Argenta

Argenta Holdings plc

Financial Statements

31 December 2014

Company registration number: 4973117

CONTENTS	PAGE

Company Information
For the year ended 31 December 2014

Directors	Mr A J D Locke	(Chairman)	
	Mr G K Allen		
	Mr A J Annandale		
	Mr P Hunt		(Resigned 31 January 2014)
	Mr I M Maguire		
	Mr G J White		
	Wren Properties Limited		
Company Secretary	Mr C J R Fairs		
Registered Office	Fountain House 130 Fenchurch Street London EC3M 5DJ		
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF		
Bankers	Coutts & Co 440 Strand London WC2R 0QS		

The Directors present the Strategic Report of Argenta Holdings plc and its subsidiaries ("the Group") for the year ended 31 December 2014.

Review of the business

Argenta Holdings plc ("AH") is the holding company of two specialised Lloyd's vehicles, Argenta Private Capital Limited ("APCL") and Argenta Syndicate Management Limited ("ASML"), both authorised by Lloyd's and the Financial Conduct Authority ("FCA"). ASML is also authorised by the Prudential Regulation Authority ("PRA").

APCL is a Lloyd's adviser and Members' Agent advising both individual and corporate members of Lloyd's on their underwriting affairs with aggregate capacity under management of £1.38bn for the 2014 year of account which remained broadly stable at £1.36bn for the 2015 year of account.

ASML is a Lloyd's Managing Agency which manages Lloyd's syndicates for the 2015 and 2014 years of account with aggregate capacity of approximately £450m and £420m respectively. ASML was the managing agent throughout the year of the active Syndicates 1110 and 2121. In addition, ASML also managed the affairs of Syndicate 1965 which ceased trading and was put into run-off on 22 November 2011. The underwriting capacity of the syndicates for the 2012 to 2015 years of account is shown in the table below.

Syndicate	2015 £million	2014 £million	2013 £million	2012 £million
1110	210	180	110	80
2121	240	240	200	200
	450	420	310	280

AH is also the holding company for ten Lloyd's Corporate Members of which seven participated directly on Syndicate 2121 for the 2014 year of account (2013: 6). These Corporate Members are known collectively as the Argenta Underwriting Vehicles ("AU's").

The capacity of the AU's is supported by capital from AH and from third parties. The beneficial interest of AH in the 2014 year of account was £86.7m (2013: £70.1m).

The other key subsidiary of AH is Argenta Tax & Corporate Services Limited ("ATCSL"), which has been offering tax compliance and planning services to individual and corporate clients for over 25 years.

Financial highlights

The Group is pleased to report a profit before taxation for the year ended 31 December 2014 of £16.1m (2013: £7.3m), on total income of £34.6m (2013: £24.0m). This represents an increase in total income of 44% on the previous year. The year has benefited from the higher level of profit commission generated by the 2012 underwriting year of account compared to that for the 2011 year of account. The increase in the beneficial interest of AH in the underwriting of the AU's which had a combined ratio of 85% has also generated a higher balance on the general business technical account.

The net assets of the Group have strengthened over the position as at 31 December 2013 from £25.4m to £38.5m as at 31 December 2014.

The profit before taxation of the principal operations within the Group is shown below:

	2014 £000	2013 £000
Argenta Holdings plc (consolidated)		
Balance on the general business Technical Account	11,464	6,159
Non-Technical Account Income	23,155	17,818
Profit before taxation	16,065	7,320
Net Assets	38,548	25,417
Argenta Private Capital Limited		
Managed Underwriting Capacity	1,377,000	1,263,000
Management Fees	7,397	7,534
Profit Commission	4,711	2,468
Profit before taxation	3,942	2,342

Financial highlights (continued)

	2014 £000	2013 £000
Argenta Syndicate Management Limited		
Managed Syndicate Capacity	420,000	310,000
Management Fees	2,803	2,586
Profit Commission	5,520	2,118
Profit before taxation	5,967	2,923

Financial performance during the year

The profit on ordinary activities after taxation amounted to £13.1m (2013: £5.8m).

Future Developments

The capacity under management for APCL remained broadly stable at £1.36bn and the underwriting capacity of ASML rose to £450m for the 2015 year of account. Syndicate 1110 was managed under a turnkey agreement whilst its capital provider sought regulatory approval for its own managing agency. Responsibility for the management of Syndicate 1110 transferred to the new managing agent on 5 March 2015 other than in respect of the preparation of the year end 31 December 2014 syndicate financial statements. An orderly run-off of Syndicate 1965 has been conducted since it ceased trading and all the open years of the Syndicate were successfully reinsured to close into a third party syndicate with effect from 31 December 2014. The Group continues to support Syndicate 2121 for the 2015 account with the effective capacity supported by the Group funds being £54.7m. A key strategic objective remains to grow Syndicate 2121 subject always to market conditions.

Principal risks and uncertainties

The most significant risks to the Group reside within the principal operating subsidiaries. The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls across the Group. All policies are subject to on-going review by management, risk management and internal audit as appropriate. Compliance with regulatory, legal and ethical standards is a high priority for the Group and the risk, compliance and finance teams take on an important oversight role in this regard.

Within the underwriting business the Group is exposed to a variety of financial and non-financial risks. These risks, which shape the risk management strategy adopted, are integral to the capital setting process that is undertaken to ensure that there is an appropriate level of capital held in respect of the insurance liabilities. The Own Risk and Solvency Assessment undertaken in respect of underwriting operations reflects the risk profile of the business as well as the business strategy. Risks are managed through the risk management framework in order to ensure that the risk profile of the business is fully understood and can be monitored against the agreed risk appetite. The risk management strategy is designed to manage the capital requirements to ensure the Group has the financial strength and capital adequacy to support the growth of the business and to meet the requirements of policyholders and regulators.

The principal risks from the general insurance business arising from the insurance risk category relate to the fluctuations in the timing, frequency and severity of claims compared to expectations; the quality of risk selection; the appropriateness of the reinsurance protection purchased; and the adequacy of the reserves established. Operational risk is inherent in this risk category as is also the case for all other risk categories.

In addition the Group is exposed to financial risks. These risks are discussed in the financial instruments and risk management section below.

Financial instruments and risk management

Other significant risks that the Group is exposed to arise from the categories of market risk, liquidity risk and credit risk.

Market risk is partly mitigated by a predominantly fixed income investment strategy designed to mitigate exposure to potential losses from movement in exchange rates, interest rates or inflation. The business has a low appetite for market risk and as such there is a requirement to hold mainly high grade fixed income investments. Assets are periodically matched with liabilities in the principal functional currencies to the extent that funds permit.

Liquidity risk is the risk that there will be insufficient available cash resources to meet liabilities as they fall due. Management information is used to enable the effective monitoring of the liquidity risk framework in line with the agreed procedures and governance arrangements.

Business conducted by the Group with its counterparties naturally gives rise to credit risk. The potential for losses arising from a counterparty failing to fulfil its contracted payment obligations is managed by strict control procedures including the monitoring of the ageing of debt and the approval of significant counterparties.

BY ORDER OF THE BOARD

Mr C J R Fairs
Company Secretary

Fountain House
130 Fenchurch Street
London EC3M 5DJ

19 June 2015

Directors' Report
For the year ended 31 December 2014

The Directors submit their annual report and the audited financial statements of the Group for the year ended 31 December 2014. The company registration number is 4973117.

After making enquiries, the Directors have an expectation that the Group has adequate resources to continue to trade for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Dividend

The results for the Group for the year are shown on page 10. The Directors do not propose the payment of a dividend (2013: Nil).

Board of Directors

The names of the current Directors, who have all held office during the year from 1 January 2014 up to the date of this report, unless stated otherwise, are set out on page 2.

Directors' and Officers' insurance

The Group continued to have Directors' and Officers' insurance in place during the year.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, Directors' Report and the 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 judgements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and 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.

Disclosure of information to auditors

Under the Companies Act 2006, we can confirm that:

- so far as we are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- we have taken all the steps that we ought to have taken as Directors in order to make us aware of any relevant information and to establish that the Company's auditor is aware of that information.

Auditors

It is proposed that Ernst & Young LLP remain as the Company's auditor for the year ended 31 December 2015.

BY ORDER OF THE BOARD

Mr C J R Fairs
Company Secretary

Fountain House
130 Fenchurch Street
London EC3M 5DJ

19 June 2015

Independent Auditor's Report to the Members of Argenta Holdings plc

We have audited the financial statements of Argenta Holdings plc for the year ended 31 December 2014 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 28. 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 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 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 Group's and the parent 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 financial statements 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's and of 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 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 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.

Ernst & Young LLP

Michael Purrington (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 19 JUNE 2015

Argenta Holdings plc

Consolidated Profit and Loss Account
For the year ended 31 December 2014

TECHNICAL ACCOUNT - GENERAL BUSINESS	Notes	2014 £000	2013 £000
Earned premiums, net of reinsurance			
Gross premiums written	3	116,075	121,139
Outward reinsurance premiums		(20,746)	(22,500)
Net premiums written		95,329	98,639
Change in provision for unearned premiums			
Gross amount		(1,166)	(7,081)
Reinsurers' share		707	1,856
		(459)	(5,225)
Earned premiums net of reinsurance		94,870	93,414
Allocated investment return transferred from the non-technical account		885	806
Total technical income		95,755	94,220
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(51,907)	(56,269)
Reinsurers' share		12,940	13,757
		(38,967)	(42,512)
Change in the provision for claims:			
Gross amount		5,490	9,825
Reinsurers' share		(7,150)	(11,076)
		(1,660)	(1,251)
Claims incurred, net of reinsurance		(40,627)	(43,763)
Net operating expenses	4	(38,186)	(40,119)
Amounts payable under participation deeds		(5,478)	(4,179)
Balance transferred to the non-technical account		11,464	6,159

Argenta Holdings plc

Consolidated Profit and Loss Account
For the year ended 31 December 2014

NON-TECHNICAL ACCOUNT	Notes	2014 £000	2013 £000
Balance on the general business technical account		11,464	6,159
Investment income	5	1,234	1,823
Unrealised gains on investments		364	190
Investment expenses and charges	6	(362)	(416)
Unrealised losses on investments		(285)	(408)
Allocated investment return transferred to the general business technical account		(885)	(806)
Income from other activities	7	23,089	17,435
Total income		34,619	23,977
Interest payable		(7)	(2)
Operating expenses		(18,547)	(16,655)
Profit on ordinary activities before tax	8	16,065	7,320
Tax on profit on ordinary activities	11	(2,934)	(1,481)
Profit on ordinary activities after tax	18	13,131	5,839

Revenue and operating profits are derived wholly from continuing operations.

There are no recognised gains and losses in the accounting period other than those dealt with in the technical and non-technical accounts. Accordingly, a separate statement of total recognised gains and losses has not been presented.

The notes on pages 15 to 31 form part of these financial statements.

Argenta Holdings plc

Consolidated Balance Sheet
As at 31 December 2014

	Notes	2014 Syndicate £000	2014 Other £000	2014 Total £000	2013 Syndicate £000	2013 Other £000	2013 Total £000
ASSETS							
Intangible assets	12	-	-	-	-	85	85
Tangible Fixed assets	13	-	87	87	-	172	172
Investments							
Other Investments		-	90	90	-	90	90
Financial investments	14	111,742	-	111,742	81,650	-	81,650
Deposits with ceding undertakings		40	-	40	6	-	6
		111,782	90	111,872	81,656	90	81,746
Reinsurers' share of technical provisions							
Claims outstanding		23,181	-	23,181	24,425	-	24,425
Provision for unearned premiums		2,792	-	2,792	2,168	-	2,168
		25,973	-	25,973	26,593	-	26,593
Debtors: Due within one year							
Debtors arising out of direct insurance operations		26,562	-	26,562	28,758	-	28,758
Debtors arising out of reinsurance operations		1,657	-	1,657	4,840	-	4,840
Other debtors	16	11,153	17,311	28,464	8,117	6,974	15,091
		39,372	17,311	56,683	41,715	6,974	48,689
Debtors: Due after one year							
Debtors arising out of direct insurance operations		47	-	47	39	-	39
Other debtors		1,210	-	1,210	1,076	-	1,076
		1,257	-	1,257	1,115	-	1,115
Other assets							
Cash at bank and in hand	27	633	20,360	20,993	655	19,964	20,619
Other		5,993	-	5,993	8,061	-	8,061
		6,626	20,360	26,986	8,716	19,964	28,680
Prepayments and accrued income							
Accrued interest		77	-	77	54	119	173
Other prepayments and accrued income		717	2,782	3,499	406	107	513
Deferred acquisition costs		14,733	-	14,733	14,660	-	14,660
		15,527	2,782	18,309	15,120	226	15,346
TOTAL ASSETS		200,537	40,630	241,167	174,915	27,511	202,426

Argenta Holdings plc

Consolidated Balance Sheet
As at 31 December 2014

		2014			2013		
	Notes	Syndicate £000	Other £000	Total £000	Syndicate £000	Other £000	Total £000
LIABILITIES							
Capital and reserves							
Called up share capital	17	-	271	271	-	271	271
Profit and loss account	18	11,464	26,813	38,277	7,034	18,112	25,146
Total shareholders' funds	19	11,464	27,084	38,548	7,034	18,383	25,417
Technical provisions							
Claims outstanding		102,945	-	102,945	92,524	-	92,524
Provision for unearned premiums		52,372	-	52,372	53,919	-	53,919
		155,317	-	155,317	146,443	-	146,443
Creditors: Due within one year							
Creditors arising out of direct insurance operations		951	-	951	857	-	857
Creditors arising out of reinsurance operations		5,929	-	5,929	6,253	-	6,253
Other creditors including taxation and social security	20	25,561	5,314	30,875	13,479	2,187	15,666
		32,441	5,314	37,755	20,589	2,187	22,776
Creditors: Due after one year							
Other creditors		1	-	1	1	-	1
Provision for liabilities	21	-	1,208	1,208	-	822	822
Accruals and deferred income		1,314	7,024	8,338	848	6,119	6,967
TOTAL LIABILITIES		200,537	40,630	241,167	174,915	27,511	202,426

The notes on pages 15 to 31 form part of these financial statements.

Company Balance Sheet
As at 31 December 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Investments	15	8,408	8,402
Current assets			
Amounts due from group undertakings		14,412	2,699
Other debtors	16	10,809	5,383
Prepayments and accrued income		6	6
Cash at bank and in hand		1,351	14,218
		26,578	22,306
Creditors: Due within one year			
Amounts due to group undertakings		66	1,545
Other creditors including taxation and social security	20	703	849
Accruals and deferred income		1,163	1,087
		1,932	3,481
Total assets less current liabilities		33,054	27,227
Net assets		33,054	27,227
Capital and reserves			
Called up share capital	17	271	271
Profit and loss account	18	32,783	26,956
Total shareholders' funds	19	33,054	27,227

The notes on pages 15 to 31 form part of these financial statements.

The financial statements on pages 9 to 31 were approved and authorised for issue by the Board of Directors on 19 June 2015 and signed on its behalf by:

Mr A J Annandale
Director

Consolidated Cash Flow Statement
For the year ended 31 December 2014

	Notes	2014 £000	2013 £000
OPERATING ACTIVITIES			
Net cash inflow from ordinary activities	22 (a)	2,580	1,362
Return on investments and servicing of finance			
Interest received		65	398
Interest paid		(7)	(1)
		58	397
Taxation		(2,242)	(493)
Net cash inflow		396	1,266
CASH FLOWS WERE INVESTED AS FOLLOWS			
Increase in cash holdings	22 (b)	396	1,266

1. Basis of preparation

The Group financial statements have been prepared in accordance with Paragraph 9 and Part 1 of Schedule 6 (as modified by Part 3) to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (LMCR) relating to insurance groups.

The financial statements have also been prepared in accordance with applicable United Kingdom accounting standards and comply with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 as revised in December 2006, ("the ABI SORP"), except as follows: exchange gains and losses on syndicate transactions have been included in the technical account as they are considered to arise only in respect of technical account transactions. The ABI SORP recommends that they should be included in the non-technical account.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of the company and its subsidiary undertakings up to the year end. The results of subsidiary undertakings are consolidated from the date of acquisition to the date of disposal. No individual profit and loss account is presented for the company, as permitted by S408 of the Companies Act 2006.

(b) Recognition of insurance transactions

The company is required to recognise its proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates ("the syndicates").

For each such syndicate, the company's proportion of the underwriting transactions, investment return and operating expenses, will be reflected within the company's profit and loss account. Similarly, its proportion of the syndicate's assets and liabilities will be reflected in its balance sheet (under the 'syndicate' column). The syndicate assets are held subject to trust deeds for the benefit of the company's insurance creditors.

The proportion referred to above is calculated by reference to the company's participation as a percentage of the syndicate's total capacity.

The company has delegated sole management and control of its underwriting through each syndicate to the managing agent of the syndicate ("the managing agent") and it has further undertaken not to interfere with the exercise of such management and control. The managing agents of the syndicates are therefore responsible for determining the insurance transactions to be recognised by the company.

(c) Sources of data

The information used to compile the technical account and the syndicate balance sheet is based on returns prepared for this purpose by the managing agents of the syndicates ("the returns"). These returns are subject to audit by the syndicate auditors and are based on the audited syndicate returns to Lloyd's and the audited annual reports to syndicate members.

The format of the returns is established by Lloyd's and Lloyd's is also responsible for collating the data at a syndicate level and analysing it into corporate member level results.

2. Accounting policies

(a) Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial investments, and have been prepared on an annual basis of accounting, whereby the incurred cost of claims, commissions and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

2. Accounting policies (continued)

(i) Premiums written

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

Premiums written by a syndicate may also include the reinsurance of other insurance carriers on which the company participates. Gross premiums written may include an amount in respect of a "reinsurance to close" receivable (see (d) below).

(ii) Unearned premiums

Written premiums are earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

(iii) Reinsurance premiums ceded

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Outward reinsurance premiums may include an amount in respect of a "reinsurance to close" payable (see (d) below).

(iv) Claims incurred

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the balance sheet date but not reported until after the year end. Claims outstanding are reduced by anticipated salvage and other recoveries.

(v) Claims provisions and related recoveries

The provision is based on the returns and reports from the managing agents and the company's licensed adviser supplemented by additional statistical methods when appropriate.

The provision for claims information supplied by managing agents comprises amounts set aside for claims notified and claims incurred but not reported (IBNR).

Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the staff, and reviewed by external consulting actuaries of each syndicate. These techniques 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.

The provision for claims includes amounts in respect of internal and external claims handling costs. 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 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.

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

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, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided.

2. *Accounting policies (continued)*

(v) Claims provisions and related recoveries (continued)

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.

Where appropriate, the provision may be increased by the directors, above the level indicated by the returns and reports, to the extent that they expect deficits to be beyond those reported by the managing agents.

(b) Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses, likely to arise 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 deferred acquisition costs. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together. No account is taken of any future investment return.

(c) Acquisition costs

Acquisition costs, comprising commission and other syndicate 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.

(d) Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's syndicates. Under it, underwriting members (the reinsured members) who are members of a syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that syndicate and allocated to the closed year for consideration of:

a) a premium; and
b) either
   i) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business); or
   ii) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharge of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account of the same syndicate, the managing agent has a duty to ensure both sets of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members.

To the extent that the company participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the company has assumed a greater proportion of the business of the syndicate. If the company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid.

This reflects the reduction in the company's exposure to risks previously written by the syndicate.

The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims.

2. **Accounting policies (continued)**

(d) Reinsurance to close (continued)

However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a syndicate year of account and it is treated for accounts purposes as settling all the company's outstanding gross liabilities in respect of the business so reinsured.

(e) Foreign currencies

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

Monetary assets and liabilities are translated into sterling at the rates of exchange at the balance sheet date unless contracts to buy or sell currency for sterling have been entered into prior to the year end, in which case the contracted rates have been used. Non-monetary assets and liabilities at the balance sheet date, primarily deferred acquisition costs and unearned premiums, are translated at the rate of exchange ruling when the insurance contract was entered into (or an approximate average rate).

Differences arising on the translation of foreign currency amounts are included in the technical account under "net operating expenses".

(f) Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments and overseas deposits are stated at bid-price value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they were traded on the balance sheet date. Other investments are stated at cost less provision for any permanent diminution in value.

(g) Investment return

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

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

The syndicate 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 underwriting business. All of the syndicate's investment return is considered to arise on such funds.

Non-syndicate investment return is attributable to the non-technical account.

(h) Net operating expenses

Operating expenses are recognised when incurred. They will include the company's share of syndicate operating expenses, the remuneration payable to managing agents (and the company's members' agent / licensed adviser) and the direct costs of membership of Lloyd's.

(i) Other charges

Expenses not attributable to underwriting or investment management are recognised when incurred.

2. Accounting policies (continued)

(j) Participation deeds

In accordance with Lloyd's requirements the company is required to deposit funds, known as Funds at Lloyd's ("FAL"), with the Corporation of Lloyd's to support its underwriting activities. The amount of FAL required is determined by Lloyd's through the Economic Capital Assessment ("ECA") based on the perceived level of risk the company underwrites through its syndicate participations.

The company has entered into arrangements with third party capital providers to provide some or all of the required FAL on a year of account specific basis – these arrangements are referred to as "participation deeds". Where a fee is payable by the company for the depositing of FAL by external parties this is recorded through "other charges" in the non-technical account in year one.

In the event that the company makes a loss through its syndicate participations on any particular year of account, the FAL provider may be required to meet its share of the loss in line with terms of the participation deed. In the event that the company makes a profit through its syndicate participations on any particular year of account, the FAL provider may be entitled to receive a share of the profit in line with the terms of the participation deed.

At the end of each calendar year an assessment is made of any amounts payable to or receivable from the FAL providers based on the performance of the company's syndicate participations and the terms of the participation deed. Movements in these balances are recorded through the technical account as "amounts receivable / payable under participation deeds".

Amounts receivable or payable in relation to the current year result are recorded in the 'syndicate' column of the balance sheet whilst amounts receivable or payable in relation to previous years are recorded in the 'other' column of the balance sheet. These balances are recorded as "amounts due under participation deeds" within "other debtors" or "amounts payable under participation deeds" under "other creditors" as appropriate.

(k) Income from other activities

Management fees are receivable annually in advance and are recorded in the accounting year to which they relate.

Underwriting profit commission is recorded in the accounting year in which it can be estimated with sufficient reliability. Winding up fees are recorded in the year in which they are determined.

ATCSL fees are accounted for in the year in which the work is performed and are included in revenue exclusive of VAT.

(l) Pensions

The Group operates a defined contribution pension scheme. The associated pension costs are charged to the profit and loss account in full in the period to which they relate.

(m) Taxation

The Group is taxed on its share of the underwriting results declared by syndicates and these are deemed to accrue evenly over the calendar year in which they are declared.

HM Revenue and Customs ("HMRC") determines the taxable results of syndicates on the basis of computations submitted by the managing agent. Any adjustments that may be necessary to the tax provisions established by the Group as a result of HMRC's agreement of individual syndicate taxable results will be reflected in the financial statements of subsequent years.

Other profits are assessable to corporation tax in the same year as they are recognised for accounting purposes, after adjustment in accordance with tax legislation.

2. Accounting policies (continued)

(n) Tangible fixed assets

Depreciation is provided on all tangible fixed assets on a straight line basis in order to write off the cost of the assets, less their estimated residual values, over their expected useful economic lives. Annual depreciation rates are as follows:

Office fixtures and equipment	10 - 20%
Computer hardware and software	33 - 100%

(o) Intangible assets

Goodwill arising on the acquisition of a business is amortised on a straight line basis over a period determined by the directors in order to write off the cost of the assets over their expected useful economic lives.

Where the Group has purchased the right to participate on syndicates, the cost is capitalised and amortised in equal annual instalments over three years.

(p) 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. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in the year different from those in which they are included in the financial statements.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit those earnings. 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 are not discounted.

(q) Operating leases

Rentals payable under operating leases are charged on a straight line basis over the term of the lease.

(r) Equity based compensation

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date of which they are granted and is recognised as an expense over the vesting period, which ends on the date at which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares (market conditions).

No expense is recognised for rewards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date, before vesting the cumulative expense is calculated representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions on the number of equity instruments that will ultimately vest or in a case where an instrument is subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the profit or loss account with a corresponding entry in equity.

3. Segmental information

Calendar year ended 31 December 2014	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Net operating expenses £000	Reinsurance balance £000	Total £000
Direct business:						
Accident and Health	533	227	(80)	(89)	(120)	(62)
Motor – third party liability	22	21	(11)	(7)	(1)	2
Motor – other classes	358	334	(196)	(113)	(37)	(12)
Marine, aviation and transport	29,159	29,411	(17,629)	(9,980)	(1,637)	165
Fire and other damage to property	53,433	53,497	(18,163)	(17,616)	(9,985)	7,733
Third party liability	450	457	(333)	(146)	(132)	(154)
Credit and suretyship	42	26	11	(9)	(24)	4
Total direct	83,997	83,973	(36,401)	(27,960)	(11,936)	7,676
Reinsurance business:						
Reinsurance acceptances	32,078	30,936	(10,016)	(10,226)	(2,313)	8,381
Total	116,075	114,909	(46,417)	(38,186)	(14,249)	16,057

Calendar year ended 31 December 2013	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Net operating expenses £000	Reinsurance balance £000	Total £000
Direct business:						
Motor – third party liability	10	7	(8)	(8)	(1)	(10)
Motor – other classes	859	733	(174)	(320)	(54)	185
Marine, aviation and transport	34,054	33,088	(11,444)	(12,018)	(6,723)	2,903
Fire and other damage to property	51,983	47,239	(21,840)	(17,514)	(8,423)	(538)
Third party liability	808	852	(123)	(608)	253	374
Credit and suretyship	93	92	5	(27)	(1)	69
Total direct	87,807	82,011	(33,584)	(30,495)	(14,949)	2,983
Reinsurance business:						
Reinsurance acceptances	33,332	32,047	(12,860)	(9,624)	(3,014)	6,549
Total	121,139	114,058	(46,444)	(40,119)	(17,963)	9,532

All insurance business is concluded in the UK in the Lloyd's insurance market, which has been treated as one geographical segment for the purpose of SSAP25: Segmental Reporting. Net assets are not managed by reference to the sources of income shown above and so no allocation of net assets is shown.

Profit / (loss) before tax

	2014 £000	2013 £000
Argenta Holdings plc	6,054	5,814
Argenta Private Capital Limited	3,942	2,342
Argenta Syndicate Management Limited	5,967	2,923
Argenta Tax & Corporate Services Limited	394	54
Argenta Underwriting Asia Pte Limited	40	36
Argenta Underwriting Labuan Limited	-	(1)
Argenta Underwriting Vehicles	2,265	272
Elimination of inter-company dividends	(2,510)	(3,606)
Other	(87)	(514)
	16,065	7,320

3. Segmental information (continued)

Net assets / (liabilities):

	2014 £000	2013 £000
Argenta Holdings plc	33,054	27,227
Argenta Private Capital Limited	5,310	3,991
Argenta Syndicate Management Limited	7,337	3,498
Argenta Tax & Corporate Services Limited	525	217
Argenta Underwriting Asia Pte Limited	174	137
Argenta Underwriting Labuan Limited	105	99
Argenta Underwriting Vehicles	457	(1,438)
Other	(8,414)	(8,314)
	38,548	25,417

Other profits and losses or assets and liabilities relate to amortisation on consolidation and other consolidation adjustments.

With the exception of Argenta Underwriting Asia Pte Limited and Argenta Underwriting Labuan Limited, the whole of the Group's business activities arise within the United Kingdom.

4. Net operating expenses

	2014 £000	2013 £000
Acquisition costs	34,549	32,952
Change in deferred acquisition costs	(778)	(2,203)
Administrative expenses	3,065	2,844
Personal expenses	5,187	3,634
Exchange adjustments	(3,837)	2,892
	38,186	40,119

5. Investment income

	2014 £000	2013 £000
Syndicate:		
Investment income	1,085	1,263
Realised gains on investments	84	178
	1,169	1,441
Non-syndicate:		
Deposit interest	65	382
	1,234	1,823

6. Investment expenses and charges

	2014 £000	2013 £000
Syndicate:		
Investment management charges	(59)	(80)
Realised losses on investments	(303)	(336)
	(362)	(416)

7. Income from other activities

	2014 £000	2013 £000
Non-Syndicate:		
Argenta Holdings plc	8	-
Argenta Private Capital Limited	11,694	9,566
Argenta Syndicate Management Limited	8,326	4,706
Argenta Tax & Corporate Services Limited	1,596	1,635
Argenta Underwriting Asia Pte Limited	1,436	1,501
Argenta Underwriting Labuan Limited	29	27
	23,089	17,435

8. Profit on ordinary activities before tax

	2014 £000	2013 £000
The profit on ordinary activities before tax is stated after charging:		
Amortisation of goodwill (note 12)	85	513
Depreciation of tangible fixed assets (note 13)	89	81
Staff costs (note 9)	9,840	8,784
Hire of other assets under operating leases	253	237
Fees payable to the Company's auditor for the audit of the Company's annual accounts	26	26
Fees payable to the Company's auditor for other services		
- the audit of the Company's subsidiaries	125	140
- other services	42	-

9. Staff costs – including executive directors

	2014 £000	2013 £000
Salaries and associated expenses:		
Wages, salaries and bonuses	8,319	7,411
Social security costs	1,080	953
Pensions (note 23)	441	420
	9,840	8,784

	2014	2013
Average number of employees:		
Argenta Holdings plc	24	25
Argenta Private Capital Limited	35	32
Argenta Syndicate Management Limited	87	77
Argenta Tax & Corporate Services Limited	10	10
Argenta Underwriting Asia Pte Limited	14	14
	170	158

During the year 4 (2013: 4) directors were accruing benefits under a defined contribution scheme.

10. Directors' remuneration

Remuneration disclosed below relates to amounts paid during the year to directors who are remunerated specifically for their services to the Group.

	2014 £000	2013 £000
Aggregate emoluments	1,712	1,388
Pension contributions	9	6
	1,721	1,394

10. Directors' remuneration (continued)

Directors' remuneration includes amounts paid to the highest paid director of:

	2014 £000	2013 £000
Aggregate emoluments	586	530
Pension contributions	-	1
	586	531

11. Taxation on profit on ordinary activities

a) Analysis of charge in the year

	2014 £000	2013 £000
Current tax:		
United Kingdom corporation tax on profit of the year	2,470	1,568
Adjustments in respect of prior periods	74	(103)
	2,544	1,465
Foreign tax	4	1
Total current tax	2,548	1,466
Deferred tax (note 21):		
Origination and reversal of timing differences	386	206
Effect of changes in tax rates	-	(191)
Tax on profit on ordinary activities	2,934	1,481

b) Factors affecting the tax charge for the year

	2014 £000	2013 £000
Profit on ordinary activities before tax	16,065	7,320
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	3,454	1,702
Effects of:		
Expenses not deductible for tax purposes	116	187
Double tax relief	(8)	(18)
Adjustment in respect of prior years	74	(103)
Depreciation in excess of capital allowances	(14)	(17)
Rate differences	-	(1)
Timing differences on underwriting results	(1,073)	(284)
Current tax charge for the year (see (a) above)	2,548	1,466

12. Intangible assets – Group

	Goodwill £000	Syndicate capacity £000	Total £000
Cost:			
At 1 January 2014	4,524	3	4,527
Additions	-	-	-
At 31 December 2014	4,524	3	4,527
Amortisation:			
At 1 January 2014	4,439	3	4,442
Charged in the year	85	-	85
At 31 December 2014	4,524	3	4,527
Net book value at 31 December 2014	-	-	-
Net book value at 31 December 2013	85	-	85

All intangible assets are being amortised on a straight-line basis over the Directors' estimation of their useful economic life.

13. Tangible fixed assets – Group

	Office fixtures & equipment £000	Computer hardware & software £000	Total £000
Cost:			
At 1 January 2014	846	265	1,111
Additions	4	-	4
At 31 December 2014	850	265	1,115
Depreciation:			
At 1 January 2014	674	265	939
Charged in the year	89	-	89
At 31 December 2014	763	265	1,028
Net book value at 31 December 2014	87	-	87
Net book value at 31 December 2013	172	-	172

14. Financial investments

	Cost		Current value	
	2014 £000	2013 £000	2014 £000	2013 £000
Shares and other variable yield securities and units in unit trusts	51,635	28,412	50,809	28,499
Debt securities and other fixed income securities	57,390	48,808	57,262	48,585
Loans secured by mortgages	3,612	4,560	3,635	4,555
Deposits with credit institutions	35	2	36	11
	112,672	81,782	111,742	81,650

By market value, 79% of shares and other variable yield securities and units in unit trusts, and 56% of debt securities and other fixed income securities, are all listed on recognised stock exchanges. The shares and other variable yield securities and units in unit trusts predominantly relate to holdings in highly diversified collective investment schemes, which include an element of low volatility absolute return funds managed in accordance with the UCITS regulations. Other investments relate to rights under derivative contracts where the syndicate purchases US Treasury interest rate futures to efficiently manage the duration of the investment portfolio.

15. Investment in subsidiary undertakings

	Company £000
At 1 January 2014	8,402
Exchange adjustment	6
At 31 December 2014	8,408

The Company's principal subsidiary undertakings at 31 December 2014 were:

	Country of incorporation	Class of share and percentage held
Argenta Private Capital Limited	UK	100% of ordinary voting shares of £1 each
Argenta Syndicate Management Limited	UK	100% of ordinary voting shares of 1p each
Argenta Tax & Corporate Services Limited	UK	100% of ordinary voting shares of £1 each
Argenta Underwriting Asia Pte Limited	Singapore	100% of ordinary voting shares of 1c each
Argenta Underwriting Labuan Limited	Labuan	100% of ordinary voting shares of $1 each
Argenta Underwriting No.1 Limited	UK	100% of ordinary voting shares of £1 each
Argenta Underwriting No.2 Limited	UK	100% of ordinary voting shares of £1 each
Argenta Underwriting No.3 Limited	UK	100% of ordinary voting shares of £1 each
Argenta Underwriting No.4 Limited	UK	100% of ordinary voting shares of £1 each
Argenta Underwriting No.7 Limited	UK	100% of ordinary voting shares of £1 each
Argenta Underwriting No.8 Limited	UK	100% of ordinary voting shares of £1 each
Argenta Underwriting No.9 Limited	UK	100% of ordinary voting shares of £1 each
Argenta Underwriting No.10 Limited	UK	100% of ordinary voting shares of £1 each
Argenta Underwriting No.11 Limited	UK	100% of ordinary voting shares of £1 each
Argenta Underwriting No.12 Limited	UK	100% of ordinary voting shares of £1 each
Argenta No.13 Limited	UK	100% of ordinary voting shares of £1 each
Argenta No.14 Limited	UK	100% of ordinary voting shares of £1 each
Argenta No.15 Limited	UK	100% of ordinary voting shares of £1 each
Residual Services Limited	UK	100% of ordinary voting shares of £1 each

Argenta Underwriting Labuan Limited is a Labuan-based service company formerly acting as a coverholder in Malaysia for Syndicate 1965. Following the cessation of underwriting by Syndicate 1965, a winding up process for the company has been initiated.

Argenta Underwriting No.1 Limited, Argenta Underwriting No.4 Limited, Argenta No.13 Limited, Argenta No.14 Limited and Argenta No.15 Limited did not trade during the period.

16. Other debtors

	Group 2014 £000	Group 2013 £000
Syndicate:		
Amounts falling due within one year:		
Inter-year loans	5,880	7,653
Amounts due from members	4,375	92
Amounts due under participation deeds	-	231
Other debtors	898	141
	11,153	8,117

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Non-syndicate:				
Amounts falling due within one year:				
Amounts receivable from managed syndicates	730	510	-	-
Profit commission receivable	10,443	4,586	-	-
Underwriting profits	5,326	977	-	-
Amounts due under participation deeds	-	(231)	10,714	5,270
Taxation and social security	89	-	50	53
Other	723	1,132	45	60
	17,311	6,974	10,809	5,383

The negative amounts due under participation deeds in respect of the non-syndicate balance can be offset against the syndicate balance and has therefore been disclosed within debtors.

17. Called up share capital

	2014 Number	2014 £000	2013 Number	2013 £000
Allotted and called up:				
Ordinary voting 'A' shares of 1p each	27,083,340	271	27,083,340	271

18. Profit and loss account

Group:	2014 £000	2013 £000
At 1 January	25,146	19,307
Profit for the year	13,131	5,839
As at 31 December	38,277	25,146

Company:	2014 £000	2013 £000
At 1 January	26,956	21,451
Profit for the year	5,827	5,505
As at 31 December	32,783	26,956

19. Reconciliation of movements in shareholders' funds

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Profit for the year	13,131	5,839	5,827	5,505
Net addition to shareholders' funds	13,131	5,839	5,827	5,505
Opening shareholders' funds	25,417	19,578	27,227	21,722
Closing shareholders' funds	38,548	25,417	33,054	27,227
Equity shareholders' funds	38,548	25,417	33,054	27,227

20. Other creditors including taxation and social security

	Group	
	2014	2013
	£000	£000
Syndicate:		
Amounts falling due within one year:		
Inter-year loans	14,158	6,893
Amounts payable under participation deeds	5,478	4,410
Other	5,925	2,176
	25,561	13,479

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Non-syndicate:				
Amounts falling due within one year:				
Amounts payable under participation deeds	2,618	(95)	-	-
Taxation and social security	2,124	1,673	658	782
Other	572	609	45	67
	5,314	2,187	703	849

The negative amounts due under participation deeds in respect of the non-syndicate balance can be offset against the syndicate balance and has therefore been disclosed within creditors.

21. Provision for liabilities

Deferred taxation

	2014	2013
	£000	£000
Opening liability	822	807
Movement during the year	386	15
Closing liability	1,208	822

21. Provision for liabilities (continued)

Components of deferred tax liability

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
The deferred tax balance is composed of:				
Decelerated capital allowances	(59)	(68)	(42)	(48)
Due to underwriting results	1,795	1,533	-	-
Double taxation relief	(513)	(513)	-	-
Tax losses	(15)	(130)	-	-
Closing liability	1,208	822	(42)	(48)

In addition to the above the Group has an unrecognised deferred tax asset of £1,147,083 (2013: £1,695,267) in respect of crystallised tax losses and underwriting losses not yet brought into tax. Deferred tax is not being recognised in relation to these losses as it is the opinion of the Directors that it is not 'more likely than not' that there will be sufficient trading profits in future periods, against which the loss may be relieved.

A reduction in the UK Corporation Tax rate from 21% to 20% was substantively enacted in July 2013 and is effective from 1 April 2015.

The effect of these reductions are reflected in the recognised deferred tax liability and unrecognised deferred tax asset.

22. Consolidated cash flow statement

(a) Reconciliation of profit from ordinary activities before tax to net cash flow from ordinary activities

	2014	2013
	£000	£000
Profit on ordinary activities before tax	16,065	7,320
Interest receivable	(65)	(382)
Interest payable	7	1
Depreciation and amortisation	174	594
Purchase of fixed assets	4	-
(Increase) / decrease in debtors	(10,337)	1,244
(Increase) / decrease in prepayments and accrued income	(2,556)	1,718
Increase / (decrease) in creditors relating to ordinary activities	(2,003)	(10,073)
Increase / (decrease) in provision for other liabilities and charges	386	15
Increase / (decrease) in accruals and deferred income	905	921
(Increase) / decrease in investments	-	4
Net cash inflow from ordinary activities	2,580	1,362

Technical account transactions represent the Group's share of the transactions undertaken by syndicates. The cash flows arising from these transactions are not remitted to, or paid by, the Group but paid into or out of syndicate premiums trust funds held by trustees appointed by the managing agent of each syndicate. If the syndicate's premium trust funds are insufficient for the syndicate to meet its liabilities as they fall due, a cash call is made by the managing agent on all members of the syndicate and the Group pays its share pro-rata.

Once a syndicate has effected a reinsurance to close in respect of a year of account, any distributable profit is available for release from the syndicate premiums trust funds to the participating members and any loss is collected from them. The Group receives or pays its pro-rata share of any profit distributed or loss collected.

22. Consolidated cash flow statement (continued)

The consolidated cash flow statement excludes syndicate flows and cash held within Lloyd's premium trust funds on behalf of the Group's underwriting subsidiaries.

(b) Analysis of changes in net debt

	1 January 2014 £000	Cashflow £000	Other non-cash changes £000	31 December 2014 £000
Cash in hand, at bank	19,964	396	-	20,360
Debt due within one year	-	-	-	-
Debt due after one year	-	-	-	-
	-	-	-	-
	19,964	396	-	20,360

23. Pensions

The total pension costs for the Group during the year were £441,000 (2013: £420,000). Pension costs shown in note 9 are based on an apportionment of the costs incurred by the Group in respect of the Group Personal Pension Scheme.

The Group operated a Group Personal Pension Scheme during the year. The assets of the scheme were held separately from those of the Group in independently administered funds.

24. Related party disclosures

The Group's capacity for the 2012, 2013 and 2014 underwriting years was placed as follows:

Year of Account	Syndicate	Managing Agent	Group syndicate capacity £000	Total syndicate capacity £000
2014	2121	Argenta Syndicate Management Limited	128,608	240,000
2013	2121	Argenta Syndicate Management Limited	103,466	199,773
2012	2121	Argenta Syndicate Management Limited	86,508	199,831

The effective capacity supported by the Group's Funds at Lloyd's for 2014 was £86.7m (2013: £70.1m).

The Managing Agent charges 0.75% of capacity for managing the syndicates underwriting, in addition to a profit commission on profits of either 15% or 17.5% for 2012 onwards, subject to certain performance criteria.

Argenta Underwriting No. 2 Limited ("AU2"), Argenta Underwriting No. 3 Limited ("AU3"), and Argenta Underwriting No. 9 Limited ("AU9") provide underwriting capacity to Syndicate 2121. For 2014 the capacity supplied to Syndicate 2121 was £35.1m from AU2, £43.0m from AU3, and £14.3m from AU9.

Some of the capital to support the underwriting of these companies was provided by way of a Funds at Lloyd's participation deed from Glenrinnes Farms Limited. Mr A J D Locke, who is a director of Argenta Holdings plc, is a 99.5% shareholder in Glenrinnes Farms Limited.

As part of the consideration for the provision of all such capital by Glenrinnes Farms Limited, it has been granted an option by the company's parent undertaking Argenta Holdings plc and its shareholders to acquire £98.5 million of syndicate 2121 capacity. The option may be exercised at any time up until November 2018. It is conditional upon, principally, Lloyd's change of control approval. Mr Locke derives no direct personal benefit from these arrangements but, in addition to the option above, Glenrinnes Farms Limited receives a fee or a proportionate share of the underwriting result of the corporate members to which it is contractually entitled.

The total amounts contained within the financial statements as payable to or receivable from directors in respect of the Participation Deeds are:

Mr A J D Locke (via Glenrinnes Farms Limited) £1,611,000 (2013: £1,827,000)

There are no other related party disclosures.

25. Company share option plan

During 2008 a company share option plan ("CSOP") was put in place. The details of this are as follows:

Date of grant:	16 October 2008	25 March 2011
Number granted:	4,935,000	1,833,500
Contractual life:	10 Years	10 Years
Settlement basis:	Equity settled	Equity settled
Maximum term of options:	10 Years	10 Years
Vesting conditions:	The Company's change in total shareholder return over four years must be 1400%	

Shares over which the options have been granted are owned by Argenta Benefit Trust 2008.

The estimated fair value of each share option granted in the CSOP using standard actuarial valuation techniques is nil.

	2014 Number of options	2014 Weighted average exercise price	2013 Number of options	2013 Weighted average exercise price
Outstanding at 1 January	6,298,500	8p	6,593,500	8p
Lapsed	-	-	295,000	21p
Outstanding at 31 December	6,298,500	8p	6,298,500	8p
Exercisable at 31 December	4,710,000	1p	4,710,000	1p

	2014 £000	2013 £000
Expense arising from share option plan	-	-

26. Financial commitments

At 31 December 2014, the Group was committed to making the following payments under non-cancellable operating leases.

Operating leases which expire:	2014 £000	2013 £000
Land & buildings		
Within two to five years	527	527
Other		
Within one year	15	8
Within two to five years	9	36
	551	571

27. Funds at Lloyd's

The Group's underwriting is supported by assets held in cash of £11,374,000 (2013: £9,388,000). The cash balance is held within Funds at Lloyd's and the availability of these funds for use by the Group is restricted and subject to the prior authorisation of Lloyd's.

28. Ultimate controlling party

As at the balance sheet date the Company has no ultimate controlling party. The largest shareholding interest of 44.75%, was Glenrinnes Farms Limited, which is 99.5% controlled by Mr A J D Locke.