Registered Number: 03370297

TALISMAN UNDERWRITING PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2015

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Directors	Peter K Steel Robert E Eaton David Monksfield Paul F Sandilands	Chairman
Company Secretary	Graham Hodgson	
Registered Office	Fountain House 130 Fenchurch Street London EC3M 5DJ	
Auditors	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD	
Solicitors	Mills & Reeve LLP Botanic House 100 Hills Road Cambridge CB2 1PH	
Bankers	Coutts & Co 440 The Strand London WC2R 0QS	
Company Registration Number	03370297	

The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 December 2015.

These Financial Statements and related notes have been prepared in accordance with the requirements of Financial Reporting Standard ('FRS'), FRS 102 ('The Financial Reporting Standard Applicable in the UK and Republic of Ireland') and FRS 103 ('Insurance Contracts') as promulgated by the Financial Reporting Council ('FRC') and mandated for accounting periods beginning on, or after, 1 January 2015.

As a consequence of adopting these reporting standards for the first time, comparative information for the 2014 year end has been presented in accordance with the new standard. There has been no overall impact on the results of the Company however significant additional disclosures have been included within the accounting policies and notes to the Financial Statements on page 16 onwards. Please refer to note 26 for further information on the effects of implementing these new standards.

Results and Dividends

The results for the year are set out on pages 8 and 9 of the Financial Statements. Dividends totalling £1,252,403 were paid in the year (2014 - £644,512).

Directors

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

Peter K Steel
Paul F Sandilands
David Monksfield
Robert E Eaton

Auditors

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

Disclosure of Information to Auditors

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

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

(b) They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' Indemnity

The Board of Directors have effected a Directors' and Officers' Liability Insurance policy to indemnify the Directors and Officers of the Company against loss arising from any claim made against them jointly or severally by reason of any wrongful act in their capacity as Directors or Officers of the Company. The insurance also covers the Company's loss when it is required or permitted to indemnify the Directors or officers pursuant to the law, Common or Statutory, or the Articles of Association. The cost of this insurance is met by the Company.

By Order of the Board

D Monksfield
Director
3 June 2016

The Directors have pleasure in presenting their Strategic Report together with the Financial Statements for the year ended 31 December 2015.

Business Review

Activity

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

The Group also completed the acquisitions of Leonid Underwriting LLP and Goodhart Limited.

Results

The Financial Statements incorporate the annual accounting results of the syndicates on which the Group participates for the 2013, 2014 and 2015 years of account.

The annual accounting technical profit for the year is a profit of £1,882,375 (2014 – profit of £2,021,083).

The 2013 year of account closed at 31 December 2015 with a profit of £2,316,675 (2012 profit - £1,857,982). The 2014 and 2015 open underwriting years will normally close at 31 December 2016 and 31 December 2017 respectively, and the Directors expect the 2014 account to produce a profit of between 3.9% and 10.3% of capacity and based on current information a profit for the 2015 year of account of between 1.2% and 9.1% although it must be noted that many policies remain on risk.

Future Developments

The Group continues to write insurance business in the Lloyd’s insurance market. The capacity being underwritten on the 2016 year of account is £22,163,898 which has increased by £1,232,256 against the 2015 year of account.

Key Performance Indicators

For the 2015 calendar year the amount of gross premium written by the Syndicates on which the Group participates amounted to £19.4m (2014 - £17.3m) with a technical underwriting profit for the year of £1,882,375 (2014 - £2,021,083).

Risk Factors

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

Risk Management

As a Corporate Member of Lloyd’s the majority of the risks to the Group’s future cash flows arise from its participation in the results of Lloyd’s syndicates. As detailed on page 22, these risks are mostly managed by the Managing Agents of the syndicates. This Group’s role in managing this risk in conjunction with its Members’ Agent is limited to selection of syndicate participations and monitoring performance of the syndicates.

By Order of the Board

D Monksfield
Director
3 June 2016

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group’s website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

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

We have audited the Financial Statements of Talisman Underwriting Plc for the year ended 31 December 2015 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheet, the Group and Parent Company Statement of Changes in Equity, the Group Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts".

This report is made solely to the Company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors Responsibilities set out on page 5, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit

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

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

1 Westferry Circus
Canary Wharf
London E14 4HD

3 June 2016

TECHNICAL ACCOUNT - GENERAL BUSINESS

	Note	2015	2015	2014	2014
Gross Premiums Written					
Continuing operations	1		19,362,434		17,259,125
Outward reinsurance premiums			(3,630,299)		(3,142,289)
Net Premiums Written			15,732,135		14,116,836
Change in the provision for unearned premiums					
Gross provision	3		(510,208)		(168,764)
Reinsurers share	3		107,380		(20,599)
Earned Premiums, Net of Reinsurance			15,329,307		13,927,473
Allocated Investment Return Transferred from the Non-Technical Account	5		200,875		372,476
Claims Paid					
Gross amount		(8,702,785)		(8,067,317)	
Reinsurers' share		1,924,480		1,780,623	
Net claims paid		(6,778,305)		(6,286,694)	
Change in Provision for Claims					
Gross amount	3	502,524		406,241	
Reinsurers' share	3	(646,362)		(535,881)	
Change in net provision for claims		(143,838)		(129,640)	
Claims Incurred, Net of Reinsurance			(6,922,143)		(6,416,334)
Net operating expenses	4		(6,725,664)		(5,862,532)
Balance on the Technical Account for General Business			£1,882,375		£2,021,083
Balance on the Technical Account For General Business					
Attributable to:					
Continuing operations			1,843,154		1,939,568
Acquisitions			39,221		81,515
			£1,882,375		£2,021,083

The Accounting Policies and Notes on pages 16 to 42 form part of these Financial Statements.

NON-TECHNICAL ACCOUNT

	Note	2015	2014
Balance on the General Business Technical Account		1,882,375	2,021,083
Investment income	5	(36,263)	3,907
Profit/(loss) on exchange - syndicate participation		71,364	159,395
Other income		1,868	30,857
Other charges		(339,722)	(568,516)
Profit on Ordinary Activities before Taxation	6	1,579,622	1,646,726
Tax on profit on ordinary activities	7	(297,690)	(258,410)
Profit on Ordinary Activities after Taxation	15	£1,281,932	£1,388,316

All operations are continuing.

STATEMENT OF COMPREHENSIVE INCOME

	2015	2014
Profit/(loss) for the financial year	1,281,932	1,388,316
Other Comprehensive income:		
Currency translation differences	-	-
	£1,281,932	£1,388,316

The Accounting Policies and Notes on pages 16 to 42 form part of these Financial Statements.

Registered Number 03370297

	Note	2015 Syndicate Participation	2015 Corporate	2015 Total	2014 Syndicate Participation	2014 Corporate	2014 Total
Assets							
Intangible Assets	9	-	1,122,974	1,122,974	-	899,201	899,201
Positive goodwill	9	-	165,836	165,836	-	49,079	49,079
Investments							
Financial Investments	10	22,965,741	1,974,658	24,940,399	21,594,359	-	21,594,359
Deposits with ceding undertakings		3,087	-	3,087	5,317	-	5,317
		22,968,828	1,974,658	24,943,486	21,599,676	-	21,599,676
Reinsurers' share of technical provisions							
Provision for unearned premiums		1,369,747	-	1,369,747	1,066,667	-	1,066,667
Claims outstanding		5,037,679	-	5,037,679	5,193,590	-	5,193,590
		6,407,426	-	6,407,426	6,260,257	-	6,260,257
Debtors							
Arising out of direct Insurance operations	11	4,735,692	-	4,735,692	3,886,630	-	3,886,630
Arising out of Reinsurance operations	11	5,407,600	-	5,407,600	4,468,042	-	4,468,042
Other debtors	12	2,733,751	153,950	2,887,701	1,876,778	387,332	2,264,110
		12,877,043	153,950	13,030,993	10,231,450	387,332	10,618,782
Other Assets							
Cash at bank and In hand	13	910,406	5,604,939	6,515,345	910,563	5,526,047	6,436,610
Overseas deposits		1,332,301	-	1,332,301	1,542,773	-	1,542,773
Other		256,899	-	256,899	178,383	-	178,383
		2,499,606	5,604,939	8,104,545	2,631,719	5,526,047	8,157,766
Prepayments and Accrued Income							
Accrued interest		30,871	-	30,871	34,610	-	34,610
Deferred acquisition costs		2,436,148	-	2,436,148	2,047,682	-	2,047,682
Other prepayments and accrued income		78,859	-	78,859	79,555	-	79,555
		2,545,878	-	2,545,878	2,161,847	-	2,161,847
Total Assets		£47,298,781	£9,022,356	£56,321,137	£42,884,949	£6,861,659	£49,746,608

The Accounting Policies and Notes on pages 16 to 42 form part of these Financial Statements.

TALISMAN UNDERWRITING PLC

Registered Number 03370297

GROUP BALANCE SHEET
As at 31 December 2015

	Note	2015 Syndicate Participation	2015 Corporate	2015 Total	2014 Syndicate Participation	2014 Corporate	2014 Total
Liabilities and Shareholders' Funds							
Capital and Reserves							
Called-up share capital	14	-	3,331,971	3,331,971	-	3,059,653	3,059,653
Share premium account		-	2,044,549	2,044,549	-	1,557,143	1,557,143
Profit and Loss Account	15	3,043,831	(183,437)	2,860,394	2,854,578	(23,713)	2,830,865
Total Shareholders Funds		3,043,831	5,193,083	8,236,914	2,854,578	4,593,083	7,447,661
Technical provisions:							
Provision for unearned premiums		9,615,491	-	9,615,491	8,187,005	-	8,187,005
Claims outstanding		28,112,550	-	28,112,550	26,331,932	-	26,331,932
Provisions for Other Risks and Charges							
Deferred taxation	16	-	1,192,982	1,192,982	-	997,156	997,156
Deposit received from reinsurers		33,905	-	33,905	4,690	-	4,690
Creditors							
Arising out of direct insurance operations	17	717,395	-	717,395	496,619	-	496,619
Arising out of reinsurance operations	17	2,745,024	-	2,745,024	2,583,527	-	2,583,527
Other creditors including taxation and social security	18	2,751,859	2,402,452	5,154,311	2,139,178	1,116,560	3,255,738
		6,214,278	2,402,452	8,616,730	5,219,324	1,116,560	6,335,884
Accruals and Deferred Income		278,726	233,839	512,565	287,420	154,860	442,280
Total Liabilities		£47,298,781	£9,022,356	£56,321,137	£42,884,949	£6,861,659	49,746,608

The Financial Statements were approved and authorised for issue by the Board on 3 June 2016 and were signed on its behalf by:

D Monksfield
Director

The Accounting Policies and Notes on pages 16 to 42 form part of these Financial Statements.

Registered Number 03370297

	Note	2015	2014
Fixed Assets			
Investments	10	525,133	32,301
Current Assets			
Debtors		1,234,375	2,588,874
Investments	10	1,974,658	-
Cash at bank		5,082,880	4,564,496
		8,291,913	7,153,370
Creditors: amounts falling due within one year	18	(1,975,477)	(1,029,391)
Net current assets		6,316,436	6,123,979
Total assets less current liabilities		6,841,569	6,156,280
Provision for other risks and charges			
Deferred taxation	16	(166,580)	(109,636)
Net assets		£6,674,989	£6,046,644
Capital and Reserves			
Called-up share capital	14	3,331,971	3,059,653
Share premium account		2,044,549	1,557,143
Profit and Loss Account		1,298,469	1,429,848
Shareholders Funds attributable to Equity Interests		£6,674,989	£6,046,644

The Financial Statements were approved and authorised for issue by the Board on 3 June 2016 and were signed on its behalf by:

D Monksfield
Director

The Accounting Policies and Notes on pages 16 to 42 form part of these Financial Statements.

Group statement of changes in shareholders' equity

	A Ordinary Share capital	B Ordinary Share capital	Share premium account	Profit and loss account	Total
At 1 January 2014	2,950,481	1,127	1,340,976	2,087,061	6,379,645
Profit/(loss) for the financial year	-	-	-	1,388,316	1,388,316
Dividends paid	-	-	-	(644,512)	(644,512)
Issue of 432,334 ordinary A shares of 25p each	108,084	-	216,167	-	324,251
Issue of 160 ordinary B shares of 10p each	-	16	-	-	16
Cancellation of Ordinary B shares	-	(55)	-	-	(55)
At 31 December 2014	3,058,565	1,088	1,557,143	2,830,865	7,447,661
At 1 January 2015	3,058,565	1,088	1,557,143	2,830,865	7,447,661
Profit/(Loss) for the financial year		-	-	1,281,932	1,281,932
Dividends paid	-	-	-	(1,252,403)	(1,252,403)
Issue of 1,089,213 ordinary A shares of 25p each	272,303	-	487,406	-	759,709
Issue of 150 ordinary B shares of 10p each	-	15	-	-	15
At 31 December 2015	£3,330,868	£1,103	£2,044,549	£2,860,394	£8,236,914

The Accounting Policies and Notes on pages 16 to 42 form part of these Financial Statements.

Company statement of changes in shareholders' equity

	A Ordinary Share capital	B Ordinary Share capital	Share premium account	Profit and loss account	Total
At 1 January 2014	2,950,481	1,127	1,340,976	70,410	4,362,994
Profit/(loss) for the financial year	-	-	-	2,003,950	2,003,950
Dividends paid	-	-	-	(644,512)	(644,512)
Issue of 432,334 ordinary A shares of 25p each	108,084	-	216,167	-	324,251
Issue of 160 ordinary B shares of 10p each	-	16	-	-	16
Cancellation of Ordinary B shares	-	(55)	-	-	(55)
At 31 December 2014	3,058,565	1,088	1,557,143	1,429,848	6,046,644
At 1 January 2015	3,058,565	1,088	1,557,143	1,429,848	6,046,644
Profit/(Loss) for the financial year		-	-	1,121,024	1,121,024
Dividends paid	-	-	-	(1,252,403)	(1,252,403)
Issue of 1,089,213 ordinary A shares of 25p each	272,303	-	487,406	-	759,709
Issue of 150 ordinary B shares of 10p each	-	15	-	-	15
At 31 December 2015	£3,330,868	£1,103	£2,044,549	£1,298,469	£6,674,989

The Accounting Policies and Notes on pages 16 to 42 form part of these Financial Statements.

	Note	2015	2014
Cash flows from operating activities			
Profit/(loss) on ordinary activities before tax		1,579,622	1,646,726
Deduction of (profit)/loss attributed to syndicate transactions		(1,954,221)	(2,180,478)
Distribution/(collection) of closed year result from syndicates		1,764,968	974,235
Profit/(loss) excluding syndicate transactions		1,390,369	440,483
Adjustments for:			
(Increase)/decrease in debtors		463,113	106,302
Increase/(decrease) in creditors		1,112,081	(44,207)
Amortisation of goodwill		18,835	5,784
Amortisation of negative goodwill		-	(983)
Amortisation of syndicate capacity		403,337	543,506
Investment income		(7,527)	(3,907)
Unrealised losses on investments		43,790	-
Taxation recovered/(paid)		10,560	(15,782)
		3,434,558	1,022,196
Cash flows from investing activities			
Investment income		7,527	3,907
Purchase of syndicate capacity		-	(121,990)
Purchase of investments		(2,018,448)	-
Purchase of subsidiary undertakings, net of cash acquired		(152,067)	(533,890)
Net cash inflow/(outflow) from investing activities		(2,162,988)	(651,973)
Cash flows from financing activities			
Equity dividends paid		(1,252,403)	(644,512)
Issues of shares		59,725	114,962
Net cash inflow/(outflow) from financing activities		(1,192,678)	(529,550)
Net increase/(decrease) in cash and cash equivalents	19	78,892	(150,327)
Cash and cash equivalents at beginning of year		5,526,047	5,676,374
Cash and cash equivalents at end of year	19	£5,604,939	£5,526,047
Cash and cash equivalents comprise:			
Cash at bank and in hand		5,604,939	5,526,047
Cash and cash equivalents	19	£5,604,939	£5,526,047

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

The Accounting Policies and Notes on pages 16 to 42 form part of these Financial Statements.

General information

The Company is a public limited company that was incorporated in England and whose registered office is Fountain House, 130 Fenchurch Street, London, EC3M 5DJ. The Group participates in insurance business as an underwriting member of various syndicates at Lloyd's through its subsidiary undertakings.

Basis of Preparation

These Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts", the Companies Act 2006 and Schedule 3 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations, relating to insurance.

The Directors do not consider the Company to be a financial institution under FRS 102.

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

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

Going Concern

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

Basis of Accounting

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

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

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

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

General Business

i. **Premiums**

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

General Business (continued)

ii. **Unearned Premiums**

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis having regard where appropriate, to the incidence of risk. The specific basis adopted by each syndicate is determined by the relevant managing agent.

iii. **Deferred Acquisition Costs**

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

iv. **Reinsurance Premiums**

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

v. **Claims Incurred and Reinsurers' Share**

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

The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount included in respect of IBNR is based on statistical techniques of estimation applied by each syndicate's in house reserving team and in most cases reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to each syndicate's reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. Each syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly the two most critical assumptions made by each syndicates managing agent as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used including pricing models for recent business are reasonable indicators of the likely level of ultimate claims to be incurred.

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

General Business (continued)

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

The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses. The provisions for gross claims and related reinsurance recoveries have been assessed on the basis of the information currently available to the directors of each syndicate's managing agent. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the Financial Statements for the period in which the adjustments are made. The provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used, and the estimates made, are reviewed regularly.

vi. **Unexpired Risks Provision**

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

vii. **Closed Years of Account**

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

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

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

viii. **Run-off Years of Account**

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

ix. **Net Operating Expenses (including Acquisition Costs)**

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

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the Balance Sheet date.

General Business (continued)

x. **Distribution of Profits and Collection of Losses**

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

xi. **Financial Instruments**

The syndicate investments comprise debt and equity investments, derivatives, cash and cash equivalents and loans and receivables. The debt, equity investments and derivatives of the syndicate participation are measured at fair value through profit or loss.

Debtors/creditors arising from insurance/reinsurance operations shown in the Balance Sheet include the totals of all the syndicates outstanding debit and credit transactions as processed by the Lloyd's central facility. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

Recognition
Financial assets and liabilities are recognised when the syndicate becomes party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the syndicate after deducting all of its liabilities.

Initial measurement
All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Subsequent measurement
Non-current debt instruments are subsequently measured at amortised cost using the effective interest method.

Debt instruments that are classified as payable or receivable within one financial year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

Other debt instruments are measured at fair value through profit or loss.

Derecognition of financial assets and liabilities
Financial assets are derecognized when and only when a) the contractual rights to the cash flow from the financial asset expire or are settled, b) the syndicates transfer to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the syndicates, despite having retained some significant risks and rewards of ownership, have transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognized only when the obligation specified in the contract is discharged, cancelled or expires.

xi. **Financial Instruments (continued)**

Fair value measurement
The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse in time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the syndicates estimate the fair value by using a valuation technique.

Impairment of financial instruments measured at amortised cost or cost
For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, i.e. using the effective interest method.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in profit and loss immediately.

xii. **Investment Return**

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

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

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting the underwriting business.

xiii. **Basis of Currency Translation**

The Group financial statements are presented in sterling.

The Company's functional and presentation currency is sterling.

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

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

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

All differences arising on the translation of foreign currency amounts in syndicates are included in either the non-technical account and technical account irrespective of their treatment by the underlying syndicates.

Current Taxation

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

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

Deferred Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred tax assets are recognised to the extent that it is regarded as probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Intangible Assets

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

Goodwill

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

Cash Flow Statement

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

Basis of consolidation

The Group Financial Statements consolidate the Financial Statements of Talisman Underwriting Plc with those of its subsidiaries for the year ended 31 December 2015.

No profit or loss account is presented for Talisman Underwriting Plc as provided by s408 of the Companies act 2006. The profit of the parent company for the financial year dealt within the consolidated Financial Statements of Talisman Underwriting Plc was £1,121,024 (2014 – profit £2,003,950).

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

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

Risk management

This section summarises the financial and insurance risks the Group is exposed to either directly at the corporate level or indirectly via its participation in the Lloyd's syndicates.

Risk background

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

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

The Group manages the risks faced by the syndicates on which it participates by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate for the following year, with a review of the business plan prepared for each syndicate by its managing agent. In addition, quarterly reports and annual accounts together with any other information made available by the managing agent are monitored and if necessary enquired into. If the Group considers that the risks being run by the syndicate are excessive it will seek confirmation from the managing agent that adequate management of the risk is in place and, if considered appropriate will withdraw support from the next underwriting year. The Company relies on advice provided by the members agent which acts for it, who are specialists in assessing the performance and risk profiles of syndicates. The Group also mitigates its insurance risks by participating across several syndicates as detailed in Note 22.

The Directors do not consider the Group to be a financial institution under FRS 102, on the basis that the Company itself does not undertake the business of effecting or carrying out insurance contracts. Therefore there is no requirement to discuss financial risks arising from syndicate investment activities. The analysis below provides details of the financial risks the Group is exposed to from syndicate insurance activities as required by FRS 103. Note 3 provides further analysis of sensitivities to reserving and underwriting risks.

Syndicate risks

i. Liquidity risk

The syndicates are exposed to daily calls on their available cash resources, principally from claims arising from its insurance business. Liquidity risk arises where cash may not be available to pay obligations when due, or to ensure compliance with the syndicate's obligations under the various trust deeds to which it is party.

The syndicates' aim to manage their liquidity position so that they can fund claims arising from significant catastrophic events, as modelled in their Lloyd's realistic disaster scenarios ("RDS").

ii. Interest rate and equity price risk

Interest rate risk and equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates and market prices, respectively. The Group and syndicates are not exposed to these risks by maintaining an appropriate mix between equity and debt financial instruments, by investing in both fixed and floating rate investments, and by investing in a large portfolio of high quality equity investments across of range of unrelated sectors.

iii. Currency risk

The syndicates' main exposure to foreign currency risk arises from insurance business originating overseas, primarily denominated in US dollars. Transactions denominated in US dollars form a significant part of the syndicates' operations. This risk is, in part, mitigated by the syndicates maintaining financial assets denominated in US dollars against its major exposures in that currency.

The table below provides details of syndicate assets and liabilities by currency:

2015	GBP £ converted	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
Total assets	10,515,232	29,461,128	2,765,918	3,349,606	1,206,897	47,298,781
Total liabilities	(12,591,846)	(25,869,250)	(2,462,121)	(2,102,400)	(1,229,333)	(44,254,950)
Surplus/(deficiency) of assets	£(2,076,614)	£3,591,878	£303,797	£1,247,206	£(22,436)	£3,043,831

2014	GBP £ converted	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
Total assets	9,533,971	26,711,871	2,507,808	3,037,027	1,094,272	42,884,949
Total liabilities	(11,389,828)	(23,399,771)	(2,227,087)	(1,901,705)	(1,111,980)	(40,030,371)
Surplus/(deficiency) of assets	£(1,855,857)	£3,312,100	£280,721	£1,135,322	£(17,708)	£2,854,578

The impact of a 5% change in exchange rates between GBP and other currencies would be £0.26m on the result for the year (2014: £0.24m).

iv. Credit risk

The Syndicates, through careful monitoring of the quality of their financial counterparties, are not exposed to significant credit risk.

Company risks

i. Investment, credit, liquidity and currency risks

The significant risks faced by the Group are with regard to the investment of the available funds within its own custody. The elements of these risks are investment risk, credit risk, liquidity risk, currency risk and interest rate risk. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the Group to meet the claim. In order to minimise investment, credit and liquidity risk the Group's funds are invested in readily realisable short term deposits. The syndicates can distribute their results in Pound Sterling, US Dollars or a combination of the two. The Group is exposed to movements in the US Dollar between the Balance Sheet date and the distribution of the underwriting profits and losses, which is usually in the May following the closure of a year of account. The Group does not use derivative instruments to manage risk and, as such, no hedge accounting is applied.

ii. Regulatory risks

The Group's subsidiaries are subject to continuing approval by Lloyd's to be a member of a Lloyd's syndicate. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's. The capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. A variety of factors are taken into account by Lloyd's in setting these requirements including market conditions and syndicate performance and although the process is intended to be fair and reasonable, the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the Group is able to support.

iii. Operational risks

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

1. **Class of Business**

2015	**Gross written premiums**	**Gross premiums earned**	**Gross claims incurred**	**Net operating expenses**	**Reinsurance balance**	**Total**
Direct Insurance						
Accident and health	868,051	840,802	(381,012)	(378,906)	(42,448)	38,436
Motor (third party liability)	148,199	125,540	(89,192)	(44,578)	9,190	960
Motor (other classes)	1,462,773	1,365,451	(948,843)	(414,305)	(24,042)	(21,739)
Marine, aviation and Transport	2,187,203	2,207,825	(854,526)	(935,161)	(213,390)	204,748
Fire and other damage to property	5,123,533	5,057,377	(1,988,544)	(1,837,059)	(838,278)	393,496
Third party liability	3,970,562	3,770,017	(2,178,321)	(1,429,125)	(59,676)	102,895
Credit and suretyship	305,721	309,241	(175,723)	(79,704)	(40,451)	13,363
Legal expenses	37,563	48,236	(19,976)	(23,695)	(322)	4,242
Miscellaneous	143,477	139,612	(67,358)	(51,609)	(9,717)	10,928
	14,247,082	13,864,101	(6,703,495)	(5,194,142)	(1,219,134)	747,330
Reinsurance	5,115,353	4,988,125	(1,496,766)	(1,531,522)	(1,025,667)	934,170
Total	19,362,435	18,852,226	(8,200,261)	(6,725,664)	(2,244,801)	1,681,500

2014						
Direct Insurance						
Accident and health	790,061	779,951	(322,703)	(340,327)	(32,833)	84,088
Motor (third party liability)	98,241	102,823	(69,562)	(34,340)	(1,558)	(2,637)
Motor (other classes)	1,265,138	1,263,655	(863,809)	(437,737)	17,441	(20,450)
Marine, aviation and Transport	2,141,913	2,109,366	(968,386)	(738,169)	(125,255)	277,556
Fire and other damage to property	4,600,822	4,461,399	(1,625,213)	(1,518,775)	(748,380)	569,031
Third party liability	3,197,247	3,132,436	(1,907,053)	(1,107,466)	(51,954)	65,963
Credit and suretyship	301,182	296,688	(211,408)	(71,797)	(6,055)	7,428
Legal expenses	50,088	52,025	(18,903)	(27,729)	(311)	5,082
Miscellaneous	105,929	105,587	(38,648)	(43,555)	(12,108)	11,276
	12,550,621	12,303,930	(6,025,685)	(4,319,895)	(961,013)	997,337
Reinsurance	4,708,504	4,786,431	(1,635,391)	(1,542,637)	(957,133)	651,270
Total	17,259,125	17,090,361	(7,661,076)	(5,862,532)	(1,918,146)	1,648,607

Following the acquisition of 100% of the interest in Leonid Underwriting LLP and 100% of the share capital of Goodhart Limited (Note 25), the Group has split the presentation of the Balance on the Technical Account for General Business between continuing business and the amounts attributable to these acquisitions.

2. Geographical Analysis

	2015	2014
Direct Net Premium Written in:		
United Kingdom	£14,247,081	£12,550,621

3. Technical provisions

	Gross £	Reinsurance £	2015 Net £	Gross £	Reinsurance £	2014 Net £
Movement in claims outstanding						
At 1 January	26,331,932	(5,193,590)	21,138,342	23,849,578	(5,071,841)	18,777,737
Movement in technical account	502,524	(646,362)	(143,838)	406,241	(535,881)	(129,640)
Other movements	1,278,094	802,273	2,080,367	2,076,113	414,132	2,490,245
At 31 December	£28,112,550	£(5,037,679)	£23,074,871	£26,331,932	£(5,193,590)	£21,138,342

	Gross £	Reinsurance £	2015 Net £	Gross £	Reinsurance £	2014 Net £
Movement in unearned premiums						
At 1 January	8,187,005	(1,066,667)	7,120,338	7,171,312	(978,630)	6,192,682
Movement in technical account	510,208	(107,380)	402,828	168,764	20,599	189,363
Other movements	918,278	(195,700)	722,578	846,929	(108,636)	738,293
At 31 December	£9,615,491	£(1,369,747)	£8,436,578	£8,187,005	£(1,066,667)	£7,120,338

	2015 Net £	2014 Net £
Movement in deferred acquisition costs		
At 1 January	2,047,682	1,518,322
Movement in deferred acquisition costs	179,057	125,510
Other movements	209,409	403,850
At 31 December	£2,436,148	£2,047,682

Included within other movements are foreign exchange movements in restating the opening balances and the effect of the 2012 and prior years' technical provisions being reinsured to close into the 2013 year of account (2014: 2011 and prior years' technical provisions being reinsured to close into the 2012 year of account), to the extent where the Company's syndicate participation portfolio has changed between those two years of account. The substantial changes in other movements are due to the Group's significant growth in Syndicate participation as can be seen in Note 22.

Assumptions, changes in assumptions and sensitivity

As described on page 22 the majority of the risks to the Group's future cash flows arise from its participation in the results of Lloyd's syndicates and are mostly managed by the managing agents of the syndicates. The Group's role in managing these risks, in conjunction with the Group's members' agent, is limited to a selection of syndicate participations and monitoring the performance of the syndicates and their managing agents.

The amounts carried by the Group arising from insurance contracts are calculated by the managing agents of the syndicates and derived from accounting information provided by the managing agents and reported upon by the syndicate auditors.

3. **Technical provisions (continued)**

The key assumptions underlying the amounts carried by the Group arising from insurance contracts are:

- the net premiums written calculated by the managing agent are an accurate assessment of the premiums payable as a result of the risks contractually committed to up to the Balance Sheet date;
- the net unearned premiums calculated by the managing agent are an accurate assessment of the net premiums written that reflect the exposure to risks arising after the Balance Sheet date, including appropriate allowance for anticipated losses in excess of the unearned premium;
- the claims reserves calculated by the managing agents are an accurate assessment of the ultimate liabilities in respect of claims relating to events up to the Balance Sheet date;
- the potential ultimate result of run-off year results has been accurately estimated by the managing agents; and
- the values of investments and other assets and liabilities are correctly stated at their realisable values at the Balance Sheet date.

There have been no changes to these assumptions in 2015.

The amounts carried by the Group arising from insurance contracts are sensitive to various factors as follows:

- a 5% increase/decrease in net earned premium (with all other underwriting elements assumed to change pro-rata with premium) will increase/decrease the Company's pre-tax profit/loss by £0.8m (2014: £0.7m);
- a 5% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the Company's pre-tax profit/loss by £1.4m (2014: £1.3m);
- a 5% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Company's pre-tax profit/loss by £1.2m (2014: £1.1m).

The 5% movement has been selected to give an indication of the possible variations in the assumptions used.

The historical gross and net claims development is as follows:

Gross basis at 31 December 2015 – in £'000

Underwriting year	After 12 months	After 24 months	After 36 months	RITC	Ultimate	Cumulative payments	Total
2011	7,029	11,697	11,409	7,278	18,687	(9,118)	9,569
2012	7,179	10,844	10,387	-	10,387	(7,375)	3,012
2013	5,451	9,669	9,561	-	9,561	(5,332)	4,229
2014	5,603	10,005	-	-	10,005	(3,422)	6,583
2015	5,405	-	-	-	5,405	(686)	4,719
					54,045	**(25,933)**	**28,112**

Net basis at 31 December 2015 – in £'000

Underwriting year	After 12 months	After 24 months	After 36 months	RITC	Ultimate	Cumulative payments	Total
2011	5,668	9,583	9,038	5,429	14,467	(7,198)	7,269
2012	5,707	9,029	8,563	-	8,563	(6,072)	2,491
2013	4,625	8,393	8,213	-	8,213	(4,577)	3,636
2014	4,764	8,758	-	-	8,758	(3,137)	5,621
2015	4,619	-	-	-	4,619	(561)	4,060
					44,620	**(21,544)**	**23,075**

4. Net Operating Expenses

	2015	2014
Acquisition costs	(5,408,537)	(4,653,813)
Change in deferred acquisition costs	179,057	125,510
Administrative expenses	(1,516,649)	(1,364,026)
Profit on exchange	723	-
Reinsurer's commissions and profit participations	19,742	29,797
	£(6,725,664)	£ (5,862,532)

5. Investment Income

	2015	2014
Investment income – financial instruments held at fair value through profit or loss		
Dividend income and interest	393,874	402,504
Realised gains and losses	(44,358)	23,522
Unrealised gains and losses - net	(161,598)	(18,038)
Investment income	187,918	407,988
Bank interest	7,527	3,907
Investment management expenses	(30,833)	(35,513)
Total investment return	£164,612	£376,383
Recognised in:		
Technical account	200,875	372,476
Non-technical account	(36,263)	3,907
Total investment return	£164,612	£376,383

6. Profit on Ordinary Activities before Taxation

This is stated after charging/(crediting):

		2015	2014
Chairman's remuneration		£ 10,000	£ 10,000
Directors' remuneration- excluding Chairman.		£ 22,500	£ 22,500
Other staff costs		£ 7,500	£ 7,500
Auditors' remuneration	- audit of these Financial Statements	£ 21,720	£ 20,408
	- audit of the Company's subsidiaries	£ 27,540	£ 25,000
	- tax compliance services	£ 13,982	£ 18,054
Other professional fees		£ 17,310	£ 6,099
Amortisation of syndicate capacity		£ 403,337	£543,506
Amortisation of goodwill		£ 18,835	£ 5,784
Amortisation of negative goodwill		£ -	£ (983)
Exchange (gain)/loss		£(198,780)	£(87,837)

The Group has no employees other than the Company Secretary.

7. Taxation

	2015	2014
Analysis of Charge in Year		
Corporation tax:		
UK corporation tax on profit of the year	225,322	21,532
Prior year adjustment	(1,227)	-
Overseas taxation	17,917	15,788
	242,012	37,320
Deferred tax:		
Origination and reversal of timing differences at 20% (2014 – 20%)	55,678	221,090
Total tax charge	£297,690	£258,410

Factors affecting tax charge for year	**2015**	**2014**
The tax assessed for the year is different to the standard rate of corporation tax in the UK. The differences are explained below:		
Profit on ordinary activities before tax	£1,579,622	£1,646,726
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%)	319,873	354,046
Effects of:		
Permanent disallowance	3,064	-
Rate change adjustments	(41,937)	(111,424)
Foreign tax paid	17,917	15,788
Prior year adjustment	(1,227)	-
Tax charge for year	£297,690	£258,410

Factors that may affect future tax charges

The results of the Group's participation on the 2013, 2014 and 2015 years of account, will not be assessed to tax until the year ended 31 December 2016, 2017 and 2018 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account.

In addition, tax only Claims Equalisation Reserves (CER) may further affect the timing of the taxation of underwriting profits. At 31 December 2015 the Group had a CER of £1,729,090 (2014 - £1,768,190) which will be subject to UK corporation tax as it is released in future years.

During 2015, the government announced legislation setting the corporation tax main rate at 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. These rates become substantively enacted on 26 October 2015.

In March 2016, it was announced that there would be a further reduction to 17% from 1 April 2020.

8. Dividends

	2015	2014
Equity dividends declared and paid	£1,252,403	£644,512

9. Intangible Assets and Positive Goodwill

	2015	2014
Purchased		
Cost	**Positive Goodwill**	**Syndicate Capacity**
At 1 January 2015	57,986	3,555,138
Additions	-	-
On acquisition of subsidiaries	135,592	627,110
Disposals	-	
At 31 December 2015	193,578	4,182,248
Amortisation		
At 1 January 2015	(8,907)	(2,655,937)
Provided during the year	(18,835)	(403,337)
Disposals	-	-
At 31 December 2015	(27,742)	(3,059,274)
Net Book Value		
At 31 December 2015	£165,836	£1,122,974
At 31 December 2014	£49,079	£899,201

10. Investments

Company	**2015**	**2014**
Fixed asset investments	**Subsidiary Undertakings**	**Subsidiary Undertakings**
At 1 January	32,301	25,895
Additions/(disposals) in subsidiaries (Note 25)	878,896	32,197
Intergroup transfers	-	(25,791)
Other transfers in year	(386,064)	-
At 31 December	£525,133	£32,301

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10. **Investments (continued)**

The Company has the following beneficial interests, held either directly or indirectly in group undertakings:

Name	**Direct/ indirect interest**	**Ownership interest**	**Country of incorporation**	**Business activity**
Talisman Corporate Underwriting Limited	Direct	100%	England and Wales	Lloyd's corporate member
Talisman Corporate Underwriting 1999 Limited	Direct	100%	England and Wales	Lloyd's corporate member
Talisman Corporate Underwriting 2000 Limited	Direct	100%	England and Wales	Lloyd's corporate member
D S Adams LLP	Direct	100%	England and Wales	Lloyd's corporate member
Ashmore UTG LLP	Direct	100%	England and Wales	Lloyd's corporate member
Leonid Underwriting LLP	Direct	100%	England and Wales	Lloyd's corporate member
Goodhart Limited	Direct	100%	England and Wales	Lloyd's corporate member
Talisman Corporate Limited	Direct	100%	England and Wales	LLP corporate partner
Seven Underwriting LLP	Indirect	100%	England and Wales	Lloyd's corporate member
John Stevens LLP	Indirect	100%	England and Wales	Lloyd's corporate member

During the year the Company acquired Leonid Underwriting LLP and Goodhart Limited.

The Group and Company also hold the following investments:

Group

Other Financial Investments - Syndicate	**2015**		**2014**	
	Market value	**Cost**	**Market value**	**Cost**
Shares and other variable yield securities and units in unit trusts	3,093,424	3,035,731	2,472,554	2,415,348
Debt securities and other fixed income securities	19,216,817	19,342,123	18,083,011	18,105,424
Participation in investment pools	315,493	278,174	455,246	407,701
Loans secured by mortgages	24,169	24,166	51,555	51,321
Other loans	-	-	131,114	131,105
Deposits with credit institutions	30,235	30,235	137,130	136,542
Overseas deposits	268,909	266,941	206,974	202,182
Other	16,694	2,053	56,775	26,167
	£22,965,741	£22,979,423	£21,594,359	£21,475,790

10. **Investments (continued)**

The Group uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets.
Level 2: prices based on recent transactions in identical assets.
Level 3: priced determined using a valuation technique.

Financial investments – Syndicate	**Financial investments Held at fair value through profit or loss**				**Held at amortised**	
	Level 1	**Level 2**	**Level 3**	**Total**	**cost**	**Total**
2015						
Shares and other variable yield securities and units in unit trusts	473,422	2,171,999	448,003	3,093,424	-	3,093,424
Debt securities and other fixed income securities	6,643,733	7,363,617	5,209,467	19,216,817	-	19,216,817
Participation in investment pools	69,232	98,273	147,988	315,493	-	315,493
Loans and deposits with credit Institutions	161,959	101,934	58,586	322,478	-	322,478
Derivatives	-	-	-	-	-	-
Other investments	1,037	-	16,115	17,152	-	17,152
Other	-	-	377	377	-	377
Fair value	£7,349,383	£9,735,823	£5,880,536	£22,965,741	£-	£22,965,741

Financial investments – Corporate	**Financial investments Held at fair value through profit or loss**				**Held at amortised**	
	Level 1	**Level 2**	**Level 3**	**Total**	**cost**	**Total**
2015						
Shares and other variable yield securities and units in unit trusts	-	1,974,658	-	1,974,658	-	1,974,658
Fair value	£-	£1,974,658	£-	£1,974,658	£-	£1,974,658
						Total
Cost				£2,018,448	£-	£2,018,448

The Corporate investments comprise units held in the Ruffer LLP Total Return International Fund and are deposited at Lloyd's to support the Group's underwriting as described in the Accounting Policies (see Note 23)..

10. **Investments (continued)**

Financial investments – Syndicate	**Financial investments Held at fair value through profit or loss Level 1**	**Level 2**	**Level 3**	**Total**	**Held at amortised cost**	**Total**
2014						
Shares and other variable yield securities and units in unit trusts	378,403	1,736,065	358,086	2,472,554	-	2,472,554
Debt securities and other fixed income securities	6,251,748	6,929,158	4,902,105	18,083,011	-	18,083,011
Participation in investment pools	99,899	141,804	213,541	455,245	-	455,245
Loans and deposits with credit Institutions	264,562	166,510	95,701	526,773	-	526,773
Other investments	-	-	56,775	56,775	-	56,775
Fair value	£6,994,612	£8,973,538	£5,626,208	£21,594,359	£-	£21,594,359
						Total
Cost				£21,475,790	£-	£21,475,790

11. **Debtors arising out of Direct Insurance and Reinsurance Operations**

	2015 Syndicate Participation	**Corporate**	**Total**	**2014 Syndicate Participation**	**Corporate**	**Total**
Direct insurance operations						
Policyholders	47,931	-	47,931	15,575	-	15,575
Intermediaries	4,687,761	-	4,687,761	3,871,055	-	3,871,055
	£4,735,692	£-	£4,735,692	£3,886,630	£-	£3,886,630
Reinsurance operations	5,407,600	-	5,407,600	4,468,042	-	4,468,042
	£5,407,600	£	£5,407,600	£4,468,042	£-	£4,468,042

Debtors arising out of direct and reinsurance operations includes £47,931 (2014 - £15,575) and £1,976,297 (2014 - £1,856,611) respectively which is due after more than one year.

12. **Other Debtors**

Group	**2015**			**2014**		
	Syndicate Participation	**Corporate**	**Total**	**Syndicate Participation**	**Corporate**	**Total**
Corporation tax	-	-	-	-	43,333	43,333
Other	2,733,751	153,950	2,887,701	1,876,778	343,999	2,220,777
	£2,733,751	£153,950	£2,887,701	£1,876,778	£387,332	£2,264,110

13. **Cash at Bank and in Hand**

	2015			**2014**		
	Syndicate Participation	**Corporate**	**Total**	**Syndicate Participation**	**Corporate**	**Total**
Lloyd's deposit	-	1,658,123	1,658,123	-	2,512,202	2,512,202
Cash at bank	910,406	3,946,816	4,857,222	910,563	3,013,845	3,924,408
	£910,406	£5,604,939	£6,515,345	£910,563	£5,526,047	£6,436,610

The Lloyd's deposit represents monies deposited with the Corporation of Lloyd's (Lloyd's) to support the Group's underwriting activities as described in the Accounting Policies (see Note 23).

14. **Called-up Share Capital**

	2015	**2014**
	Allotted, called-up and fully paid	**Allotted, called-up and fully paid**
13,323,472 (2014: 12,234,259) Ordinary A shares of 25p each	3,330,868	3,058,565
11,030 (2014: 10,880) Ordinary B shares of 10p each	1,103	1,088
	£3,331,971	£3,059,653

The Company has issued two classes of shares, Ordinary A shares and Ordinary B shares. The Ordinary A shares and Ordinary B shares carry the right for the shareholder to participate in the underwriting profits of the Company resolved to be distributed by the Company. The A shares also entitle the shareholder to participate on any investment income and gains generated on funds held by the Company to the exclusion of any other class of shares.

Each Ordinary A shareholder is entitled to a single vote for every A share held. Each Ordinary B shareholder is entitled to one thousand votes for every B share held. On winding up of the Company the capital and assets available for distribution will be divided amongst the members in proportions to the amounts paid up on the shares.

1,089,213 Ordinary A shares (2014: 432,334 Ordinary A shares) and 150 Ordinary B shares (2014: 160 Ordinary B shares) were issued in 2015. In 2014 550 Ordinary B shares were cancelled.

15. **Profit and Loss Account**

Group		**2015**	
	Syndicate Participation	**Corporate**	**Total**
Retained profit brought forward	2,854,578	(23,713)	2,830,865
Profit/(loss) for the financial year	1,954,221	(672,289)	1,281,932
Dividends	-	(1,252,403)	(1,252,403)
Transfer	(1,764,968)	1,764,968	-
Retained profit carried forward	£3,043,831	£(183,437)	£2,860,394

16. **Deferred Taxation**

Group	**2015**	**2014**
Opening balance – Deferred Tax liability	997,156	598,085
On acquisition of subsidiaries	140,148	177,981
Profit and loss account charge for the financial year	55,678	221,090
Closing balance – Deferred Tax liability	£1,192,982	£997,156
Deferred tax consists of the following items:		
Underwriting profits not subject to current taxation	608,766	508,020
Claims Equalisation reserve	345,818	353,638
Other timing differences	238,398	135,498
	£1,192,982	£997,156

Deferred tax has been calculated using a tax rate of 20% (2014 – 20%) given that the Group continues to pay corporation tax at the main rate.

The deferred tax balance will reverse over a number of years and, as set out in Note 7, different tax rates will apply at that time. The effect of applying the different tax rates is not material to the balance recognised at 31 December 2015.

The deferred tax balance is expected to reverse:

Within one year	463,335	376,744
Over one year	729,647	620,412
	£1,192,982	£997,156

16. **Deferred Taxation (continued)**

Company	**2015**	**2014**
Opening balance – Deferred Tax liability	109,636	25,382
On acquisition of subsidiaries	59,023	59,761
Profit and loss account charge for the financial year	(2,079)	24,493
Closing balance – Deferred Tax liability	£166,580	£109,636

Deferred tax consists of the following items:

Underwriting profits not subject to current taxation	166,580	109,636
	£166,580	£109,636

Deferred tax has been calculated using a tax rate of 20% (2014 – 20%).

The deferred tax balance is expected to reverse:

Within one year	31,776	6,665
Over one year	134,804	102,971
	£166,580	£109,636

The Deferred tax balance arises on Talisman Underwriting Plc's participation on the LLP Corporate Members.

17. **Creditors arising out of Direct Insurance and Reinsurance Operations**

	2015			2014		
	Syndicate Participation	**Corporate**	**Total**	**Syndicate Participation**	**Corporate**	**Total**
Direct insurance operations						
Falling due within one year	703,173	-	703,173	493,511	-	493,511
Due after one year	14,222	-	14,222	3,108	-	3,108
	£717,395	£-	£717,395	£496,619	£-	£496,619
Reinsurance operations						
Falling due within one year	2,173,174	-	2,173,174	2,028,281	-	2,028,281
Due after one year	571,850	-	571,850	555,246	-	555,246
	£2,745,024	£-	£2,745,024	£2,583,527	£-	£2,583,527

18. **Other Creditors**

Group	**2015**			**2014**		
	Syndicate Participation	**Corporate**	**Total**	**Syndicate Participation**	**Corporate**	**Total**
Corporation tax	-	231,461	231,461	-	22,223	22,223
Other	3,280,087	1,642,763	4,922,850	2,289,528	943,987	3,233,515
Syndicates	(528,228)	528,228	-	(150,350)	150,350	-
	£2,751,859	£2,402,452	£5,154,311	£2,139,178	£1,116,560	£3,255,738

Company	**2015**	**2014**
Dividends payable	15,171	15,066
Other	1,890,101	955,573
Corporation tax	6,340	-
Accruals and deferred income	63,865	58,752
	£1,975,477	£1,029,391

Other creditors of £1,890,101 (£955,573) represents monies received from loan note holders to support the Group's underwriting. These monies are deposited as Funds at Lloyd's.

19. **Movement in Cash**

	At 01.01.15	**Cash flow in year**	**At 31.12.15**
Lloyd's deposit	2,512,202	(854,079)	1,658,123
Cash at bank	3,013,845	932,971	3,946,816
	£5,526,047	£78,892	£5,604,939

Major non-cash transactions:

Part of the consideration for the purchases of subsidiary undertakings that occurred during the year comprised of the issue of 933,334 Ordinary A shares. Further details of the acquisitions are set out in Note 25.

20. Related Parties

The following dividends were paid to the Directors:

	2015	2014
Peter Steel	£30,935	£16,377
Robert Eaton	£4,142	£2,098
David Monksfield	£680	£360
Paul Sandilands	£24,465	£12,177

David Monksfield is also Executive Chairman of Argenta Private Capital Limited ("APCL"). Members' Agents Fees and Profit Commission are payable to APCL under normal commercial terms.

21. Loan Stock

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

	Original Issue Nil paid	Called and Cancelled	Balance Nil Paid
	£	£	£
'B' loan stock 2000	2,037,796	1,967,804	69,992
'B' loan stock 2001	2,223,778	1,950,805	272,973
'B' loan stock 2002	2,051,795	1,706,830	344,965
'C' loan stock 2000	299,970	299,970	-
'C' loan stock 2001	170,983	161,986	8,997
'C' loan stock 2002	124,988	74,993	49,995
'C' loan stock 2004	215,775	140,511	75,264
'C' loan stock 2005	1,279,934	304,414	975,520
'C' loan stock 2006	436,325	32,541	403,784
'C' loan stock 2008	417,980	117,566	300,414
'C' loan stock 2010	53,185	-	53,185
'C' loan stock 2011	200,164	-	200,164
'C' loan stock 2011	129,776	-	129,776
'C' loan stock 2012	389,935	-	389,935
'C' loan stock 2014	773,271	-	773,271
'C' loan stock 2015	50,392	-	50,392
'C' loan stock 2016	1,196,210	-	1,196,210
'C' loan stock 2017	119,984	-	119,984
'C' loan stock 2018	212,222	-	212,222

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

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

22. **Syndicate Participation**

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

No.	Managing Agent	2016 Allocated Capacity £'000	2015 Allocated Capacity £'000	2014 Allocated Capacity £'000	2013 Allocated Capacity £'000
33	Hiscox Syndicates Limited	2,680	2,500	2,452	2,071
218	ERS Syndicate Management Limited	1,042	963	1,173	1,125
318	Beaufort Underwriting Agency Limited	737	705	675	657
386	QBE Underwriting Limited	1,673	1,503	1,710	1,458
510	Tokio Marine Kiln Syndicates Limited	4,269	4,005	3,840	3,370
557	Tokio Marine Kiln Syndicates Limited	-	-	27	-
609	Atrium Underwriters Limited	2,338	2,194	2,088	1,700
623	Beazley Furlonge Limited	1,640	1,333	1,367	1,153
727	S A Meacock & Co Limited	353	353	328	328
958	Canopius Managing Agents Limited	-	950	881	943
1884	Charles Taylor Managing Agents Limited	330	200	-	-
1969	ANV Syndicates Limited	330	282	47	-
1991	R&Q Managing Agency Limited	98	110	29	-
2010	Cathedral Underwriting Limited	1,297	1,257	1,347	1,125
2121	Argenta Syndicate Management Limited	948	771	711	550
2525	Asta Syndicate Management Limited	129	109	109	59
2791	Managing Agency Partners Limited	1,770	1,677	1,828	1,750
4444	Canopius Managing Agents Limited	1,041	-	-	-
6103	Managing Agency Partners Limited (*)	30	27	23	-
6104	Hiscox Syndicates Limited (*)	219	250	190	100
6105	Ark Syndicate Management Limited (*)	-	671	621	327
6106	Amlin Underwriting Limited (*)	-	-	-	100
6111	Catlin Underwriting Agencies Limited (*)	1,240	1,072	992	750
		£22,164	£20,932	£20,438	£17,566

(*) On a Limited Tenancy Basis

23. **Funds at Lloyd's**

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

In addition to the funds held in the Lloyd's Deposit (see Note 13) and the Corporate investments (see Note 10) totalling £3,632,781 (2014: £2,512,202) the Group's Lloyd's underwriting is supported by bank guarantees from the loan note holders, and inter-available funds, of £5,125,569 (2014 - £5,421,819).

24. **Ultimate Controlling Party**

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

25. Acquisitions

Acquisition of Leonid Underwriting LLP

On 19 August 2015 Talisman Underwriting Plc became the 100% corporate partner in Leonid Underwriting LLP for a total consideration of £266,289. The total adjustment required to the book values of the assets and liabilities of Leonid Underwriting LLP in order to present the net assets at fair values and in accordance with group accounting principles was £169,288, details of which are set out below. The purchase has been accounted for as an acquisition.

Leonid Underwriting LLP contributed £179,216 to Gross premiums written and £12,539 to the Group's profit after tax since the date of acquisition.

	Book and fair values		
	Book Value	**Fair Value Uplift**	**Fair Value**
Intangible fixed assets - syndicate capacity	12,734	228,311	241,045
Underwriting profits due from Syndicates	66,805	-	66,805
Deferred tax	-	(59,023)	(59,023)
Net assets acquired	79,539	169,288	248,827
Goodwill			17,462
Consideration			£266,289
Consideration satisfied by:			
Cash			106,289
213,334 Ordinary A shares of 25p each			160,000
			£266,289

The accounting for the acquisition has been completed.

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

25. **Acquisitions (continued)**

Acquisition of Goodhart Limited

On 30 September 2015 Talisman Underwriting Plc acquired 100% of the share capital of Goodhart Limited for total consideration of £861,434. The total adjustment required to the book values of the assets and liabilities of Goodhart Limited in order to present the net assets at fair values and in accordance with group accounting principles was £228,954 details of which are set out below. The purchase has been accounted for as an acquisition.

Goodhart Limited contributed £195,411 to the Gross premiums written and £86,665 to the Group's profit after tax since the date of acquisition.

	Book and fair values		
	Book Value	**Fair Value Uplift**	**Fair Value**
Intangible fixed assets	99,873	286,192	386,065
Debtors	133,501	-	133,501
Cash at bank	275,656	-	275,656
Underwriting profits	72,758	-	72,758
Creditors	(20,615)	-	(20,615)
Deferred tax	(23,887)	(57,238)	(81,125)
Accruals & deferred income	(22,936)	-	(22,936)
Net assets acquired	514,350	228,954	743,304
Goodwill			118,130
Consideration			£861,434

Consideration satisfied by:

Cash	321,434
720,000 Ordinary A Shares of 25p each	540,000
	£861,434

The accounting for the acquisition has been completed.

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

26. Transition to FRS 102 and FRS 103

This is the first year that syndicates on which the Group participates and the Group have presented their results under FRS 102 and FRS 103. The previous Financial Statements under previous UK GAAP were for the period ended 31 December 2014. The date of transition to FRS 102 and FRS 103 was 1 January 2014. As a consequence, syndicates and the Group were required to amend their accounting policies to ensure compliance with FRS 102 and FRS 103.

As a consequence of adopting FRS 102 & 103, the majority of exchange gains and losses, except for long term business, are now allocated to the non-technical account. Therefore exchange gains or losses previously reported in the technical account have been presented in the non-technical account.

There has been no change to the overall reported result for 2014 or the closing shareholders' funds at 31 December 2014.

The financial effect of representing the prior year amounts for the changes in accounting policy is as follows:

	2014 reported result	**Adjustment for adoption of FRS 102 and FRS 103**	**2014 adjusted result**
Balance on technical account before operating expenses	7,883,615	-	7,883,615
Operating expenses	(5,703,137)	(159,395)	(5,862,532)
Balance on technical account	2,180,478	(159,395)	2,021,083
Non-technical account			
Profit/loss on exchange – syndicate participation	-	159,395	159,395
Other items in the Non-technical account	(792,162)	-	(792,162)
Profit on Ordinary Activities after Taxation	£1,388,316	£-	£1,388,316

Reconciliation of shareholders' funds	**Restated 2014**
Closing shareholders' funds as previously reported at 31 December 2014	7,447,661
Effect of change in foreign exchange accounting policy	-
Closing shareholders' funds at 31 December 2014	£7,447,661