

TALISMAN UNDERWRITING PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2014

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Directors	Peter K Steel Robert E Eaton David Monksfield Paul F Sandilands	Chairman
Company Secretary	Graham Hodgson	
Registered Office	Fountain House 130 Fenchurch Street London EC3M 5DJ	
Auditors	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD	
Solicitors	Mills & Reeve LLP Botanic House 100 Hills Road Cambridge CB2 1PH	
Company Registration Number	03370297	

The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 December 2014.

Results and Dividends

The results for the year are set out on pages 8 and 9 of the Financial Statements. Dividends totalling £644,512 were paid in the year (2013 - £910,251).

Directors

The Directors of the Company in office during the year were as follows:

Peter K Steel
Paul F Sandilands
David Monksfield
Robert Eaton

Auditors

A resolution to reappoint PKF Littlejohn LLP will be proposed at the next Annual General Meeting.

Disclosure of Information to Auditors

In the case of each of the persons who are Directors at the time this report is approved, the following applies:

- (a) So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) 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 company's auditors are aware of that information.

Creditors Payment Policy

The Group aims to pay all of its creditors promptly and in accordance with contractual and other legal obligations. The Directors believe that the Group achieved this policy during the year. The Group has no control over creditors arising from its participation on Lloyd's Syndicates.

By Order of the Board

D Monksfield
Director

2 June 2015

The Directors have pleasure in presenting their Strategic Report together with the Financial Statements for the year ended 31 December 2014.

Business Review

Activity

The principal activity of Talisman Underwriting Plc and its subsidiaries ("the Group") in the year under review was that of underwriting insurance risks at Lloyd's.

Results

The Financial Statements incorporate the annual accounting results of the syndicates on which the Group participates for the 2012, 2013 and 2014 years of account.

The annual accounting technical profit for the year is a profit of £2,180,478 (2013 – profit of £1,920,528).

The 2012 year of account closed at 31 December 2014 with a profit of £1,857,982 (2011 profit - £1,009,025). The 2013 and 2014 open underwriting years will normally close at 31 December 2015 and 31 December 2016 respectively, and the Directors expect the 2013 account to produce a profit of between 6% and 12% of capacity and based on current information a profit for the 2014 year of account of between 2% and 10% although it must be noted that many policies remain on risk.

Future Developments

The Group continues to write insurance business in the Lloyd's insurance market. The capacity being underwritten on the 2015 year of account is £20,931,644 which has increased by £494,211 against the 2014 year of account.

Key Performance Indicators

For the 2014 calendar year the amount of gross premium written by the Syndicates on which the Group participates amounted to £17.3m (2013 - £16.4m) with a technical underwriting profit for the year of £2,180,478 (2013 - £1,920,528).

Risk Factors

The nature of a Lloyd's Corporate Member means that the majority of the group's activities are carried out by the Syndicates in which it participates. The Group is not involved directly in the management of the Syndicates' activities, including employment of Syndicate staff, as this is the responsibility of the relevant Managing Agent. Each Managing Agent will also have responsibility for the environmental activities of each Syndicate, although by their nature insurers do not produce significant environmental emissions. As a result, the Directors do not consider it appropriate to monitor and report any risk factors in relation to staff or environmental matters.

Risk Management

As a Corporate Member of Lloyd's the majority of the risks to the Group's future cash flows arise from its participation in the results of Lloyd's syndicates. As detailed below, these risks are mostly managed by the Managing Agent of the syndicate. This Group's role in managing this risk in conjunction with its Members' Agent is limited to selection of syndicate participations and monitoring performance of the syndicates.

Syndicate Risks

Each syndicate's activities expose it to a variety of financial and non-financial risks. The relevant Managing Agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. For the purposes of setting capital requirements for the 2015 year of account Lloyd's Capital Return ("LCR") is used. Each Managing Agent prepares a LCR for the syndicate, the purpose of this being to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the syndicate's business, and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the LCR; and typically the majority of the total assessed value of the risks concerned is attributable to Insurance Risk.

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risks arise from the risk that a reinsurer fails to meet their share of a claim. The management of the syndicate's funds is exposed to risks of investment, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks including its ability to continue to trade. However, supervision by Lloyd's and the Financial Conduct Authority and Prudential Regulation Authority provide additional controls over the syndicate's management of risks.

The Group manages the risks faced by the syndicates on which it participates by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate for the following year by reviewing the business plan prepared for each syndicate by its Managing Agent. In addition quarterly reports and annual accounts together with any other information made available by the Managing Agent are monitored and if necessary enquired into. If the Group considers that the risks being run by the syndicate are excessive it will seek confirmation from the Managing Agent that adequate management of the risk is in place and if considered appropriate will withdraw support from the next underwriting year.

Investment and Currency Risks

The main risk to which Group is exposed to is one of liquidity in the event that a syndicate has inadequate liquid resources to meet a large claim. This could result in funds being called from the Group in order to meet a claim. In order to minimise liquidity risk the Group's funds are invested in readily realisable assets.

Regulatory Risks

The Group's trading subsidiaries are subject to continuing approval by Lloyd's as corporate members. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's. The capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. 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 group is able to support.

Operational Risks

As relatively few transactions are actually undertaken by the Group, the systems and staffing requirements of the Group are limited and therefore operational risks are not considered to be significant. Close involvement of all Directors in the Group's key decision making and the fact that the majority of the Group's operations are conducted by syndicates supported, provides control over any remaining operational risks.

By Order of the Board

David Monksfield (Director)
2 June 2015

The Directors are responsible for preparing the Report of the Directors and Financial Statements in accordance with applicable law and regulations.

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 give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- 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 Group and Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Shareholders of Talisman Underwriting Plc

We have audited the Financial Statements of Talisman Underwriting Plc for the year ended 31 December 2014 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheet, the Group Cash Flow Statement, the Accounting Policies and the related notes. 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 shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors Responsibilities set out on page 6, 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

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 Annual Report 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 Group and the Parent Company's affairs as at 31 December 2014 and of the Group's 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 Report of the Directors and the Strategic 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

Carmine Papa (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditor
2 June 2015

1 Westferry Circus
Canary Wharf
London E14 4HD

TALISMAN UNDERWRITING PLC
TECHNICAL ACCOUNT - GENERAL BUSINESS

GROUP PROFIT AND LOSS ACCOUNT
Year ended 31 December 2014

	Note	2014	2013
Gross Premiums Written			
Continuing operations	1	17,259,125	16,449,723
Outward reinsurance premiums		(3,142,289)	(3,146,964)
		<hr/>	<hr/>
Net Premiums Written		14,116,836	13,302,759
Change in the provision for unearned premiums			
Gross provision		(168,764)	(216,059)
Reinsurers share		(20,599)	81,874
		<hr/>	<hr/>
Earned Premiums, Net of Reinsurance		13,927,473	13,168,574
Allocated Investment Return Transferred from the Non-Technical Account		372,476	242,691
Claims Paid			
Gross amount		(8,067,317)	(8,489,354)
Reinsurers' share		1,780,623	1,754,691
		<hr/>	<hr/>
Net claims paid		(6,286,694)	(6,734,663)
		<hr/>	<hr/>
Change in Provision for Claims			
Gross amount		406,241	1,590,002
Reinsurers' share		(535,881)	(748,382)
		<hr/>	<hr/>
Change in net provision for claims		(129,640)	841,620
		<hr/>	<hr/>
Claims Incurred, Net of Reinsurance		(6,416,334)	(5,893,043)
Net operating expenses	3	(5,703,137)	(5,597,694)
		<hr/>	<hr/>
Balance on the Technical Account for General Business		2,180,478	£1,920,528
		<hr/>	<hr/>
Balance on the Technical Account For General Business		<hr/>	<hr/>
Attributable to:			
Continuing operations		2,030,128	1,839,013
Acquisitions		150,350	81,515
		<hr/>	<hr/>
		2,180,478	£1,920,528
		<hr/>	<hr/>

The Accounting Policies and Notes on pages 14 to 32 form part of these Financial Statements.

NON-TECHNICAL ACCOUNT

	Note	2014	2013
Balance on the General Business Technical Account		2,180,478	1,920,528
Investment income	4	3,907	18,825
Other income		30,857	5,819
Other charges		(568,516)	(499,657)
		<hr/>	<hr/>
Profit on Ordinary Activities before Taxation	5	1,646,726	1,445,515
Tax on profit on ordinary activities	6	(258,410)	(180,297)
		<hr/>	<hr/>
Profit on Ordinary Activities after Taxation	15	1,388,316	£1,265,218
		<hr/> <hr/>	<hr/> <hr/>

All operations are continuing.

The Group had no recognised gains and losses in the year other than the above.

The inclusion of unrealised gains and losses in the profit and loss account is not deemed a departure from the unmodified historical costs basis of accounting and therefore a separate note for historical profit and losses has not been included.

Registered Number 03370297

	Note	2014			2013		
		Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Assets							
Intangible Assets	8	-	899,201	899,201	-	679,409	679,409
Positive goodwill	8	-	49,079	49,079	-	22,666	22,666
Investments							
Financial Investments	10	21,594,359	-	21,594,359	18,065,306	-	18,065,306
Deposits with ceding undertakings		5,317	-	5,317	7,095	-	7,095
		<u>21,599,676</u>	<u>-</u>	<u>21,599,676</u>	<u>18,072,401</u>	<u>-</u>	<u>18,072,401</u>
Reinsurers' share of technical provisions							
Provision for unearned premiums		1,066,667	-	1,066,667	978,630	-	978,630
Claims outstanding		5,193,590	-	5,193,590	5,071,841	-	5,071,841
		<u>6,260,257</u>	<u>-</u>	<u>6,260,257</u>	<u>6,050,471</u>	<u>-</u>	<u>6,050,471</u>
Debtors							
Arising out of direct Insurance operations	11	3,886,630	-	3,886,630	3,220,656	-	3,220,656
Arising out of Reinsurance operations	11	4,468,042	-	4,468,042	3,223,538	-	3,223,538
Other debtors	12	1,876,778	387,332	2,264,110	1,464,705	195,264	1,659,969
		<u>10,231,450</u>	<u>387,332</u>	<u>10,618,782</u>	<u>7,908,899</u>	<u>195,264</u>	<u>8,104,163</u>
Other Assets							
Cash at bank and In hand	13	910,563	5,526,047	6,436,610	914,792	5,676,374	6,591,166
Overseas deposits		1,542,773	-	1,542,773	2,020,868	-	2,020,868
Other		178,383	-	178,383	62,743	-	62,743
		<u>2,631,719</u>	<u>5,526,047</u>	<u>8,157,766</u>	<u>2,998,403</u>	<u>5,676,374</u>	<u>8,674,777</u>
Prepayments and Accrued Income							
Accrued interest		34,610	-	34,610	27,804	-	27,804
Deferred acquisition costs		2,047,682	-	2,047,682	1,788,609	-	1,788,609
Other prepayments and accrued income		79,555	-	79,555	58,762	-	58,762
		<u>2,161,847</u>	<u>-</u>	<u>2,161,847</u>	<u>1,875,175</u>	<u>-</u>	<u>1,875,175</u>
Total Assets		<u>£42,884,949</u>	<u>£6,861,659</u>	<u>£49,746,608</u>	<u>£36,905,349</u>	<u>£6,573,713</u>	<u>£43,479,062</u>

The Accounting Policies and Notes on pages 14 to 32 form part of these Financial Statements.

Registered Number 03370297

	Note	2014			2013		
		Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Liabilities and Shareholders' Funds							
Capital and Reserves							
Called-up share capital	14	-	3,059,653	3,059,653	-	2,951,608	2,951,608
Share premium account		-	1,557,143	1,557,143	-	1,340,976	1,340,976
Profit and Loss Account	15	2,854,578	(23,713)	2,830,865	1,648,335	438,726	2,087,061
Total Shareholders Funds	16	2,854,578	4,593,083	7,447,661	1,648,335	4,731,310	6,379,645
Technical provisions:							
Provision for unearned premiums		8,187,005	-	8,187,005	7,171,312	-	7,171,312
Claims outstanding		26,331,932	-	26,331,932	23,849,578	-	23,849,578
Provisions for Other Risks and Charges							
Deferred taxation	17	-	997,156	997,156	-	598,085	598,085
Deposit received from reinsurers		4,690	-	4,690	5,589	-	5,589
Creditors							
Arising out of direct insurance operations	18	496,619	-	496,619	359,614	-	359,614
Arising out of reinsurance operations	18	2,583,527	-	2,583,527	1,933,493	-	1,933,493
Other creditors including taxation and social security	19	2,139,178	1,116,560	3,255,738	1,644,073	1,162,064	2,806,137
		5,219,324	1,116,560	6,335,884	3,937,180	1,162,064	5,099,244
Accruals and Deferred Income		287,420	154,860	442,280	293,355	82,254	375,609
Total Liabilities		£42,884,949	£6,861,659	49,746,608	£36,905,349	£6,573,713	£43,479,062

The Financial Statements were approved and authorised for issue by the Board on 2 June 2015 and were signed on its behalf by:

D Monksfield

Director

The Accounting Policies and Notes on pages 14 to 32 form part of these Financial Statements.

TALISMAN UNDERWRITING PLC

Registered Number 03370297

BALANCE SHEET
As at 31 December 2014

	Note	2014	2013
Assets			
Investments	9	32,301	25,895
Other debtors		2,588,874	453,752
Cash at bank and in hand		4,564,496	5,273,254
		<hr/>	<hr/>
Total Assets		£7,185,671	£5,752,901
		<hr/> <hr/>	<hr/> <hr/>
Liabilities and Shareholders' Funds			
Called-up share capital	14	3,059,653	2,951,608
Share premium account	16	1,557,143	1,340,976
Profit and Loss Account	15	1,429,848	70,410
		<hr/>	<hr/>
Shareholders Funds attributable to Equity Interests	16	6,046,644	4,362,994
Creditors	19	1,080,275	1,331,013
Accruals and deferred income		58,752	58,894
		<hr/>	<hr/>
Total liabilities		£7,185,671	£5,752,901
		<hr/> <hr/>	<hr/> <hr/>

The Financial Statements were approved and authorised for issue by the Board on 2 June 2015 and were signed on its behalf by:

D Monksfield
Director

The Accounting Policies and Notes on pages 14 to 32 form part of these Financial Statements.

	Note	2014	2013
Net Cash Inflow from Operating Activities	20	1,046,978	419,722
Interest received		3,907	18,825
Net Cash Inflow from Returns on Investments and Servicing of Finance		3,907	18,825
Taxation Paid		(15,782)	(225,206)
Capital Expenditure and Financial Investment			
Purchase of intangible fixed assets		(121,990)	(472,572)
Purchase of subsidiary undertakings, net of cash acquired		(533,890)	(224,509)
Net Cash Outflow from Capital Expenditure and Financial Investment		(655,880)	(697,081)
		379,223	(483,740)
Equity Dividends Paid		(644,512)	(910,251)
Cash (Outflow) / Inflow before Financing		(265,289)	(1,393,991)
Financing			
Process from issuance of Ordinary Shares		114,962	1,139,274
(Decrease) / Increase in Cash	21	£(150,327)	£ (254,717)

The Group has no control over the disposition of asset and liabilities at Lloyd's. Consequently, the cash flow statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from the syndicates at Lloyd's.

Basis of Preparation

The Financial Statements are prepared under the historical cost basis of accounting modified to include the revaluation of investments and comply with applicable Accounting Standards.

The Group participates in insurance business as an underwriting member of various Syndicates at Lloyd's.

The Financial Statements have been prepared in accordance with Section 396(3) of the Companies Act 2006, Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005, as amended in December 2006 except that exchange differences arising on syndicate assets and liabilities are dealt with in the Technical Account as all of these differences arise from technical account transactions.

Accounting information in respect of the Syndicate participations has been provided by the Syndicate's managing agent and has been reported upon by the Syndicate auditors.

Going Concern

The Company, through its subsidiaries participates as underwriting members of Lloyd's. Its underwriting is supported by Funds at Lloyd's either made available by the company directly or by its members. The Directors are of the opinion that the group and company have adequate resources to meet its underwriting and other operational obligations for the foreseeable future. Accordingly, the going concern concept has been adopted in preparation of the Financial Statements.

Basis of Accounting

The Financial Statements are prepared using the annual basis of accounting. Under the annual basis of accounting a result is determined at the end of each accounting period reflecting the profit or loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

Amounts reported in the general business technical account relate to movements in the period in respect of all relevant years of account of the Syndicates on which the group participates.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents. Accordingly, these assets and liabilities have been shown separately in the balance sheet as "Syndicate Participation". Other assets and liabilities are shown as "Corporate". The syndicate assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

The information included in these Financial Statements in respect of the Syndicates has been supplied by Managing Agents based upon the various accounting policies they have adopted. The following describes the policies they have generally adopted.

General Business

i. Premiums

Premiums written comprise the total premiums receivable in respect of business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the syndicates on which the Company participates, less an allowance for cancellations. All premiums are shown gross of commission payable to intermediaries and exclude taxes and duties levied on them.

General Business (continued)**ii. Unearned Premiums**

Written premium is 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 a time apportionment basis having regard where appropriate, to the incidence of risk. The specific basis adopted by each syndicate is determined by the relevant managing agent.

iii. Deferred Acquisition Costs

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

iv. Reinsurance Premiums

Reinsurance premium costs are allocated by the Managing Agent of each syndicate to reflect the protection arranged in respect of the business written and earned.

v. Claims Incurred and Reinsurers' Share

Claims incurred comprise claims and settlement expenses (both internal and external) occurring in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and settlement expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount included in respect of IBNR is based on statistical techniques of estimation applied by each syndicate's in house reserving team and in most cases reviewed by external consulting actuaries. These techniques generally involve projecting from past experience 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. The provision for claims also includes amounts in respect of internal and external claims handling costs. 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 reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to each syndicate's 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. Each syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly the two most critical assumptions made by each syndicates managing agent 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 including pricing models for recent business are reasonable indicators of the likely level of ultimate claims to be incurred.

The level of uncertainty with regard to the estimations within these provisions generally decreases with time since the underlying contracts were exposed to new risks. In addition the nature of short tail claims such as property where claims are typically notified and settled within a short period of time will normally have less uncertainty after a few years than long tail risks such as some liability business where it may be several years before claims are fully advised and settled. In addition to these factors if there are disputes regarding coverage under policies or changes in the relevant law regarding a claim this may increase the uncertainty in the estimation of the outcomes.

General Business (continued)**v. Claims Incurred and Reinsurers' Share (continued)**

The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses. The provisions for gross claims and related reinsurance recoveries have been assessed on the basis of the information currently available to the directors of each syndicate's managing agent. However, 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 provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used, and the estimates made, are reviewed regularly.

vi. Unexpired Risks Provision

Provisions for unexpired risks are made where the costs of outstanding claims, related expenses and deferred acquisition costs are expected to exceed the unearned premium provision carried forward at the balance sheet date. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return. The provision is made on a syndicate by syndicate basis by the relevant managing agent.

vii. Closed Years of Account

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling costs. Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The group has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

viii. Run-off Years of Account

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

ix. Net Operating Expenses (including Acquisition Costs)

Net operating costs include acquisition costs, profit and loss on exchange and other amounts incurred by the syndicates on which the group participates.

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.

General Business (continued)**x. Distribution of Profits and Collection of Losses**

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between syndicates and their members. Lloyd's continues to require membership of syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

xi. Investments

Investments are stated at current value, including accrued interest at the Balance Sheet date.

xii. Investment Return

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

Realised and unrealised gains and losses are measured by reference to the original cost of the investment if purchased in the year, or if held at the beginning of the year by reference to the current value at that date.

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 to reflect the investment return on funds supporting the underwriting business.

xiii. Basis of Currency Translation

Syndicates maintain separate funds in sterling, United States dollars, Canadian dollars and Euros.

Income and expenditure in US dollars, Canadian dollars and Euros is translated at the average rate of exchange for the year. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Assets and liabilities are translated into sterling at the rates of exchange at the Balance Sheet date.

All differences arising on the translation of foreign currency amounts in syndicates are included in the technical account within net operating expenses irrespective of their treatment by the underlying syndicates.

xiv. Debtors/Creditors arising from Insurance/Reinsurance Operations

The amounts shown in the balance sheet include the totals of all the Syndicates outstanding debit and credit transactions as processed by the Lloyd's central facility; no account has been taken of any offsets which may be applicable in calculating the net amounts due between the Syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

Taxation

The Group is taxed on its results including its share of underwriting results declared by the syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. The syndicate results included in these Financial Statements are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for corporation tax in relation to open years of account. However, full provision is made for deferred tax on underwriting results not subject to current corporation tax.

Taxation (continued)

HM Revenue and Customs (HMRC) agree the taxable results of the syndicates at a syndicate level on the basis of computations submitted by the managing agent. At the date of the approval of these Financial Statements the syndicate taxable results of years of account closed at this and at previous year ends may not have been fully agreed with the HMRC. Any adjustments that may be necessary to the tax provisions established by the Group, as a result of HMRC agreement of syndicate results, will be reflected in the Financial Statements of subsequent periods.

Deferred Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax assets and liabilities have not been discounted.

Intangible Assets

Costs incurred by the Group in the Corporation of Lloyd's auctions in order to acquire rights to participate on Syndicates' underwriting years are included at cost within intangible fixed assets and amortised over a 3 year period beginning in the year the underwriting commences in respect of the purchased Syndicate participation.

Goodwill

Goodwill represents the excess of cost of acquisition over the fair value of the separable net assets of businesses acquired. Goodwill is amortised through the profit and loss account in equal instalments over its estimated useful life of 5 years.

Cash Flow Statement

The Group has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the Cash Flow Statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from Syndicates at Lloyd's.

Basis of consolidation

The Group Financial Statements consolidate the Financial Statements of Talisman Underwriting Plc with those of its subsidiaries for the year ended 31 December 2014.

No profit or loss account is presented for Talisman Underwriting Plc as provided by s408 of the Companies act 2006. The profit of the parent company for the financial year dealt within the consolidated Financial Statements of Talisman Underwriting Plc was £2,003,950 (2013 – profit £7,183).

The profits and losses of subsidiaries are consolidated from the date of acquisition to the date of disposal using the acquisition method of accounting. The difference between the cost of acquisition of shares in these subsidiaries and the fair value of the separable net assets acquired is amortised through the profit and loss account in equal instalments over its estimated useful life.

Uniform accounting policies are used for all Group companies. Profits or losses on intra-Group transactions are eliminated on consolidation.

1. Class of Business	Gross written premiums	Gross premiums earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
2014						
Direct Insurance						
Accident and health	790,061	779,951	(322,703)	(340,327)	(32,833)	84,088
Motor (third party liability)	98,241	102,823	(69,562)	(34,340)	(1,558)	(2,637)
Motor (other classes)	1,265,138	1,263,655	(863,809)	(437,737)	17,441	(20,450)
Marine, aviation and Transport	2,141,913	2,109,366	(968,386)	(738,169)	(125,255)	277,556
Fire and other damage to property	4,600,822	4,461,399	(1,625,213)	(1,518,775)	(748,380)	569,031
Third party liability	3,197,247	3,132,436	(1,907,053)	(1,107,466)	(51,954)	65,963
Credit and suretyship	301,182	296,688	(211,408)	(71,797)	(6,055)	7,428
Legal expenses	50,088	52,025	(18,903)	(27,729)	(311)	5,082
Miscellaneous	105,929	105,587	(38,648)	(43,555)	(12,108)	11,276
	<u>12,550,621</u>	<u>12,303,930</u>	<u>(6,025,685)</u>	<u>(4,319,895)</u>	<u>(961,013)</u>	<u>997,337</u>
Reinsurance	<u>4,708,504</u>	<u>4,786,431</u>	<u>(1,635,391)</u>	<u>(1,383,242)</u>	<u>(957,133)</u>	<u>810,665</u>
Total	<u>17,259,125</u>	<u>17,090,361</u>	<u>(7,661,076)</u>	<u>(5,703,137)</u>	<u>(1,918,146)</u>	<u>1,808,002</u>
2013						
Direct Insurance						
Accident and health	698,150	682,309	(304,133)	(305,112)	(33,803)	39,261
Motor (third party liability)	95,645	71,414	(44,011)	(28,403)	1,184	184
Motor (other classes)	1,162,500	1,188,969	(906,527)	(456,986)	45,515	(129,029)
Marine, aviation and Transport	2,005,070	2,080,175	(816,178)	(714,770)	(206,086)	343,141
Fire and other damage to property	4,137,717	4,139,444	(1,545,401)	(1,489,379)	(693,029)	411,635
Third party liability	2,898,347	2,716,096	(1,647,380)	(1,094,424)	40,732	15,024
Credit and suretyship	308,303	314,589	(61,432)	(103,405)	(43,611)	106,141
Legal expenses	60,987	58,562	(21,798)	(31,572)	(2,866)	2,326
Miscellaneous	32,413	34,825	(17,425)	(16,833)	(417)	150
	<u>11,399,132</u>	<u>11,286,383</u>	<u>(5,364,285)</u>	<u>(4,240,884)</u>	<u>(892,381)</u>	<u>788,833</u>
Reinsurance	<u>5,050,591</u>	<u>4,947,281</u>	<u>(1,535,067)</u>	<u>(1,356,810)</u>	<u>(1,166,400)</u>	<u>889,004</u>
Total	<u>£16,449,723</u>	<u>£16,233,664</u>	<u>£(6,899,352)</u>	<u>£(5,597,694)</u>	<u>£(2,058,781)</u>	<u>£1,677,837</u>

Following the acquisition of 100% of the interest in John Stevens LLP, D S Adams LLP and Ashmore UTG LLP, the Group has split the presentation of the Balance on the Technical Account for General Business between continuing business and the amounts attributable to this acquisition.

6. Taxation	2014	2013
Analysis of Charge in Year		
Corporation tax:		
UK corporation tax on profit of the year	21,532	-
Prior year adjustment	-	(64,192)
Overseas taxation	15,788	12,020
	<u>37,320</u>	<u>(52,172)</u>
Deferred tax:		
Origination and reversal of timing differences at 20% (2013 – 20%)	221,090	273,678
2013 change in tax rate from 23% to 20% (no change in 2014)	-	(41,209)
	<u>221,090</u>	<u>232,469</u>
Total tax charge	<u>£258,410</u>	<u>£180,297</u>

Factors affecting tax charge for year

The tax assessed for the year is different to the standard rate of corporation tax in the UK (21.5%). The differences are explained below:

Profit on ordinary activities before tax	£1,646,726	£1,445,515
	<u>1,646,726</u>	<u>1,445,515</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 – 23.25%)	354,046	336,082
Effects of:		
Permanent disallowance	-	-
Other taxable income	-	4,688
Timing difference on underwriting profits	(332,514)	(357,679)
Foreign tax paid	15,788	12,020
Losses carried back	-	16,909
Marginal relief	-	-
Prior year adjustment	-	(64,192)
	<u>£37,320</u>	<u>£ (52,172)</u>
Current tax charge for year	<u>£37,320</u>	<u>£ (52,172)</u>

Factors that may affect future tax charges

The results of the Group's participation on the 2012, 2013 and 2014 years of account and the calendar year movement on 2011 and prior run-offs, will not be assessed to tax until the year ended 31 December 2015, 2016 and 2017 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account. In addition, tax only Claims Equalisation Reserves (CER) may further affect the timing of the taxation of underwriting profits. At 31 December 2014 the Group had a CER of £1,768,190 (2013 - £1,296,815) which will be subject to UK corporation tax as it is released in future years.

7. Dividends	2014	2013
Equity dividends declared and paid	£644,512	£910,251
	<u> </u>	<u> </u>
8. Intangible Assets		
Purchased		
	Goodwill on	Syndicate
	Consolidation	Capacity
Cost		
At 1 January 2014	25,789	2,794,108
Additions	-	121,990
On acquisition of subsidiaries	32,197	641,308
Disposals	-	(2,268)
	<u> </u>	<u> </u>
At 31 December 2014	57,986	3,555,138
	<u> </u>	<u> </u>
Amortisation		
At 1 January 2014	(3,123)	(2,114,699)
Provided during the year	(5,784)	(543,506)
Disposals	-	2,268
	<u> </u>	<u> </u>
At 31 December 2014	(8,907)	(2,655,937)
	<u> </u>	<u> </u>
Net Book Value		
At 31 December 2014	£49,079	£899,201
	<u> </u>	<u> </u>
At 31 December 2013	£22,666	£679,409
	<u> </u>	<u> </u>

9. Investments

Company	2014	2013
	Subsidiary	Subsidiary
	Undertakings	Undertakings
Investment		
At 1 January	25,895	6
Additions/(disposals) in subsidiaries (Note 28)	32,197	25,789
Intergroup transfers	(25,791)	-
Other additions in year	-	100
	<u> </u>	<u> </u>
At 31 December	£32,301	£25,895
	<u> </u>	<u> </u>

Talisman Underwriting Plc owns the entire ordinary share capital of Talisman Corporate Underwriting Limited, Talisman Corporate Underwriting 1999 Limited, Talisman Corporate Underwriting 2000 Limited and Talisman Corporate Limited. During the year Talisman Underwriting Plc became the corporate member of D S Adams LLP and Ashmore UTG LLP. During the year Talisman Corporate Limited became the corporate member of Seven Underwriting Limited and John Stevens Limited. All these companies underwrite insurance business through the Lloyd's market. They are all registered in England and Wales.

10. Investments

Group

Other Financial Investments - Syndicate	2014		2013	
	Market value	Cost	Market value	Cost
Shares and other variable yield securities and units in unit trusts	2,472,554	2,415,348	1,728,155	1,707,634
Debt securities and other fixed income securities	18,083,011	18,105,424	15,237,923	15,330,670
Participation in investment pools	455,246	407,701	721,795	691,600
Loans secured by mortgages	51,555	51,321	80,781	80,256
Other loans	131,114	131,105	9,921	9,920
Deposits with credit institutions	137,130	136,542	108,576	108,576
Overseas deposits	206,974	202,182	171,128	169,081
Other	56,775	26,167	7,027	6,071
	<u>£21,594,359</u>	<u>£21,475,790</u>	<u>£18,065,306</u>	<u>£18,103,808</u>

11. Debtors arising out of Direct Insurance and Reinsurance Operations

	2014			2013		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Direct insurance operations						
Policyholders	15,575	-	15,575	14,185	-	14,185
Intermediaries	3,871,055	-	3,871,055	3,206,471	-	3,206,471
	<u>£3,886,630</u>	<u>£-</u>	<u>£3,886,630</u>	<u>£3,220,656</u>	<u>£-</u>	<u>£3,220,656</u>
Reinsurance operations	4,468,042	-	4,468,042	3,223,538	-	3,223,538
	<u>£4,468,042</u>	<u>£-</u>	<u>£4,468,042</u>	<u>£3,223,538</u>	<u>£-</u>	<u>£3,223,538</u>

Debtors arising out of direct and reinsurance operations includes £15,575 (2013 - £19,427) and £1,856,611 (2013 - £1,416,937) respectively which is due after more than one year.

12. Other Debtors

Group	2014			2013		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Corporation tax	-	43,333	43,333	-	42,648	42,648
Other	1,876,778	343,999	2,220,777	1,464,705	152,616	1,617,321
	<u>£1,876,778</u>	<u>£387,332</u>	<u>£2,264,110</u>	<u>£1,464,705</u>	<u>£195,264</u>	<u>£1,659,969</u>

13. Cash at Bank and in Hand

	2014			2013		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Lloyd's deposit	-	2,512,202	2,512,202	-	1,774,970	1,774,970
Cash at bank	910,563	3,013,845	3,924,408	914,792	3,901,404	4,816,196
	<u>£910,563</u>	<u>£5,526,047</u>	<u>£6,436,610</u>	<u>£914,792</u>	<u>£5,676,374</u>	<u>£6,591,166</u>

The Lloyd's deposit represents monies deposited with the Corporation of Lloyd's (Lloyd's) to support the Group's underwriting activities as described in the Accounting Policies. The Company's subsidiaries have entered into Lloyd's Deposit Trust Deeds which give the Corporation the right to apply these monies in settlement of any claims arising from the participation on the Syndicates. These monies can only be released from the provision of these Deeds with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset, or after the expiration of the Group's liabilities in respect of its underwriting.

14. Called-up Share Capital

	2014	2013
	Allotted, called-up and fully paid	Allotted, called-up and fully paid
Ordinary A shares of 25p each	3,058,565	2,950,480
Ordinary B shares of 10p each	1,088	1,128
	<u>£3,059,653</u>	<u>£2,951,608</u>

15. Profit and Loss Account

Group	2014		
	Syndicate Participation	Corporate	Total
Retained profit brought forward	1,648,335	438,726	2,087,061
Profit/(loss) for the financial year	2,180,478	(792,162)	1,388,316
Dividends	-	(644,512)	(644,512)
Transfer	(974,235)	974,235	-
	<u>£2,854,578</u>	<u>£(23,713)</u>	<u>£2,830,865</u>

15. Profit and Loss Account (continued)

Company	2014	2013
Retained profit brought forward	70,410	973,478
Profit or loss for the financial year	2,003,950	7,183
Dividends paid	(644,512)	(910,251)
	<hr/>	<hr/>
Retained profit carried forward	£1,429,848	£70,410
	<hr/> <hr/>	<hr/> <hr/>

No profit and loss account is presented for Talisman Underwriting Plc as provided by section 408 of the Companies Act 2006.

16. Reconciliation of Movements in Shareholders' Funds

Group	Share premium account	Profit and Loss account	A ordinary share capital	B ordinary share capital	Total
At 1 January 2014	1,340,976	2,087,061	2,950,481	1,127	6,379,645
Issue of 432,334 ordinary A shares of 25p each	216,167	-	108,084	-	324,251
Issue of 160 ordinary B shares of 10p each	-	-	-	16	16
Cancellation of Ordinary B shares	-	-	-	(55)	(55)
Retained profit for the year	-	1,388,316	-	-	1,388,316
Dividends	-	(644,512)	-	-	(644,512)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	£1,557,143	£2,830,865	£3,058,565	£1,088	£7,447,661
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Company					
At 1 January 2014	1,340,976	70,410	2,950,481	1,127	4,362,994
Issue of 432,334 ordinary A shares of 25p each	216,167	-	108,084	-	324,251
Issue of 160 ordinary B shares of 10p each	-	-	-	16	16
Cancellation of Ordinary B shares	-	-	-	(55)	(55)
Retained profit for the year	-	2,003,950	-	-	2,003,950
Dividends	-	(644,512)	-	-	(644,512)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	£1,557,143	£1,429,848	£3,058,565	£1,088	£6,046,644
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

17. Deferred Taxation

	2014	2013
Opening balance – Deferred Tax liability	598,085	315,936
On acquisition of subsidiaries	177,981	49,680
Profit and loss account charge for the financial year	221,090	232,469
	<hr/>	<hr/>
Closing balance – Deferred Tax liability	£997,156	£598,085
	<hr/> <hr/>	<hr/> <hr/>
Deferred tax consists of the following items:		
Underwriting profits not subject to current taxation	508,020	338,662
Claims Equalisation reserve	353,638	259,423
Other timing differences	135,498	-
	<hr/>	<hr/>
	£997,156	£598,085
	<hr/> <hr/>	<hr/> <hr/>

Deferred tax has been calculated using a tax rate of 20% (2013 – 20%).

18. Creditors arising out of Direct Insurance and Reinsurance Operations

	2014			2013		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Direct insurance operations						
Falling due within						
one year	493,511	-	493,511	354,845	-	354,845
Due after one year	3,108	-	3,108	4,769	-	4,769
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	£496,619	£-	£496,619	£359,614	£-	£359,614
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reinsurance operations						
Falling due within						
one year	2,028,281	-	2,028,281	1,451,034	-	1,451,034
Due after one year	555,246	-	555,246	482,459	-	482,459
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	£2,583,527	£-	£2,583,527	£1,933,493	£-	£1,933,493
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

19. Other Creditors

Group	2014			2013		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Corporation tax	-	22,223	22,223	-	-	-
Other	2,289,528	943,987	3,233,515	1,725,588	1,080,549	2,806,137
Syndicates	(150,350)	150,350	-	(81,515)	81,515	-
	<u>£2,139,178</u>	<u>£1,116,560</u>	<u>£3,255,738</u>	<u>£1,644,073</u>	<u>£1,162,064</u>	<u>£2,806,137</u>

Company	2014	2013
Amount due to group undertakings	-	342,783
Other	970,639	962,849
Deferred taxation	109,636	25,381
	<u>£1,080,275</u>	<u>£1,331,013</u>

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

	2014	2013
Operating profit	1,646,726	1,445,515
Interest – non technical account	(3,907)	(18,825)
(Decrease)/Increase in creditors	(44,207)	90,229
Increase in debtors	106,302	14,034
Underwriting profit	(2,180,478)	(1,920,528)
Closed year release of profit from syndicates	974,235	459,070
Amortisation of goodwill	5,784	3,123
Amortisation of negative goodwill	(983)	-
Amortisation of syndicate capacity	543,506	347,104
	<u>£1,046,978</u>	<u>£419,722</u>

21. Movement in Cash

	At 01.01.14	Cash flow in year	At 31.12.14
Lloyd's deposit	1,774,970	737,232	2,512,202
Cash at bank	3,901,404	(887,559)	3,013,845
	<u>£5,676,374</u>	<u>£(150,327)</u>	<u>£5,526,047</u>

Major non-cash transactions:

Part of the consideration for the purchases of subsidiary undertakings that occurred during the year comprised of 279,000 Ordinary A shares issued. Further details of the acquisitions are set out in Note 28.

22. Related Parties

The following dividends were paid to the Directors:

	2014	2013
Peter Steel	£16,377	£28,205
Robert Eaton	£2,098	£1,767
David Monksfield	£360	£620
Paul Sandilands	£12,177	£19,557

23. Loan Stock

In order to support the Group's underwriting activities, the Company has issued the following loan stock:

	Original Issue Nil paid	Called and Cancelled	Balance Nil Paid
	£	£	£
'B' loan stock 2000	2,037,796	1,967,804	69,992
'B' loan stock 2001	2,223,778	1,950,805	272,973
'B' loan stock 2002	2,051,795	1,706,830	344,965
'C' loan stock 2000	299,970	299,970	-
'C' loan stock 2001	170,983	161,986	8,997
'C' loan stock 2002	124,988	74,993	49,995
'C' loan stock 2004	215,775	140,511	75,264
'C' loan stock 2005	1,279,934	304,414	975,520
'C' loan stock 2006	436,325	32,541	403,784
'C' loan stock 2008	417,980	117,566	300,414
'C' loan stock 2010	53,185	-	53,185
'C' loan stock 2011	200,164	-	200,164
'C' loan stock 2011	129,776	-	129,776
'C' loan stock 2012	389,935	-	389,935
'C' loan stock 2014	773,271	-	773,271
'C' loan stock 2015	50,392	-	50,392
'C' loan stock 2016	1,196,210	-	1,196,210
'C' loan stock 2017	119,984	-	119,984

Any loan stock called has been converted to 'A' shares.

The loan stockholders are obliged to make funds, equivalent to the par value of the loan stock, available to Lloyd's to support the group's underwriting.

24. Syndicate Participation

The Group is or was an Underwriting Member of the following Syndicates:

No.	Managing Agent	2015 Allocated Capacity £'000	2014 Allocated Capacity £'000	2013 Allocated Capacity £'000	2012 Allocated Capacity £'000
33	Hiscox Syndicates Limited	2,500	2,452	2,071	2,071
218	Equity Syndicate Management Limited	963	1,173	1,125	1,125
318	Beaufort Underwriting Agency Limited	705	675	657	657
386	QBE Underwriting Limited	1,503	1,710	1,458	1,358
510	R J Kiln & Co Limited	4,005	3,840	3,370	3,289
557	R J Kiln & Co Limited	-	27	-	-
609	Atrium Underwriters Limited	2,194	2,088	1,700	1,700
623	Beazley Furlonge Limited	1,333	1,367	1,153	1,100
727	S A Meacock & Co Limited	353	328	328	328
958	Canopus Managing Agents Limited	950	881	943	1,200
1884	Charles Taylor Managing Agents Limited	200	-	-	-
1969	ANV Syndicates Limited	282	47	-	-
1991	R&Q Managing Agency Limited	110	29	-	-
2010	Cathedral Underwriting Limited	1,257	1,347	1,125	1,000
2121	Argenta Syndicate Management Limited	771	711	550	514
2525	Asta Syndicate Management Limited	109	109	59	-
2791	Managing Agency Partners Limited	1,677	1,828	1,750	1,750
4020	Ark Syndicate Management Limited (*)	-	-	-	588
6103	Managing Agency Partners Limited (*)	27	23	-	-
6104	Hiscox Syndicates Limited (*)	250	190	100	-
6105	Ark Syndicate Management Limited (*)	671	621	327	-
6106	Amlin Special Purpose Syndicate (*)	-	-	100	100
6111	Catlin Special Purpose Syndicate (*)	1,072	992	750	500
		<u>£20,932</u>	<u>£20,438</u>	<u>£17,566</u>	<u>£17,280</u>

(*) On a Limited Tenancy Basis

26. Funds at Lloyd's

In addition to the funds held in the Lloyd's Deposit (see Note 13) the Group's Lloyd's underwriting is supported by bank guarantees from the loan note holders of £5,421,819 (2013 - £5,208,332).

27. Ultimate Controlling Party

In the opinion of the Directors there is no ultimate controlling party of the Group.

28. Acquisitions

Acquisition of John Stevens LLP

On 8 January 2014 Talisman Corporate Ltd became a 100% corporate partner in John Stevens LLP for a total consideration of £418,430. The total adjustment required to the book values of the assets and liabilities of John Stevens LLP in order to present the net assets at fair values and in accordance with group accounting principles was £278,234, details of which are set out below. The purchase has been accounted for as an acquisition.

John Stevens LLP contributed £130,056 to the Group's profit after tax. In its last financial year, to 31 December 2013, John Stevens LLP made a profit after tax of £103,745.

	Book and fair values		
	Book Value	Fair Value Uplift	Fair Value
	£	£	£
Syndicate Capacity	5,913	383,087	389,000
Underwriting profits due from Syndicates	161,861	-	161,861
Debtors	336	-	336
Creditors	(26,931)	-	(26,931)
Deferred tax	-	(104,853)	(104,853)
	_____	_____	_____
Net assets acquired	141,179	278,234	419,413
	_____	_____	
Gain on bargain purchase			(983)

Consideration			£418,430
			=====
Consideration satisfied by:			
Cash			418,430

			£418,430
			=====

The accounting for the acquisition has been completed.

The revaluation of the capacity reflects its fair value according to the latest auction price at the time of acquisition.

Acquisition of D S Adams LLP

On 25 November 2014 Talisman Underwriting Plc became a 100% corporate partner in D S Adams LLP for a total consideration of £212,915. The total adjustment required to the book values of the assets and liabilities of D S Adams LLP in order to present the net assets at fair values and in accordance with group accounting principles was £129,832, details of which are set out below. The purchase has been accounted for as an acquisition.

D S Adams LLP contributed £3,523 to the Group's profit after tax. In its last financial year, to 31 December 2013, D S Adams LLP made a profit after tax of £32,351.

	Book and fair values		
	Book Value	Fair Value Uplift	Fair Value
	£	£	£
Syndicate Capacity	997	180,154	181,151
Underwriting profits due from Syndicates	85,830	-	85,830
Creditors	(22,155)	-	(22,155)
Deferred tax	-	(48,965)	(48,965)
	—————	—————	—————
Net assets acquired	64,672	131,189	195,861
	—————	—————	
Goodwill			17,054
			—————
Consideration			£212,915
			=====
Consideration satisfied by:			
Cash			75,665
183,000 Ordinary A Shares of 25p each			137,250
			—————
			£212,915
			=====

The accounting for the acquisition has been completed.

The revaluation of the capacity reflects its fair value according to the latest auction price at the time of acquisition.

Acquisition of Ashmore UTG LLP

On 26 November 2014 Talisman Underwriting Plc became a 100% corporate partner in Ashmore UTG LLP for a total consideration of £111,795. The total adjustment required to the book values of the assets and liabilities of Ashmore UTG LLP in order to present the net assets at fair values and in accordance with group accounting principles was £9,741, details of which are set out below. The purchase has been accounted for as an acquisition.

Ashmore UTG LLP contributed £(63) to the Group's profit after tax. In its last financial year, to 31 December 2013, Ashmore UTG LLP made a loss after tax of £(4,219).

	Book and fair values		
	Book Value	Fair Value Uplift	Fair Value
	£	£	£
Syndicate Capacity	37,902	33,255	71,157
Underwriting profits due from Syndicates	46,415	-	46,415
Debtors	3,243	-	3,243
Deferred tax	-	(24,163)	(24,163)
	_____	_____	_____
Net assets acquired	87,560	9,092	96,652
	_____	_____	_____
Goodwill			15,143

Consideration			£111,795
			=====
Consideration satisfied by:			
Cash			39,795
96,000 Ordinary A Shares of 25p each			72,000

			£111,795
			=====

The accounting for the acquisition has been completed.

The revaluation of the capacity reflects its fair value according to the latest auction price.