QIC. Gross written premium income of £67,000 and outwards reinsurance protection of £447,000 was placed with QRE. There was no outstanding balance due from QRE at the balance sheet date.

During 2014, managing agency fees were charged to the Syndicate as follows:

	2014	2013
	£000	£000
Antares Managing Agency Limited	**787**	**851**

In addition to the above Managing agency fees, £24,645,000 (2013: £21,054,000) was charged by Antares Managing Agency Limited for services provided by Antares Underwriting Services Limited to the Syndicate. Antares Underwriting Services Limited is a wholly owned subsidiary within the Antares Group.

A balance of £10,352,000 (2013: £9,490,000) was due to Antares Managing Agency Limited at 31 December 2014.

19. 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 FCA/PRA requirements and resource criteria. The amount of 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 annual accounts by way of such capital resources. However, the Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

20. Derivatives

There were no derivative contracts in force as at 31 December 2014 (2013: nil).

21. Off-Balance Sheet Items

The Syndicate has not been party to an arrangement, which is not reflected in its balance sheet, where material risks and benefits arise for the Syndicate.

22. Post Balance Sheet Event

There are no events that are material to the operations of the Syndicate that have occurred since the reporting date.

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