Marketform

Marketform Managing Agency Limited

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2013

Company Number: 3584320

CONTENTS

Directors	
Chairman	J E Mumford
	V Badal
	S E H Barr
	A C Durkin
	S P Lotter
	P V Olsen
	J G F O'Neill
	A S Ribaudo
	A J Walker
Company Secretary	A C Durkin
Registered Office & Business Address	8 Lloyd's Avenue London EC3N 3EL
Bankers	Barclays Bank PLC One Churchill Place London E14 5HP
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF
Solicitors	Clyde & Co Beaufort House Chertsey Street Guildford Surrey GU1 4HA
Actuaries	Towers Watson Saddlers Court 64-74 East Street Epsom Surrey KT17 1HB
Company Number	3584320

The directors have pleasure in presenting their Report together with the Strategic Report and the Financial Statements for the year ended 31 December 2013.

Principal Activity

The company is the Managing Agent of Lloyd's Syndicate 2468. It is authorised by the Prudential Regulation Authority (PRA) and regulated by the Prudential Regulation Authority and the Financial Conduct Authority (FCA) (registration number 204971). The principal activity of the company is to manage the insurance underwriting of Syndicate 2468 which is conducted through the Lloyd's market. The Syndicate historically specialised in underwriting non-USA third party casualty business. The classes underwritten were Medical Malpractice, General Liability, Professional Indemnity, Personal Accident, Products Guarantee and Directors and Officers. Since 2009, the Syndicate has expanded into other classes and now additionally underwrites Bloodstock, Marine Liability, Hull, Cargo, War, Political Violence and Political Risk business.

The Syndicate ceased writing Specie business during 2013 due to the poor performance of this class of business.

The company receives a fee for its services, calculated as a percentage of underwriting capacity managed, together with profit commission charged to underwriting members of the Syndicate.

Results and Dividends

The profit for the year before taxation amounted to £142,757 (2012 profit £164,720). The taxation charge was £34,687 (2012 charge £42,165), leaving a profit for the year of £108,070 (2012 profit £122,555).

No interim dividend was paid (2012 £nil). The directors do not recommend the payment of a final dividend (2012 £nil).

OTHER DISCLOSURES

Directors

The directors of the Company, who served during the year ended 31 December 2013 and up to the date of this report, were as follows:
V Badal
S E H Barr
A C Durkin
S P Lotter
J E Mumford
P V Olsen
J G F O'Neill
A S Ribaudo
A J Walker – appointed 12/02/13

All directors benefit from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

Disclosure of Information to the Auditors

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

Auditors

Ernst & Young LLP has signified its willingness to continue as auditors.

Approved by Order of the Board

A C Durkin
Company Secretary
13th May 2014

The directors have pleasure in presenting the Strategic Report for the year ended 31 December 2013.

Business Review

On an annual accounting basis Syndicate 2468 produced a profit in 2013 of £0.7m (2012 – loss of £19.2m).

The board resolved to leave the 2007 year of account open due to the continuing uncertainty of Italian public hospital medical malpractice reserves, from nine years of account. The Syndicate ceased underwriting this business for the 2009 year of account.

As the key performance indicators show, the company made a modest profit in 2013.

Key performance indicators

	2013	2012	Movement
Fee income	£1,090,714	£1,087,500	£3,214
Profit commission income	Nil	Nil	Nil
Retained expenditure	£953,383	£927,076	£(26,307)
Profit after taxation	£108,070	£122,555	£(14,485)
Dividends paid and proposed	Nil	Nil	Nil
Net current assets	£3,752,533	£3,644,463	£108,070
Net assets	£3,663,979	£3,555,909	£108,070

Other performance indicators

Staff Matters

All staff are employed by the group service company Marketform Management Services Limited. The company considers staff to be a key resource and seeks to provide a good working environment for staff that is safe and complies with appropriate employee legislation.

Environmental Matters

The company does not consider that a business such as a Managing Agent at Lloyd's has a large adverse impact upon the environment. As a result the company does not manage its business by reference to any environmental key performance indicators. Directors and employees of the company are not provided with company cars and travel requisitions and expenses are subject to review as to whether the journey is necessary for the business. The company seeks to maintain a high proportion of its records electronically. To help achieve this the company is a party to the current electronic data exchange programme in the London market, which is intended to reduce the amount of paper records circulating in the market.

Future Developments

The Syndicate stamp capacity for the 2014 underwriting year of account is £175m.

The Syndicate's goals are to write a diversified and profitable book of business, as more fully set out in the company's three year business plan.

Risk Management

To support the achievement of the Managing Agency's business strategy it has adopted an enterprise risk management framework which ensures that all risks associated with the Syndicate's activities are identified, measured, prioritised and proactively managed in a consistent and effective manner across the organisation. Most of the risk inherent in the business is in relation to the activities of Syndicate 2468 and therefore to date much emphasis has been placed on the Syndicate's operations.

The board has agreed an overall Risk appetite statement. Risk appetite is not an absolute limit.

As a Managing Agent at Lloyd's the majority of the risks to this company's future cash flows arise from its income arising from the management of its Lloyd's Syndicate. As detailed below, these risks are mostly managed by this company in its role of managing the Syndicate. The risks to this company are to the level of fees and profit commissions receivable from the managed Syndicate, which will be largely governed by the future size and profitability of the Syndicate. If the results of the Syndicate are not considered adequate by the members of the Syndicate then support may be reduced along with potential income to this agent. Any losses suffered by the Syndicate will potentially reduce the capital available to support the Syndicate in future years. In such circumstances to avoid a reduction in capacity managed the Managing Agent is dependent upon the existing members finding additional capital or attracting new members to the Syndicate. If significant losses are made by the Syndicate this company may be at risk of litigation if capital providers to the Syndicate or other third parties consider they have suffered a loss due to inadequate management of the Syndicate.

The Risk Management Function has been actively engaged in the preparation of the business for Solvency II (albeit with a commencement date delayed), working with the Syndicate's actuaries to develop its Internal Model, Risk Framework and Own Risk and Solvency Assessment (ORSA) in line with Solvency II requirements. Lloyd's considers that the company has provided sufficient evidence to give comfort that it meets the principles of Solvency II.

Insurance Risk

The insurance risks faced by the Syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes, disputes with reinsurers and the risk of inadequate reserving.

The company manages the risks arising from its managed Syndicate by exercising close management control, risk management and monitoring of the Syndicate's activities. This is achieved by the company as Managing Agent ensuring, through the presence of its directors on the key management committees of the Syndicate, that they are involved in setting the control and operational environment for the Syndicate and monitoring its performance and adherence to procedures. The supervision by Lloyd's, the PRA and the FCA includes the monitoring of their requirements concerning the management of the Syndicate's risks.

Investment and Currency Risks

The other significant risks faced by the Syndicate are with regard to the investment of the available funds within its custody. The elements of these risks are investment risk, liquidity risk, currency risk and interest rate risk. To mitigate these, the investment of surplus Syndicate funds is managed by external investment managers. The Managing Agent monitors the performance of the external investment managers on a regular basis and periodically agrees with them the investment strategy to be adopted to mitigate risks of interest rate fluctuation and credit risks and to provide appropriate liquidity. In order to minimise investment, credit and liquidity risk the company's funds are invested in highly rated and readily realisable investments. The investment managers are advised to monitor the economic situation and to anticipate future interest rate movements in order to manage investment values and returns and mitigate interest rate risks. To mitigate foreign exchange risk the currency net assets or liabilities of the Syndicate are hedged. Corporate investments are held mainly in Sterling as most expenses likely to be incurred by the company, and its financial reporting, are in Sterling.

Credit Risk

Credit risk represents the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion. The Syndicate's main credit risk relates to the inability of the Syndicate's reinsurers to pay due recoveries (e.g. due to reinsurer failure).

The board of the Managing Agent has established policies with regard to minimum reinsurance security ratings and exposure to individual reinsurer entities. The Underwriting and Claims Committee (UCC) monitors these policies on a regular basis and is required to approve all new reinsurers or change in participation before business is placed with them. The Credit Control Working Group regularly monitors reinsurance aged debt and bad debt.

Certain transactions entered into give rise to credit risk. To mitigate this risk, and where appropriate, counterparties are subject to credit checks and security rating checks.

Regulatory Risk

Approval to be a Managing Agent of a Lloyd's Syndicate is subject to continuing approval by Lloyd's and the PRA . The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to a Lloyd's Managing Agent and also to the operations of its managed Syndicate. In addition as a Managing Agent, Lloyd's requires a minimum level of available funds to be maintained by the Company. The risk of failing to meet this requirement is mitigated by monitoring the level of assets held and ensuring a reasonable margin in excess of requirements is maintained.

The capital requirements to support the proposed amount of Syndicate capacity for future years are subject to the requirements of Lloyd's and the PRA. A variety of factors are taken into account by Lloyd's in setting these requirements including market conditions and Syndicate performance and although the process is intended to be fair and reasonable the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the Syndicate is allowed to undertake in future years.

Operational Risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. Operational risk is inherent in all other risk headings above, and is mitigated and managed through the exercise of the management controls and the actions described above.

The main additional exposures are in relation to business continuity, i.e. the risk that the ability of the group to continue in business will be affected by events not reflected under other headings, for example the impact of terrorist activity. In this respect, the group maintains a Business Continuity Plan (BCP), which sets out the main anticipated risks, including those relating to the robustness and sustainability of IT infrastructure and business applications, and the arrangements to mitigate those risks. The BCP is monitored and updated regularly.

Other exposures are in relation to loss of key staff, lack of control of expenses, fraud and outsourcing risk. A variety of methods are used to mitigate these exposures. These include:

- Structured process of testing of processes and systems by internal audit;
- Maintaining sufficient personnel with appropriate experience;
- Established authorisation policies in place and use of procedure manuals;
- Training;
- Monitoring of experience against expected by relevant committees;
- Disaster planning and testing;

Group Risk

Group risk represents risks arising from membership of a corporate group. The main group risk relates to a withdrawal of capital by the parent company affecting the Syndicate's ability to trade. The company considers contingency plans for such an event.

Liquidity Risk

Liquidity risk represents risks that sufficient financial resources are not maintained to meet liabilities as they fall due. The Syndicate's approach is to manage its liquidity position so that it can fund such obligations as they fall due. Budgetary and cash flow planning is conducted by the Finance Department and reviewed by the board.

The Syndicate is exposed to periodic calls on its available cash resources, principally from market settlement practices in relation to the payment of premiums to insurers. Liquidity risk arises where cash may not be available to pay obligations when due. The Syndicate's approach is to manage its liquidity position so that it can fund such obligations as they fall due, by retaining surplus funds within its insurance ledgers expressly for that purpose. The funds held within the insurance ledgers are reviewed on a regular basis to ensure sufficient liquidity is maintained to cater for the contractual obligations concerned.

Approved by Order of the Board

A C Durkin
Company Secretary
13th May 2014

The directors are responsible for preparing the Directors Report, the Strategic Report and the Financial Statements in accordance with applicable law and regulation. Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law, the directors must not approve the Financial Statements unless they are satisfied that they are a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing these Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for ensuring that the Directors Report is prepared in accordance with company law in the United Kingdom.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARKETFORM MANAGING AGENCY LIMITED

We have audited the financial statements of Marketform Managing Agency Limited for the year ended 31 December 2013 which comprise Profit and Loss Account, Balance Sheet, and the related notes 1 to 13. 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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company'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 Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Stuart Wilson (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

13 **May 2014**

	Note	2013	2012
Turnover	1	1,090,714	1,087,500
Administrative expenses		(953,383)	(927,076)
Operating Profit	1	137,331	160,424
Interest receivable		5,426	4,296
Profit on Ordinary Activities before Taxation		142,757	164,720
Taxation on profit on ordinary activities	3	(34,687)	(42,165)
Profit for the Financial Year	9	£108,070	£122,555

All turnover relates to continuing activities.

There is no material difference between the reported results stated above and the results for those years restated on a historical cost basis.

The Company had no recognised gains or losses other than the profit for the financial year as stated above.

The Accounting Policies and Notes on pages 12 to 16 form part of these Financial Statements.

	Note	2013	2013	2012	2012
Current Assets					
Debtors	5	982,319		720,997	
Cash at bank and in hand		3,043,531		3,190,708	
		4,025,850		3,911,705	
Creditors: amounts falling due within one year	6	(273,317)		(267,242)	
Net Current Assets		3,752,533		3,644,463	
Total Assets less Current Liabilities			3,752,533		3,644,463
Creditors: amounts falling due after more than one year	7		(88,554)		(88,554)
Net Assets			£3,663,979		£3,555,909
Capital and Reserves					
Called up share capital - equity	8		500,000		500,000
Profit and Loss Account	9		3,163,979		3,055,909
Shareholders' funds	10		£3,663,979		£3,555,909

Approved by the Board on 13th May 2014

A S Ribaudo Director

The Accounting Policies and Notes on pages 12 to 16 form part of these Financial Statements.

Basis of Accounting

The Financial Statements are prepared under the historical cost basis of accounting and comply with applicable Accounting Standards.

The company's business activities, together with the facts likely to affect its future development are set out in the Directors report and the Strategic Report on pages 3 to 6. The company has sufficient financial resource, together with support from its immediate parent undertaking to meet its day to day working capital requirements.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, and continue to adopt the going concern basis for accounting in preparing the annual financial statements.

The company is a wholly owned subsidiary of Marketform Group Limited and is included in the Consolidated Financial Statements of Marketform Group Limited. The company has therefore claimed the exemption under Financial Reporting Standard 1 "cashflow statements" from preparing a cashflow statement.

Turnover

Turnover represents agency fees and profit commission payable to the company from Lloyd's Syndicate 2468.

In accordance with Financial Reporting Standard 5 Note G, agency fees payable to the company under agency agreements with members of Lloyd's are recognised when the contractual right to such fees is established, and to the extent that the company's obligations under those agency agreements have been performed. Revenue that has been credited in the company's books, but not yet recognised as income in accordance with the policies described above, is credited to the deferred income account in the company's balance sheet.

Profit commission arising from agency agreements with members of Lloyd's is recognised when the contractual right to such profit commission is established, but only to the extent that a reliable estimate of the amount due can be made. Such estimates are made on a prudent basis that reflects the level of uncertainty involved.

Depreciation

The company does not own any tangible fixed assets. Depreciation is recharged for the usage by the company of any group tangible fixed assets.

Deferred Taxation

Deferred Taxation is provided at anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Financial Statements. Provision is made to the extent that it is likely that the liability or asset will crystallise in the foreseeable future.

Leasing Agreements

Rentals paid under operating leases are charged to income as incurred.

Pension Contributions

The group makes payments into certain employees' personal pension plans. The pension charge represents contributions payable by the company for the year. The group's liability is limited to the amount of the contributions.

Group Undertakings

All intra group debtors and creditors are repayable on demand and no interest is charged.

Dividend Recognition

Dividends are recognised when declared.

1. Operating Profit

This is stated after charging:

	2013	2012
Depreciation recharged from group service company	£10,925	£11,008
Auditors' remuneration -audit	£2,800	£7,200
Rental of premises - recharge by group company	£18,875	£9,845

The company's turnover all arises in the UK from its principal activity as a Lloyd's Managing Agent.

The company is included in the consolidated accounts of its ultimate UK parent undertaking. The disclosure of remuneration for non audit services are disclosed in those consolidated accounts.

2. Employees

All employees costs are incurred by a fellow subsidiary undertaking Marketform Management Services Limited. These salary costs are allocated to various group undertakings to reflect the time employees spend on that company's affairs. The total amounts allocated to this company are as follows:

	2013	2012
Staff Costs (including directors)		
Wages and salaries	595,555	540,138
Social security costs	75,045	66,491
Other pension costs	60,137	60,720
	£730,737	£667,349

The company had no employees during the year. Average number of employees of the group are disclosed in the consolidated accounts of the ultimate UK parent undertaking.

Directors' Emoluments

	2013	2012
Aggregate emoluments	383,560	320,929
Company pension contributions to personal pension plans	25,387	35,444
	£408,947	£356,373

The highest paid director received emoluments and benefits as follows

Aggregate emoluments	99,000	104,400
Company pension contributions to personal pension plan	12,600	10,844
	£111,600	£115,244

Company pension contributions to personal pension plans have been made to 4 (2012 – 5) directors.

3. Taxation

Analysis of Charge in Year

	2013	2012
Current tax:		
Group relief	34,687	42,165
Adjustments in respect of previous years	-	-
Current tax on profit on ordinary activities	34,687	42,165
Deferred tax charge	-	-
Tax on profit on ordinary activities	£34,687	£42,165

Factors affecting tax charge for year

The tax assessed for the year is different than the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%). The differences are explained below

	2013	2012
Profit on ordinary activities before tax	£142,757	£164,720
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%)	33,191	40,356
Effects of:		
Expenses not deductible for tax purposes	957	1,809
Capital allowances	539	-
Current tax charge for year	£34,687	£42,165

Deferred tax

	2013	2012
Balance 1 January	-	-
Movement in year	-	-
Balance 31 December	-	-

4. Dividends

	2013	2012
Ordinary dividend - paid	-	-
	-	-

5. Debtors

	2013	2012
Other Debtors	2,711	-
Amounts due from group undertakings	910,323	656,224
Prepayments	50,535	49,237
Accrued Income	18,750	15,536
	£982,319	£720,997

6. Creditors: amounts falling due within one year

	2013	2012
Deferred income	234,584	234,584
Accruals	38,733	32,658
	£273,317	£267,242

7. Creditors: amounts falling due after more than one year

	2013	2012
Deferred income	88,554	88,554
	£88,554	£88,554

8. Called-up Share Capital

	2013	2012	2013	2012
	Authorised		Allotted, called up and fully paid	
Ordinary shares of £1 each	£500,000	£500,000	£500,000	£500,000

9. Profit and Loss Account

	2013	2012
Balance as at 1 January	3,055,909	2,933,354
Profit for the year	108,070	122,555
Balance as at 31 December	£3,163,979	£3,055,909

10. Reconciliation of Shareholders' Funds

	2013	2012
Opening shareholders' funds	3,555,909	3,433,354
Profit for the financial year	108,070	122,555
Closing shareholders' funds	£3,663,979	£3,555,909

11. Ultimate Parent Undertaking

The immediate parent company is Marketform Holdings Limited, a company incorporated in England and Wales.

The ultimate UK parent company is Marketform Group Limited, a company incorporated in England and Wales.

The ultimate parent company is American Financial Group Inc, a company incorporated in Ohio, USA. Copies of their Financial Statements may be obtained from 301 E 4th Street, Cincinnati, Ohio.

12. Pension Scheme

The group makes contributions to employees' personal pension plans.

The total contributions paid in the year and charged to this company amounted to £60,137 (2012 - £60,720). No contributions were outstanding at 31 December 2013 (2012 - £Nil).

13. Related Party Transactions

The company has taken advantage of the exemption, permitted by Financial Reporting Standard No. 8 ("FRS 8"), from the requirement to disclose related party transactions with other Group entities where all subsidiaries that are party to the transaction are wholly owned by a member of the Group.

The company has included in turnover management fees during the year of £1,090,714 (2012 - £1,087,500) and profit commission £nil (2012 £nil) from Lloyd's Syndicate 2468.

The directors are satisfied that there are no other material related party transactions requiring disclosure under FRS 8.