



Report & Financial Statements  
Ark Syndicate Management Limited

Registered number 05887810

2013

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## Directors and administration

### Directors

I Beaton	(Chief Executive)
N Bonnar	
N Deshpande	
D Foreman	(Chairman)
R Oakes	(Non executive)
P McIntosh	
N Smith	
V Southey	(Non-executive)
C Watson	(Non-executive)

### Company secretary

J Masson

### Registered office

30 Fenchurch Avenue  
London  
EC3M 5AD

### Company registration number

05887810

### Bankers

Lloyds TSB Bank plc  
PO Box 72  
Bailey Drive  
Gillingham Business Park  
Kent  
ME8 0LS

### Registered auditors

KPMG LLP  
15 Canada Square  
London  
E14 5GL

## Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2013

### Group structure

Group Ark Insurance Holdings Limited ("GAIHL") is the group parent company, and is a Bermuda registered company. The major active trading companies that make up the Ark group as at 31 December 2013 are

- Ark Syndicate Management Limited ("ASML"), incorporated in the UK, the managing agent of Syndicate 4020 ("the Syndicate") and Special Purpose Syndicate 6105 ("Syndicate 6105"),
- Ark Corporate Member Limited ("ACML"), incorporated in the UK, a corporate member which participates on the 2013, 2012 and 2011 years of account ("YOA") of the Syndicate,
- Ark Corporate Member (No. 2) Limited ("ACML2") and Ark Corporate Member (No. 3) Limited ("ACML3"), incorporated in the UK, corporate members which have no current participation on the Syndicate,
- Ark Underwriting Inc ("AUI"), incorporated in Connecticut, USA, a brokered reinsurance service company for ASML, and
- Group Ark Insurance Limited ("GAIL"), incorporated in Bermuda, a class III reinsurer. GAIL has written a 90% quota share of ACML in respect of its participation on the 2013, 2012 and 2011 YOA of the Syndicate. GAIL provides Funds at Lloyd's ("FAL") on behalf of ACML to support the underwriting of the Syndicate.

Syndicate 6105, a syndicate supported by traditional Lloyd's Names' capital, has written a quota share of the 2013, 2012 and 2011 YOA of the Syndicate.

### Directors and Directors' interests

The directors of ASML below served from 1 January 2013 to the date of this report, unless stated otherwise. Shareholdings in GAIHL are stated as at 31 December 2013. A Limited Liability Partnership ("LLP") was established for employees to participate on the 2012 and 2011 YOA of the Syndicate. The amounts stated below represent the directors' effective share in the total capacity of the relevant YOA of the Syndicate through their involvement in the LLP.

Name	Date of appointment / resignation	GAIHL			LLP	
		"B" Shares No	"E" Shares No	"G" Shares No	2012 YOA %	2011 YOA %
I Beaton	(Chief Executive)	233,388	-	123,688	0.04	0.08
N Bonnar		233,388	-	123,688	0.05	0.08
N Deshpande		48,468	-	25,687	0.02	0.04
D Foreman	(Chairman)	233,387	388,000	123,689	0.05	0.09
R Oakes	(Non-executive)	-	-	-	-	-
P McIntosh	Appointed 20 March 2013	35,824	-	18,986	0.01	0.01
R Rosenbaum	(Non-executive) Resigned 19 November 2013	-	-	-	-	-
N Smith		28,976	-	15,357	-	-
V Southey	(Non-executive)	-	-	-	-	-
C Watson	(Non-executive)	-	-	-	-	-

### Disclosure of information to auditors

The directors of ASML who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

## Directors' report

### Auditors

KPMG LLP have expressed their willingness to continue in office as auditors to the company ASML has an elective resolution in place under Section 487(2) of the Companies Act 2006 to dispense with the obligation to appoint auditors annually

By order of the Board

A handwritten signature in black ink, appearing to read 'J Masson', written over a horizontal line.

J Masson  
Company Secretary  
12 March 2014

## Strategic report

### Principal activity and review of the business

The principal activity is that of a Lloyd's managing agent. The principal sources of revenue for ASML are managing agency fees charged to the managed syndicates, a management fee charged to the Syndicate to reflect expenses incurred by ASML on its behalf, and profit commissions receivable based on the results of each YOA of the managed syndicates

	2013 £'000	2012 £'000
Managing agency fee	3,055	2,928
Management fee	21,639	20,823
Profit commission	11,281	7,183
Total revenue	35,975	30,934

The key performance indicators monitored by the ASML board are income and expenses against budget, liquidity and solvency. Income and expenditure for the year are within expectations, sufficient funds have been retained to meet all of its obligations as they fall due, and the solvency requirements of the regulators have been met throughout the year.

### Results

The loss after taxation for the year was £0.4m (2012: profit of £1.6m). A dividend of £9.0m (2012: Nil) was paid in the year. No final dividend is proposed.

### Future developments

The capacity of the Syndicate for the 2014 YOA is £340.0m (2013 YOA: £381.0m). The capacity of Syndicate 6105 for the 2014 YOA is £60.0m (2013 YOA: £19.0m).

In November 2013, Ark management and staff entered into an agreement with the existing private equity investors to effect a management buy out. As a result, Group Ark Insurance Holdings Limited began a share repurchase programme, the first tranche of which was completed in December 2013. The remaining shares of GAIHL are expected to be purchased in full by Ark Insurance Holdings Limited, a newly formed holding company in 2014. As a result of this transaction, a significant proportion of the Funds at Lloyd's supporting the 2014 YOA of the Syndicate has been provided by third parties.

## Strategic report

### Principal risks and uncertainties

ASML maintains a risk register within its risk management framework. Identified risk events are grouped into major risk categories according to the nature of the potential threat they pose to the business. The risk management framework allows new risks to be identified and new controls to be put in place as necessary, either to prevent the occurrence of the event or to mitigate its impact. The key risks faced by ASML are set out in the table below.

ASML Risk Events	Risk category	Overview of Risk Event
Exposure management	Insurance	Risks aggregate such that the exposure to any one event or loss materially exceeds expectations
Underwriting quality	Insurance	Underwriters cannot access risks at adequate pricing levels / do not bind the Syndicate appropriately
Reinsurance purchasing	Insurance	Failure or inability to purchase appropriate or sufficient reinsurance
Delegated underwriting quality	Insurance	Exposure to inappropriate risks through third parties
Reserving	Insurance	Actual experience materially differs from reserves causing adverse movement of results
Underwriting management	Insurance	Returns from policies written are different from expectations, or the business does not meet plan
Claims management	Insurance	Claims are not managed in an appropriate way leading to material adverse results
Broker default	Credit	Brokers do not or cannot make premium payments when due
Reinsurer default	Credit	Reinsurers do not or cannot make payments under valid claims
Coverholder / TPA default	Credit	Coverholders do not or cannot make premium payments when due
Investment counterparty default	Credit	Counterparties do not or cannot make returns when they fall due
Capital availability	Group	Unavailability of appropriate capital
Investor risk	Group	Conflicts of interest with principal investors
Liquidity	Liquidity	Claims not met due to insufficient free funds, failure to satisfy overseas regulatory trust fund requirements
Cash flow management	Liquidity	Poor or inappropriate forecasting of cash flows
Financial market movements	Market	Market movements adversely impacting syndicate assets
Investment returns	Market	Investment portfolio returns are materially different from expectations
People	Operational	Over reliance on key individuals, or potential impact of the loss of one or more key individuals
Emerging and cyclical risks	Operational	Failure to consider the impact of emerging or cyclical events on strategy
Regulatory Risk	Operational	Censure following a breach of regulatory or legal requirement
Data integrity and quality	Operational	Incomplete or inaccurate data resulting in unreliable management information
Distribution Risk	Operational	Distribution chains become unavailable or uncompetitive
Financial crime	Operational	Loss or risk of censure arising from fraud, money laundering, corruption
Outsourcing	Operational	Exposure to liability / failure to achieve objectives / failure of outsource arrangements
Disaster recovery / business continuity	Operational	Business is disrupted by unforeseen events or downtime in systems
Governance structure and oversight	Operational	Inadequate / inappropriate governance structure leading to poor decisions or failure to provide oversight
Legal risk	Operational	Legal action by policyholders, suppliers, employees or other stakeholders
Strategy and planning	Operational	Strategy is not aligned to the management of the business or is not communicated properly
Financial mis-statement	Operational	Financial statements are inaccurate or misleading
IT infrastructure & applications	Operational	IT systems, hardware or applications failure causing material disruption

These are explained in more detail in the accounts of the Syndicate, a copy of which can be requested from the registered office of ASML.

By order of the Board



J. Masson

Company Secretary

12 March 2014

## Statement of directors' responsibilities

The following statement applies to the directors' report and financial statements

The directors are responsible for preparing the 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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- 1 select suitable accounting policies and then apply them consistently,
- 2 make judgments and estimates that are reasonable and prudent,
- 3 state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 4 prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a directors' report that complies with that law.



## Independent auditors' report to the member of Ark Syndicate Management Limited

We have audited the financial statements of Ark Syndicate Management Limited (Company Number 05887810) for the year ended 31 December 2013 set out in pages 9 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Principles).

This report is made solely to the company's member, 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 member those matters we are required to state to them in an auditor's report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member, 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 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been properly 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

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

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



Robert Lewis (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

London

2 May 2014

## Profit and loss account

For the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Turnover	3	35,975	30,934
Operating expenses		(35,613)	(28,546)
Bank interest receivable		3	8
Profit on ordinary activities before taxation		365	2,396
Taxation on profit on ordinary activities	6	(801)	(843)
(Loss) / Profit for the financial year	5	(436)	1,553

All activities derive from continuing operations

There are no other recognised gains or losses in the year and accordingly no statement of total recognised gains and losses is presented

The notes on pages 11 to 16 form part of the financial statements

## Balance sheet

As at 31 December 2013

	Notes	2013 £'000	2012 £'000
Fixed assets	7	372	595
Current assets			
Debtors	8	18,367	19,655
Cash at bank and in hand		712	625
		19,079	20,280
Other assets			
Deferred taxation	9	1,202	956
Current liabilities			
Creditors amounts falling due within one year	10	(18,746)	(10,488)
Total net assets		1,907	11,343
Capital and reserves			
Called up share capital	11	400	400
Profit and loss account	12	1,507	10,943
		1,907	11,343

The notes on pages 11 to 16 form part of the financial statements. The financial statements were approved by the Board on 12 March 2014 and signed on its behalf by



N Smith  
Finance Director  
12 March 2014

## Notes to the financial statements

### 1 Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 ("the Act") and with applicable Accounting Standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

### 2 Accounting policies

#### a Accounting convention

The financial statements are prepared under the historical cost convention.

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that the company is a subsidiary with more than 90% of the voting rights controlled by GAIHL which has produced a consolidated cash flow statement.

#### b Turnover

Turnover consists of managing agency fees, management fees and profit commission receivable from insurance underwriting activities at Lloyd's. Managing agency fees are recognised in the year in which they are earned. A proportion of the fee charged to each YOA is deferred to reflect that the agency provides services to the managed syndicates throughout the three year period each YOA is open. Management fees are recognised in the same year in which the expenses are incurred. Profit commissions expected to arise on closure of a Lloyd's YOA are recognised on an accruals basis subject to an assessment of certainty over the year's profitability.

#### c Depreciation

Depreciation has been provided on a straight line basis to write off the costs of fixed assets, less their residual values, over their estimated useful lives. The rates used are as follows: Computer equipment and software - 33%, Office equipment - 33%.

#### d Taxation

The charge for taxation based on the result for the year takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. The provisions of FRS 19 "Deferred Tax" have been adopted in these financial statements. Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes. As a consequence, full provision has been made for the deferred tax on tax assets and liabilities arising on timing differences.

#### e Pensions

Contributions to defined contribution pension funds are charged to the profit and loss account when payable. The assets of all the schemes supported are held separately from those of the company in independently administered funds.

#### f Operating leases

Rentals payable under operating leases are charged to the profit and loss account over the term of the lease.

### 3 Turnover

	2013 £'000	2012 £'000
Managing agency fee	3,055	2,928
Management fee	21,639	20,823
Profit commission	11,281	7,183
	35,975	30,934

## Notes to the financial statements

### 4 Directors and employees

	2013 £'000	2012 £'000
Salaries	22,143	17,353
Social security costs	2,786	2,322
Pension costs	1,225	1,148
	26,154	20,823

The pension scheme operated by ASML is a defined contribution scheme. No employer contributions were outstanding at the balance sheet date (2012 Nil). The average number of employees (including directors) during the year was as follows:

	2013 Number	2012 Number
Underwriting	60	62
Claims administration	14	12
Other administration	28	27
	102	101

The directors received the following aggregate remuneration:

	2013 £'000	2012 £'000
Gross emoluments excluding pension contributions	4,449	3,336
Contributions to money purchase pension schemes	181	206
	4,630	3,542

Included in the above are the emoluments of the highest paid director, as follows:

	2013 £'000	2012 £'000
Gross emoluments excluding pension contributions	964	776
Contributions to money purchase pension schemes	50	58
	1,014	834

Retirement benefits are accruing to the following number of directors under:

	2013 Number	2012 Number
Money purchase pension schemes	5	5

### 5 (Loss) / profit after taxation

The (loss) / profit on ordinary activities after taxation is stated after charging:

	2013 £'000	2012 £'000
Audit fees	18	17
Payments to auditors for non-audit services		
- taxation services	5	3
Depreciation	405	355

## Notes to the financial statements

### 6 Taxation

	2013 £'000	2012 £'000
UK corporation tax charge for the year	502	699
Adjustment in respect of prior years	545	-
Movement in deferred taxation	(246)	144
Taxation on profit on ordinary activities	801	843

There are no known factors that would significantly impact the future tax charge of the company. The current tax charge for the year is higher than the standard rate of corporation tax in the UK of 23.25% applied to the profit for the year. The difference is explained below:

	2013 £'000	2012 £'000
Profit on ordinary activities	365	2,396
UK corporation tax at 23.25% (2012: 24.5%)	85	587
Taxation effect of:		
Expenses not deductible for tax purposes	92	100
Adjustment in respect of prior years	545	-
Profits not taxable in current year	325	12
Current taxation on profit on ordinary activities	1,557	699

### 7 Fixed Assets

	Office equipment £'000	Computer equipment £'000	Total £'000
<b>Cost</b>			
At 1 January 2013	631	1,767	2,398
Additions	-	182	182
At 31 December 2013	631	1,949	2,580
<b>Depreciation</b>			
At 1 January 2013	(336)	(1,467)	(1,803)
Charge for the year	(162)	(243)	(405)
At 31 December 2013	(498)	(1,710)	(2,208)
<b>Net book value</b>			
At 1 January 2013	295	300	595
At 31 December 2013	133	239	372

### 8 Debtors

	2013 £'000	2012 £'000
Amounts due from other group companies	8,618	6,004
Prepayments and accrued income	8,953	12,047
Other debtors	796	1,604
	18,367	19,655

Included within prepayments and accrued income is an amount of £7.5m (2012: £6.2m) in respect of profit commission which is due after one year.

## Notes to the financial statements

### 9 Deferred taxation

	2013 £'000	2012 £'000
Provision at 1 January	956	1,100
Timing differences in respect of capital allowances	(27)	-
Timing differences in respect of expense deductions	273	(144)
Deferred tax asset at 31 December	1,202	956

Finance Act 2013 received Royal Assent on 17 July 2013 and has therefore been enacted. The main rate of UK corporation tax will fall from its current rate of 23% (effective from 1 April 2013) to 21% from 1 April 2014 and by a further 1% to 20% from 1 April 2015. These rates were substantively enacted on 2 July 2013 and apply to balance sheet dates ending on or after 2 July 2013. The deferred tax position at 31 December 2013 has therefore been calculated based on a rate of 21.5%.

### 10 Creditors amounts falling due within one year

	2013 £'000	2012 £'000
Amounts owed to other group companies	228	262
Accruals and deferred income	15,045	8,735
Other creditors, including taxation and social security	3,473	1,491
	18,746	10,488

### 11 Share capital

	Authorised Number	Authorised £'000	Allotted, issued and fully paid Number	Allotted, issued and fully paid £'000
Ordinary shares of £1 each	2,000,000	2,000	400,000	400

### 12 Reconciliation of movement in shareholders' funds

	Share capital £'000	Profit and loss Account £'000	Total £'000
At 1 January 2012	400	9,390	9,790
Profit for the year	-	1,553	1,553
At 31 December 2012	400	10,943	11,343
(Loss) for the year	-	(436)	(436)
Dividends paid	-	(9,000)	(9,000)
Closing shareholders' funds	400	1,507	1,907

### 13 Commitments under operating leases

As at 31 December 2013 ASML was committed to making the following payments under non-cancelable operating leases in the year to 31 December 2014.

	2013 Land & buildings £'000	2012 Land & buildings £'000
Operating leases which expire within 2 to 5 years	1,107	923

## Notes to the financial statements

### 14 Related parties

#### *Ultimate parent company*

The results of the Company are consolidated in the financial statements of GAIHL, a company registered in Bermuda. The registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. No other group financial statements include the results of the Company. The consolidated financial statements of GAIHL are not available to the public.

#### *Other disclosures*

ASML has taken advantage of the exemption for wholly owned subsidiaries available in FRS8 and has not disclosed related party transactions between itself and other group companies.

Swiss Reinsurance Company Limited, which forms part of the Swiss Reinsurance group, holds 15.13% of the ordinary share capital of GAIHL. The Syndicate has purchased reinsurance protection on normal commercial terms and at arms length from Swiss Reinsurance Company (UK) Limited ("Swiss Re"), which is part of the Swiss Reinsurance group. Premiums paid by the Syndicate to Swiss Re in the year amounted to £1.2m (2012: £3.6m).

C. Watson is employed by Aquiline Capital Partners LLC ("Aquiline"). Funds managed by Aquiline hold 35.15% of the ordinary share capital of GAIHL. Aquiline owns Conning Asset Management Company ("Conning") which provides investment management services to ASML in respect of syndicate funds under a contract entered into on normal commercial terms and at arms length. Fees paid by ASML to Conning in the year in respect of these services amounted to £0.3m (2012: £0.4m) and are recharged to the Syndicate.

C. Watson is a director of Validus Holdings Ltd. The Syndicate has purchased reinsurance protection on normal commercial terms and at arms length from the Validus Group. Premiums paid by the Syndicate in the year amounted to £1.7m (2012: £1.0m).

R. Oakes is a non-executive director of Cathedral Underwriting Limited, the managing agent of Syndicate 2010 and Syndicate 3010 at Lloyd's. The Syndicate has purchased reinsurance protection on normal commercial terms and at arms length from Syndicate 2010. Premiums paid by the Syndicate in the year amounted to less than £0.1m (2012: £0.2m). Also, the Syndicate provided reinsurance under separate contracts to Syndicate 2010 on normal commercial terms and at arms length. Gross premium income, excluding brokerage and commissions, due to the Syndicate under these contracts amounted to £0.5m (2012: £0.6m).

Until his resignation on 10 April 2013, V. Southey was a non-executive director of Talbot Underwriting Limited, managing agent of Syndicate 1183 at Lloyd's. The Syndicate has purchased reinsurance protection on normal commercial terms and at arms length from Syndicate 1183. Premiums paid by the Syndicate in the year amounted to £0.2m (2012: £0.2m). Also, the Syndicate provided reinsurance under separate contracts to Syndicate 1183 on normal commercial terms and at arms length. Gross premium income, excluding brokerage and commissions, due to the Syndicate under these contracts amounted to £0.2m (2012: £0.4m).

I. Beaton, N. Bonnar, N. Deshpande, D. Foreman, and P. McIntosh participated in an LLP which was established to enable management and staff of ASML to participate on the 2012 and 2011 YOA of the Syndicate. The directors' effective share in the total capacity of the relevant YOA of the Syndicate through their involvement in the LLP is set out in the Managing Agent's report.

I. Beaton, N. Bonnar and D. Foreman are partners of Elvis Capital Partners ("ECP"). During the year, GAIHL entered into a contingent profit commission arrangement with ECP based on the profit after tax produced by the Syndicate operations. Profit commission due to ECP from GAIHL under this contract amounted to £1.7m (2012: £1.7m).

ECP owns Mercury Capital Limited ("Mercury"), a catastrophe risk manager. Mercury provides actuarial consultancy services to GAIHL on normal commercial terms which GAIHL then recharges to ASML. Fees paid by GAIHL to Mercury in the year in respect of these services amounted to £0.1m (2012: £0.1m).



## Notes to the financial statements

### 14 Related parties (continued)

The Syndicate has made investments through Mercury in assets exposed to catastrophe insurance risk through various Industry Loss Warranty arrangements. Swiss Re is a counterparty of one of these arrangements. At the year end, included within the investments of the Syndicate is £14.7m relating to these assets (2012 £16.2m). Investment income of £1.5m generated by these assets has been recognised in the year (2012 £0.4m). No fee is paid by the Syndicate in respect of these arrangements to Mercury, whose remuneration is a transaction cost to the original assured counterparty.

The Syndicate underwrites business through Cove Program Managers Limited ("Cove") under a binding authority. Gross premium income, excluding brokerage and commissions, due to the Syndicate under this binding authority amounted to £1.6m (2012 £0.5m). Commissions paid by the Syndicate in the year to Cove amounted to £0.5m (2012 £0.2m). The Syndicate has entered into share and finance arrangements with Cove, which owns 90% of the Cove Program Underwriting cell of Aquila Underwriting LLP. The Syndicate holds 12% of the ordinary share capital of Cove and under the terms of a Shareholders Agreement governing this investment has loaned £0.6m (2012 £0.6m) to Cove. This amount remains outstanding at the year end. I. Beaton serves without fee as a non-executive director of Cove.

In February 2013, the Syndicate acquired a share in a sea vessel after the underwriters on the slip exercised their subrogation rights under a political risk claim. MJHR Pte Limited ("MJHR") has been established to manage and ultimately sell the vessel. ASML holds 46% of the ordinary share capital of MJHR and ECP holds 9%.

The Xchanging group provides premium processing, administration and claims adjusting services to the Syndicate on normal commercial terms. Until his resignation in 2013, I. Beaton served without fee as a non-executive director of Xchanging Claims Services Limited ("XCS") which is part of the Xchanging group. Fees paid by the Syndicate in the year to the Xchanging group amounted to £1.8m (2012 £1.6m).

Aquiline managed funds own Equity Syndicate Management Limited ("Equity"), the managing agent of Syndicate 218 at Lloyd's. As there is a level of common ownership between ASML and Equity, there is a risk that in the event of a significant loss from Syndicate 218 which results in a call on the Lloyd's Central Fund that, under the cross deficit clause of the managing agents agreement, the Ark group's ability to underwrite on a normal basis could be constrained. However, it should be noted that whilst Aquiline manage the funds that own both Ark and Equity, each agent is owned by different funds.