ARK

# Report & Financial Statements

## Ark Corporate Member (No. 2) Limited

Registered number: 6430160

2014

Contents

# Directors and administration

Directors

N Bonnar
N Deshpande
N Smith

Company secretary

J Masson

Registered office

30 Fenchurch Avenue
London
EC3M 5AD

Company registration number

6430160

Bankers

Lloyds Banking Group 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 2014.

### Group structure

Ark Insurance Holdings Limited ("AIHL") is the group parent company, and is a Bermuda registered company. The key trading companies within the Ark group are as follows:

| Company name | Short name | Place of incorporation | Principal activity / function |
|---|---|---|---|
| Ark Insurance Holdings Limited | AIHL | Bermuda | Ultimate holding company, acquired entire share capital of Group Ark Insurance Holdings Limited ("GAIHL") on 20 May 2014 |
| Ark Syndicate Management Limited | ASML | UK | Managing agent of Syndicate 4020 ("the Syndicate") and Special Purpose Syndicate 6105 ("Syndicate 6105") |
| Ark Corporate Member Limited | ACML | UK | Corporate member, participates on the 2014, 2013 and 2012 years of account ("YOA") of the Syndicate |
| Ark Corporate Member (No. 2) Limited | ACML2 | UK | Corporate member, participates on the 2014 YOA of the Syndicate |
| Group Ark Insurance Limited | GAIL | Bermuda | Class III reinsurer, writes 90% quota share of ACML, provides Funds at Lloyd's ("FAL") on behalf of ACML to support the Syndicate |

### Directors and directors' interests

N Bonnar
N Deshpande
N Smith

The directors served from 1 January 2014 to the date of this report, unless stated otherwise. Certain directors own shares in AIHL, the ultimate parent company. Details of directors' shareholdings in AIHL are disclosed in the accounts of ASML, a copy of which can be requested from the registered office of ACML2.

### Disclosure of information to auditors

The directors of ACML2 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.

### Auditors

KPMG LLP have expressed their willingness to continue in office as auditors to the company. ACML2 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

J Masson
Company Secretary
11 March 2015

# Strategic report

The principal activity of ACML2 is that of a Lloyd's corporate member. The principal activity of the Syndicate is the underwriting of direct and reinsurance business in the Lloyd's market. Gross written premium income for the Syndicate by class of business for the year was as follows:

| | 2014<br>£'000 | 2013<br>£'000 |
|---|---|---|
| Accident & Health | 3,536 | - |
| Cargo & Specie | 1,176 | - |
| Casualty Reinsurance | 1,314 | - |
| Energy – Upstream | 3,446 | - |
| Liability – Marine & Energy | 749 | - |
| Marine Hull | 1,196 | - |
| Property Reinsurance | 3,315 | - |
| Specialty Programmes | 7,327 | - |
| Specialty Reinsurance | 1,336 | - |
| War, Terrorism and Political Risk | 2,965 | - |
| Worldwide Property – Direct and Facultative | 1,592 | - |
| Worldwide Property Programmes | 2,062 | - |
| Contingency | 618 | - |
| Property Treaty | - | - |
| Fine Art & Specie | 865 | - |
| Package Programmes | 2,731 | - |
| Total gross written premium | 34,228 | - |

ACML2 entered into a 100% whole account quota share reinsurance contract with a third party, which also provides the funds at Lloyd's in respect of its underwriting participation.

The loss after taxation for the year was £0.1m (2013: profit of £0.2m). No dividend is proposed (2013: Nil).

The directors of ACML2 believe that the key performance indicators ("KPIs") of the Syndicate best represent the KPIs of the company. The result for the Syndicate for the year together with KPIs is shown below:

| | 2014 |
|---|---|
| Profit for the financial year (£'000) | 48,641 |
| Claims ratio (%) | 44.1% |
| Expenses ratio (%) | 44.2% |
| Combined ratio (%) | 88.3% |

The claims ratio is the ratio of claims incurred net of reinsurance to earned premiums net of reinsurance. The expense ratio is the ratio of operating expenses and acquisition costs to earned premiums net of reinsurance. The result and ratios are broadly in line with expectations.

The main components of the balance sheet are technical provisions and investments and cash. Technical provisions include a provision for outstanding claims of £6.9m (2013: Nil) and a provision for unearned premiums of £18.3m (2013: Nil). The reinsurers' share of technical provisions is £18.3m (2013: Nil) in respect of unearned premiums, and £6.9m (2013: Nil) in respect of outstanding claims. The provision for outstanding claims is based on evaluations of reported claims and estimates for losses incurred but not reported ("IBNR"). As claims may not be settled for a number of years after they are incurred, the setting of provisions involves a degree of judgement as to the ultimate exposure to losses. Investments and cash total £7.7m (2013: Nil) and are actively managed by third party investment managers. The Syndicate has established a diversified investment portfolio with a mix of cash, government and corporate debt and asset backed securities.

The principal risks and uncertainties of ACML2 are aligned with the Syndicate. ASML has developed and maintains a risk register within its risk management framework for the Syndicate. Identified risks are grouped into major risk categories according to their nature, and by whom they are managed. The risk management framework allows risks to be identified and controls to be put in place as necessary, either to prevent the occurrence of the event or to mitigate its impact. These are explained in more detail in the accounts of the Syndicate, a copy of which can be requested from the registered office of ACML2.

ACML2 will participate on the 2015 YOA of the Syndicate and has entered into a 100% whole account quota share reinsurance contract with a third party, protecting its participation on that YOA. The capacity of the Syndicate for the 2015 YOA is £340.0m (2014 YOA: £340.0m).

By order of the Board

J Masson
Company Secretary
11 March 2015

# 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 Corporate Member (No. 2) Limited

We have audited the financial statements of Ark Corporate Member (No. 2) Limited (Company Number 6430160) for the year ended 31 December 2014 set out on pages 8 to 15. 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 member of the company 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 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 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 Practice Board's ("APB'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 FRC's web-site at 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 2014 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

Robert Lewis (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
12 March 2015

## Profit and loss account

For the year ended 31 December 2014

| | Notes | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| **Technical account** | | | |
| Earned premiums, net of reinsurance | | | |
| Gross premiums written | 4 | 34,228 | - |
| Outward reinsurance premiums | | (30,153) | - |
| Change in the provision for unearned premiums | | | |
| Gross amount | | (17,491) | - |
| Reinsurers' share | | 17,042 | - |
| | | 3,626 | - |
| Claims incurred, net of reinsurance | | | |
| Claims paid | | | |
| Gross amount | | (1,506) | - |
| Reinsurers' share | | 1,506 | - |
| | | - | - |
| Change in the provision for claims | | | |
| Gross amount | | (6,612) | - |
| Reinsurers' share | | 6,612 | - |
| | | - | - |
| | | - | - |
| Other income | | - | - |
| Operating expenses | 4,5 | (3,626) | - |
| Balance on the technical account for general business | | - | - |
| **Non-technical account** | | | |
| Other expenses | | (54) | (38) |
| (Loss) on ordinary activities before taxation | | (54) | (38) |
| Taxation | 7 | - | 179 |
| (Loss) / profit on ordinary activities after taxation | 5,13 | (54) | 141 |

## Statement of total recognised gains and losses

| | Notes | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| (Loss) / profit for the financial year | 13 | (54) | 141 |
| Currency translation difference on foreign currency ledgers | 13 | - | - |
| Total recognised (losses) / profits in the financial year | | (54) | 141 |

All operations are continuing. The notes on pages 10 to 15 form part of these financial statements.

# Balance sheet

As at 31 December 2014

| | Note | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| **Assets** | | | |
| Investments | | | |
| Other financial investments | 8 | 7,764 | - |
| Reinsurers' share of technical provisions | | | |
| Provision for unearned premiums | | 18,330 | - |
| Claims outstanding | | 6,912 | - |
| | | 25,242 | - |
| Debtors | | | |
| Debtors arising out of direct insurance operations | 9 | 9,797 | - |
| Debtors arising out of reinsurance operations | 10 | 1,804 | - |
| Other debtors | | 475 | 551 |
| | | 12,076 | 551 |
| Other assets | | | |
| Cash at bank and in hand | | - | - |
| Overseas deposits | 11 | 168 | - |
| | | 168 | - |
| Prepayments and accrued income | | | |
| Deferred acquisition costs | | 4,977 | - |
| Prepayments and accrued income | | 31 | - |
| | | 5,008 | - |
| Total assets | | 50,259 | 551 |
| **Liabilities** | | | |
| Capital and reserves | | | |
| Called up share capital | 12 | - | - |
| Profit and loss account | 13 | (6,555) | (6,501) |
| Other reserves | 13 | 75 | 75 |
| | | (6,480) | (6,426) |
| Technical provisions | | | |
| Provision for unearned premiums | | 18,330 | - |
| Claims outstanding | | 6,912 | - |
| | | 25,242 | - |
| Creditors | | | |
| Bank loans and overdrafts | | 111 | - |
| Creditors arising out of direct insurance operations | 14 | 36 | - |
| Creditors arising out of reinsurance operations | 15 | 23,434 | - |
| Other creditors including taxation and social security | 16 | 7,916 | 6,977 |
| | | 31,497 | - |
| Total liabilities | | 50,259 | 551 |

The notes on pages 10 to 15 form part of these financial statements. The financial statements were approved by the Board on 11 March 2015 and signed on its behalf by

N Smith

Director

11 March 2015

# Notes to the financial statements

## 1. Basis of preparation

These financial statements have been prepared in accordance with section 255 of, and Schedule 3 to, the Companies Act 2006 and applicable Accounting Standards in the United Kingdom. They comply with the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 by the Association of British Insurers (as amended in December 2006).

Under Financial Reporting Standard 1, ACML2 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 ultimately controlled by AIHL which has produced a consolidated cash flow statement.

## 2. Accounting policies

The financial statements are prepared under the historical cost convention.

### a Premiums written

Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting years. Premiums are shown gross of acquisition costs such as brokerage payable and taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due but not yet notified.

### b Unearned premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date. The provision is calculated on a policy by policy basis.

### c Reinsurance premiums ceded

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

### d Claims provisions and related recoveries

The provision for claims comprises amounts set aside for claims notified and claims incurred but not yet reported ("IBNR").

Claims incurred comprise claims and claims handling expenses paid in the year and the movement in provision for outstanding claims and future claims handling expenses. Recoverable amounts arising out of subrogation and salvage together with reinsurance recoveries are deducted from the cost of gross claims.

Outstanding claims consist of amounts set aside for notified claims and a provision for IBNR claims. The amount included in respect of IBNR is arrived at by considering the actuarially calculated provision, using techniques which generally involve statistical techniques of estimation applied by ASML's actuaries and reviewed by external consulting actuaries, as well as the opinion of the class underwriters and executive management. The actuarial 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. Large claims are generally assessed individually, being calculated on a case by case basis or projected separately to allow for the possible distortive effects of the developments of these claims on the balance of the data. The provision for claims also 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 Syndicate uses a number of statistical techniques to assist in making these estimates.

**2. Accounting policies (continued)**

d Claims provisions and related recoveries (continued)

Accordingly 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.

Ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the year in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

e Acquisition costs

Acquisition costs, comprising brokerage and taxes and duties levied on them are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

f Foreign currencies

Transactions in US dollars, Euros, Canadian dollars and Australian dollars are translated at the average rates of exchange for the year. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed. Realised exchange differences are included in the technical account within operating expenses.

Assets and liabilities denominated in US dollars, Euros, Canadian dollars and Australian dollars, where the assets and liabilities in the currency ledgers are broadly matched, are translated at the closing rate of exchange for the year with exchange differences arising from the retranslation of the opening net investment, and the result for the year, in the respective ledgers are recorded as a movement in reserves within the statement of total recognised gains and losses. Assets and liabilities denominated in other foreign currencies are translated into sterling at the rates of exchange at the balance sheet date.

g Investments

All investments are shown at current market value, excluding accrued interest, at the balance sheet date. For this purpose listed investments are stated at bid-price and deposits with credit institutions and overseas deposits are stated at cost. Accrued interest is included in prepayments and accrued income on the face of the balance sheet. The cost of syndicate investments held at the balance sheet date is the original cost of investments held at the year end. Unrealised gains and losses are recognised in the profit and loss account.

h Taxation

ACML2 is taxed on its share of the underwriting results declared by the Syndicate which are deemed to accrue evenly over the calendar year in which they are declared. The results of the Syndicate included in the financial statements relate to the open years of account and will only be declared for tax purposes in the year following the closure of the year of account. Other profits are assessable to tax in the same year as they are recognised for accounting purposes, after adjustment in accordance with tax legislation.

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.

i Profit commission

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.

### 3. Management of financial risk

Through its participation on the Syndicate, ACML2 is exposed to financial risks primarily through its financial assets, reinsurance assets and policyholder liabilities. The key financial risks assessed are:

a Market risk

Market risk is the risk that the Syndicate suffers loss from volatility or over concentration in its investment portfolio or due to currency mismatch between assets and liabilities. The Syndicate's investment manager produces a monthly report which sets out the investment mix and performance against benchmark indices. This is reviewed by executive management each month. The principal market risks and how exposure to these risks is managed are:

- Interest rate risk: The Syndicate works to manage the impact of interest rate fluctuations on the fixed maturity portfolio. The effective duration of the fixed maturity profile is managed with consideration given to the estimated duration of policyholder liabilities.
- Foreign Exchange Risk: Foreign Exchange Risk is managed primarily by matching assets and liabilities in each foreign currency as closely as possible. To assist in the matching of assets and liabilities in foreign currencies the Syndicate may enter into foreign exchange contracts.

b Credit risk

Credit Risk is the risk that a counterparty will be unable to pay amounts in full when they fall due. The credit risk of ACML2 is mitigated because of the reinsurance treaty operated on a fund withheld basis. Key areas where the Syndicate is exposed to credit risk are:

- Reinsurance recoverables;
- Amounts due from insurance intermediaries;
- Amounts due from insurance contract holders; and
- Amounts due from corporate bond issuers

The Syndicate's fixed interest portfolio is monitored to ensure credit risk does not exceed the Syndicate's risk appetite. In addition, the Syndicate places limits on concentrations of exposures to a specific counterparty. The average rating of the portfolio is 'A+'.

The Syndicate takes a proactive approach to the collection of reinsurance recoveries. New reinsurers may be required to post collateral depending on their size, rating and potential debt to the Syndicate.

**4. Segmental analysis**

| Year ended 31 December 2014 | Gross premiums written £'000 | Gross premiums earned £'000 | Gross claims incurred £'000 | Operating expenses £'000 | Reinsurance balance £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Accident & Health | 3,536 | 1,864 | (1,020) | (584) | (260) | - |
| Cargo & Specie | 1,176 | 475 | (583) | (117) | 225 | - |
| Casualty Reinsurance | 1,314 | 498 | (356) | (87) | (55) | - |
| 711Energy – Upstream | 3,446 | 1,925 | (879) | (288) | (758) | - |
| Liability – Marine & Energy | 749 | 555 | (376) | (63) | (116) | - |
| Marine Hull | 1,196 | 517 | (314) | (120) | (83) | - |
| Property Reinsurance | 3,315 | 2,563 | (301) | (331) | (1,931) | - |
| Specialty Programmes | 7,327 | 3,135 | (1,783) | (904) | (448) | - |
| Specialty Reinsurance | 1,336 | 692 | (524) | (72) | (96) | - |
| War, Terrorism and Political Risk | 2,965 | 1,312 | (337) | (249) | (726) | - |
| Worldwide Property – Direct and Facultative | 1,592 | 792 | (386) | (135) | (271) | - |
| Worldwide Property Programmes | 2,062 | 743 | (345) | (239) | (159) | - |
| Contingency | 618 | 376 | (197) | (94) | (85) | - |
| Property Treaty | - | - | - | - | - | - |
| Fine Art & Specie | 865 | 361 | (215) | (81) | (65) | - |
| Package Programmes | 2,731 | 929 | (502) | (262) | (165) | - |
| Total | 34,228 | 16,737 | (8,118) | (3,626) | (4,993) | - |

All direct premiums were written and concluded in the UK. Gross premiums written by the Syndicate, analysed by location of risk is set out below:

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| UK | 792 | - |
| Other EU countries | 1,407 | - |
| US | 15,923 | - |
| Other | 16,106 | - |
| | 34,228 | - |

**5. Operating expenses**

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Acquisition costs – brokerage and commission | 3,626 | - |

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

| | 2014 £000 | 2013 £'000 |
|---|---|---|
| Incurred by ASML on behalf of ACML2 - audit fees | 7 | 3 |

**6. Directors and employees**

All staff are remunerated by ASML. The directors do not receive any remuneration in respect of their services to ACML2.

### 7. Taxation

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| UK corporation tax (credit) for the year | - | (179) |
| Movement in deferred taxation | - | - |
| Taxation on loss on ordinary activities | - | (179) |

There are no known factors that would significantly impact the future tax charge of ACML2. The current tax (credit) for the year is higher than the standard rate of corporation tax in the UK of 21.5% applied to the loss for the year. The difference is explained below:

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Loss on ordinary activities | (54) | (38) |
| UK corporation tax credit at 21.5% (2013: 23.25%) based on the UK loss for the year | (11) | (9) |
| Taxation effect of: | | |
| Profits not taxable in the current year | - | - |
| Adjustment in respect of prior years | - | (179) |
| Utilised tax losses | 11 | 9 |
| *Current taxation on loss on ordinary activities* | - | (179) |

### 8. Other financial investments

| | Cost 2014 | Value 2014 | Cost 2013 | Value 2013 |
|---|---|---|---|---|
| Shares and other variable yield securities | 1,398 | 1,414 | - | - |
| Debt and other fixed income securities | 5,986 | 5,922 | - | - |
| Deposits with credit institutions | 428 | 428 | - | - |
| | 7,812 | 7,764 | - | - |

All investments are stated in the balance sheet at market value. Shares and other variable yield securities include funds held in managed liquidity funds.

### 9. Debtors arising out of direct insurance operations

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Due within one year | 9,795 | - |
| Due after one year | 2 | - |
| | 9,797 | - |

### 10. Debtors arising out of reinsurance operations

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Due within one year | 1,801 | - |
| Due after one year | 3 | - |
| | 1,804 | - |

### 11. Overseas deposits

Overseas deposits are deposits lodged by the Syndicate as a condition of conducting underwriting business in certain countries or states within countries.

**12. Share capital**

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

**13. Reconciliation of movement in shareholders' funds**

| | Share capital £'000 | Profit and loss account £'000 | Other reserves £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 January 2013 | - | (6,642) | 75 | (6,567) |
| Profit for the period | - | 141 | - | 141 |
| At 31 December 2013 | - | (6,501) | 75 | (6,426) |
| Loss for the period | - | (54) | - | (54) |
| Closing shareholders' funds | - | (6,555) | 75 | (6,480) |

**14. Creditors arising out of direct insurance operations**

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Due within one year | 35 | - |
| Due after one year | 1 | - |
| | 36 | - |

**15. Creditors arising out of reinsurance operations**

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Due within one year - other | 1,485 | - |
| Due after one year - due to third parties in respect of 2014 YOA quota share reinsurance contract | 21,949 | - |
| | 23,434 | - |

**16. Other creditors including taxation and social security**

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Amounts due to fellow group companies | 6,962 | 5,985 |
| Other | 954 | 992 |
| | 7,916 | 6,977 |

**17. Related parties**

*Ultimate parent company*

The results of ACML2 are consolidated in the financial statements of AIHL. The registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. No other group financial statements include the results of the Company.

ACML2 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.