MSIG

Mitsui Sumitomo Insurance (London Management) Limited (MSILM)

Annual Report 2014

Contents

Chairman's Report

Max Taylor
Chairman

Shareholder Value

I am pleased to report that in 2014 MSILM has once again produced a strong financial result, with a pre-tax profit of £35.3m.

2014 was the first year of MSILM's 2014-2018 "5 year" Strategy and Plan. Profit exceeded plan by £15.9m so we have made a strong start. Whilst the plan is new, our business at Lloyd's (Syndicate 3210) has existed since 2000, and over its lifetime has generated significant profits for the MSI Group. In 2014 our return on capital was a healthy 8.4%.

Serving our Customers

The insurance marketplace is an extremely competitive one. More than ever before, the successful insurance businesses will be those that focus on providing good customer outcomes and an exceptional customer experience. I believe that the quality of our proposition is highly compelling, and winning the Insurance Day Claims Team of the Year award underlines this.

The Claims team is the shop window of any insurance company and that is why we are so proud that brokers and customers rate our service so highly.

2014 has seen good progress made in securing an efficient, scalable support infrastructure which will allow us to serve better our customers whilst containing expense. Operational capability is a key competence, and one in which we invest significant time and money, notably investment in a new policy administration IT system which will be an immediate enabler of our strategic interests in the UK and Irish markets, and in other overseas markets over the next 5 years.

Corporate Governance

We have in place a robust corporate governance system within MSILM and its subsidiaries. This is essential for the delivery and preservation of shareholder value, but more than that it is about promoting an ethos of constructive challenge, transparency and accountability.

The Board of our main trading entity, the managing agency (Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited), which I also chair, brings together a strong executive team (see page 5), two Non-Executive Directors representing our parent company (MSI Group Holdings (Europe) Ltd) and, two highly experienced independent Non-Executive Directors in Chris Forbes and John Young.

The Board's priority is the execution of our strategy. I believe we have built a team with the experience and skills to do that.

Key 2014 Numbers

Return on capital

8.4%

Ken Fukuhara
Chairman and CEO,
MSIG Holdings (Europe) Ltd

Chris Forbes
Non-Executive Director

John Young
Non-Executive Director

Throughout 2014, we have continued to build a culture in the business around our values of customer focus, integrity, team work, innovation and professionalism. These values are deeply embedded across the business. I am particularly pleased with the progress made in the Corporate Social Responsibility (CSR) sphere (see page 16). Our mission, shared with our ultimate parent in Tokyo, is to *"contribute to the development of a vibrant society and help secure a sound future for the earth by bringing security and safety through the global insurance and financial services business"*. I believe we will continue to do that.

Chief Executive Officer's Report

Andrew McKee
Chief Executive Officer

MSILM recorded a strong underwriting and profit performance in 2014. This is a result of the operational and underwriting strategies put in place since 2010. Our commitment, first and foremost, is to achieving underwriting profit and good customer outcomes. Our approach to investment remains conservative in terms of asset allocation and liquidity.

Key 2014 Numbers

Combined ratio

90.9%

General Insurance Result (GIR)

£35.3m

Financial results

Our disciplined underwriting and investment strategies generated profits before tax of £35.3m (GIR). The return on tangible net assets was 32.4%, return on capital was 8.4%.

Underwriting profit was £26.6m; the investment return was £8.5m, 1.5% on assets invested.

2014 was a successful year for MSILM.

Underwriting

A lack of natural catastrophes and a focussed adherence to 'by line' underwriting strategies delivered an excellent underwriting result.

Our result is particularly pleasing relative to most of our peers in the Lloyd's market. We have little exposure to natural catastrophe risk and have performed well through the fundamentals of risk selection and portfolio management.

The loss ratio, including catastrophe and large single risk losses and reserve movements, was 49.9%.

Mission, Vision, Values and Goals

MSILM adopts the MS&AD Insurance Group corporate mission statement

Mission

To contribute to the development of a vibrant society and help secure a sound future for the earth by bringing security and safety through the global insurance and financial services business

Vision

To be a profitable international speciality insurer writing multiple classes of business via appropriate underwriting platforms, providing innovative and effective underwriting and claims solutions, supported by superior customer service

Values

Customer focused
We continuously strive to provide security and achieve customer satisfaction

Integrity
We are sincere, kind, fair and just in all our dealings

Teamwork
We achieve mutual growth by respecting one another's individuality and opinions, sharing knowledge and ideas

Innovation
We listen to our stakeholders and continuously seek ways to improve our work and business

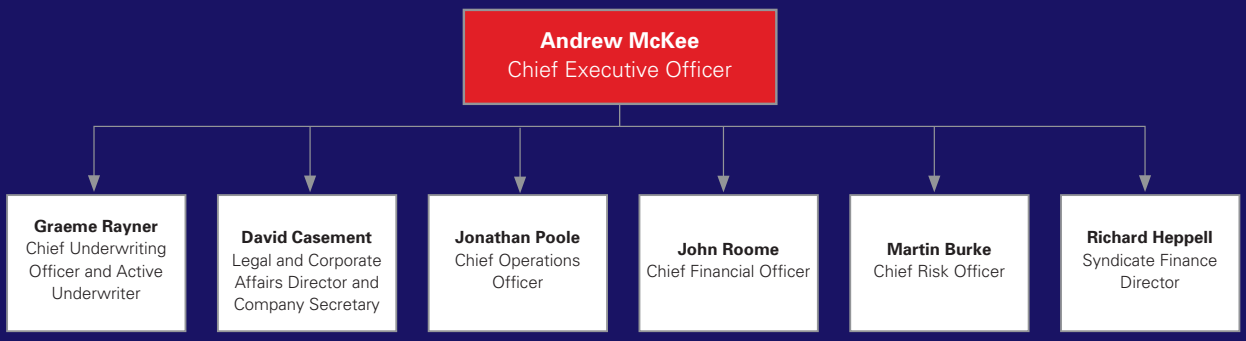
Professionalism
We make continuous efforts to improve our skills and proficiency to provide high quality services

We will judge our individual and corporate performance not just on commercial results, but on how we demonstrate our values and desired behaviours on a daily basis.

Our culture places the customer at the centre of our business. We are committed to high levels of broker and client service. I am happy to report that our Claims Team won the Insurance Day Claims Team of the Year award in 2014.

Our culture extends beyond how we behave in the workplace. We wish to be a supportive, responsible member of the community and to contribute to making the planet safer, healthier and fairer for the benefit of everyone.

Syndicate 3210 - Executive Structure



Culture

We are continuing to mould our culture, underpinned by our mission, vision and core values.

"An organisation's culture is the sum of its shared values, beliefs and behaviours. Our culture is based on professional courtesy, fairness and respect, a welcoming and open environment, support for new ideas, internal and external collaboration and commitment to the success of the Syndicate and its clients and partners. All views are valid and valued. Our culture is unique to us."

Employee Engagement

We rely on the engagement of all employees in the running of the business. We pride ourselves in regular and inclusive employee communication.

There are quarterly CEO bulletins on corporate and financial developments. The Executive team meets with all new joiners and there are regular briefing sessions with all employees. We have a sophisticated and comprehensive induction programme. There is an annual and mid-year town hall where I and the Executive team present to the staff and host an open forum for Questions & Answers. These sessions are recorded and posted on our website.

Innovation

We have seen significant growth and change in the business in recent years, resulting in the recruitment of many new members of staff. New joiners bring valuable experience but they may be reticent about voicing ideas when they are new to a company. We initiated a focused, fun and engaging ideas campaign to overcome this.

The campaign was branded "Eureka!" and ran for 4 weeks during Q4 2014. Colleagues were encouraged to submit their ideas to a discussion forum (either in their own name or anonymously). During the four weeks 317 ideas were submitted.

We have established five working groups, each chaired by directors or senior managers; they are tasked with reviewing and implementing a shortlist of the best "Eureka!" ideas.

Employee Profile

As at 31 December 2014, we had 299 employees. During the year, 39 employees joined and 36 left the business.

28% of staff have joined the business in the last two years. The average length of tenure is 3.6 years. This provides us with a great opportunity to capture and mould our own culture and best practice.

Succession planning is constantly reviewed and updated. We have demonstrated that we can respond robustly and rapidly to staff changes.

The performance management process is continually refined. Our differentiated pay for performance philosophy is embedded across the business. All staff have individual goals and formal appraisals are conducted annually.

We encourage staff to train for a wide range of professional qualifications and reward success.

One theme of 2014 has been to look inwards, to seek to unlock and engage the exceptional talent within MSILM.

Outlook

Most industry commentary suggests that insurers will face another tough year in 2015. Capital will remain abundant, maintaining pressure on pricing and underwriting discipline. Continued financial austerity will keep investment returns low. I agree with these forecasts but I am upbeat about the prospects for MSILM. We have a strong proposition, proven track record and a distinctive market presence.

We have a diversified underwriting portfolio and clearly defined strategies by region and by product. Our underwriting, portfolio management and exposure analysis skills are strong. We continue to generate back office efficiencies

The territories and classes we compete in are large and our market share relatively small. There is ample headroom for us to continue to grow.

We will carefully but consistently expand our appetite and, where appropriate, hire talented individuals and teams. I believe that we are well positioned to continue to deliver on our customers' expectations notwithstanding the challenging market conditions.

I am proud of the progress we have made and excited, energised and confident about our future potential.

Chief Underwriting Officer's Report

Graeme Rayner
Chief Underwriting Officer and Active Underwriter

During 2014 we continued to work to provide our customers and brokers with a responsive and cohesive underwriting service.
We firmly believe in putting our underwriters in a position to engage quickly and positively with our brokers. We have minimal referral chains, and we actively encourage cross class co-operation to ensure we are responding to customer requirements.

We value broker and customer relationships and we strive to ensure that our products are appropriate for our customers' needs and encourage long-term commitment. We undertake new business with a clear view of risk appetite and we renew business with a clear sense of the value of business that we know, and the broker and customer relationships that go with that business.

Our risk appetite extends from delegated and digitalised platform based underwriting, through to retail products distributed via our regional branch network, and onto international risks wholesaled in London and Lloyd's markets. Our underwriting is backed up by a first class claims service and excellent differentiated risk engineering.

In spite of ever increasing competition during 2014, we grew our GWP by 6% at equivalent exchange rates as we brought a broader range of specialty product into the Syndicate. This included medical malpractice, directors & officers and bloodstock, and we continued to grow our existing portfolios. Whilst our portfolio remains predominantly short tail, we did see proportionally greater opportunity in the casualty and professional classes.

We maintained a steady combined operating ratio (90.9%) during 2014, driven substantively by our marine, casualty, property and professional portfolios.

MSILM works with our parent, MS&AD Group, across a number of different fronts, to align our specialist underwriting capability with the broader Group's deep distribution capability.

Closer to home we have continued to build out our UK regional network, and aim to broaden our product offering through this channel over the next 12 months.

Our presence in the Lloyd's specialty markets remains one of strength and commitment, and increasing diversification.

During 2015-16, we expect ongoing market rate softening, however we will keep working to differentiate ourselves in terms of service and relationship, broaden our product base, and continue to offer our broker partners and customers the long term, stable insurance platform that they value.

Risk Engineering

Our service and commitment to quality is perfectly illustrated by our risk engineering capability. We work closely with our clients and brokers, providing risk management and business continuity solutions to help clients dramatically improve their risk profile, mitigate losses and stabilise premium volatility.

Our Risk Engineering offering targets the key causes of insurable loss through either individual client tailored risk management programmes or through a portfolio approach to tackle specific risk issues affecting whole business sectors. Our portfolio approach has been developed to tackle systemic hazards such as slips and trips and to provide a toolkit for our clients to focus on the root causes of accidents, with proven results that show a reduction in the number and quantum of claims.

Key 2014 Numbers

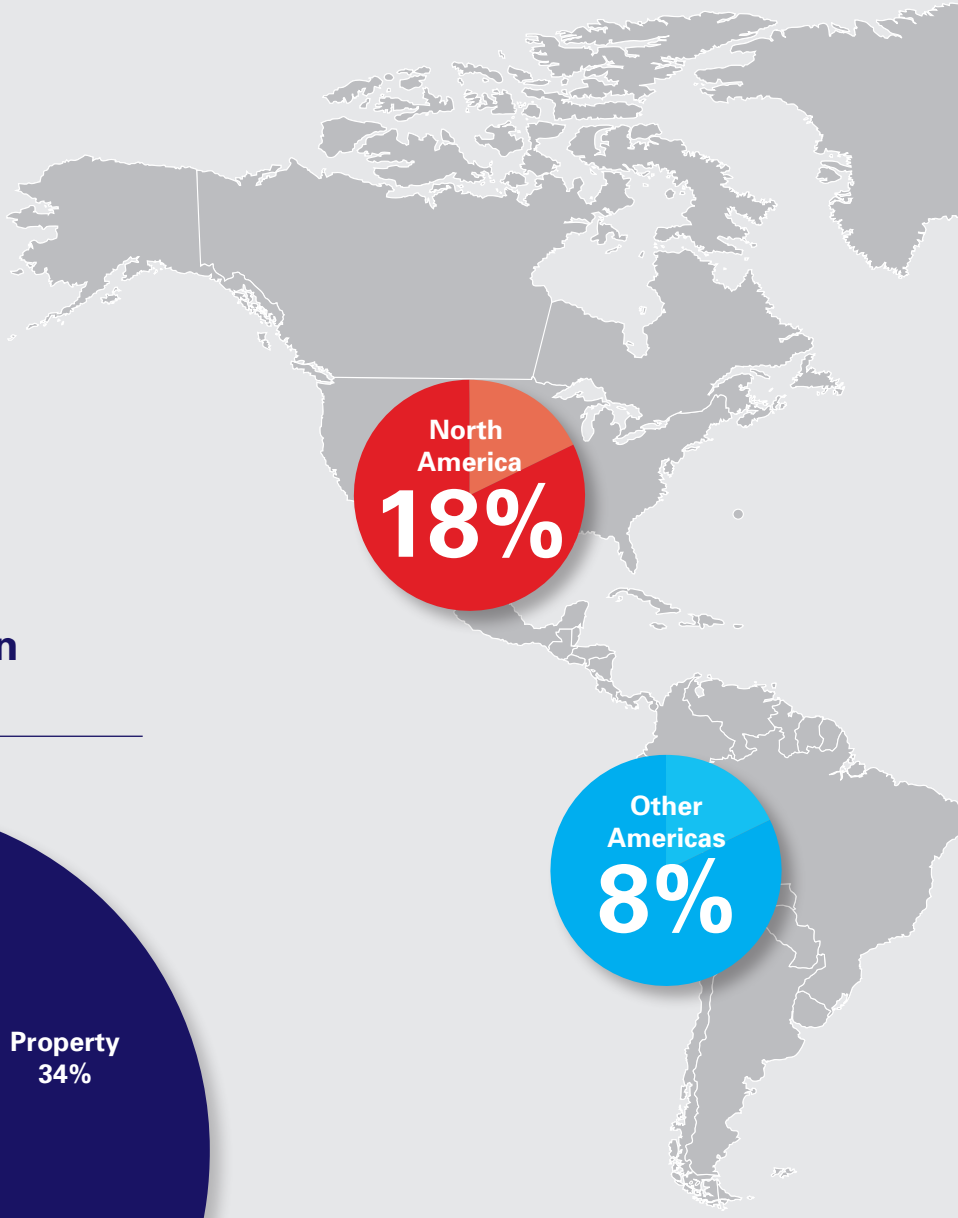
GWP

£350.8m

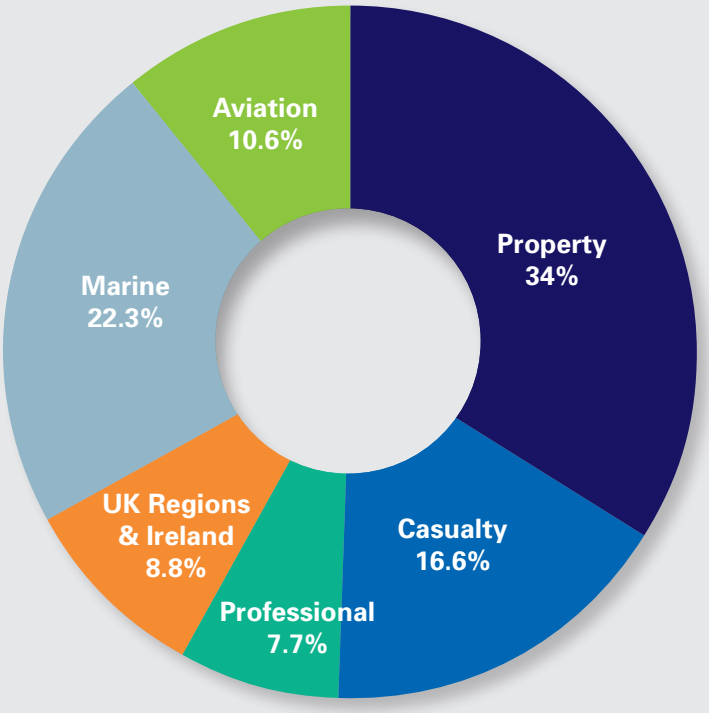
Loss ratio

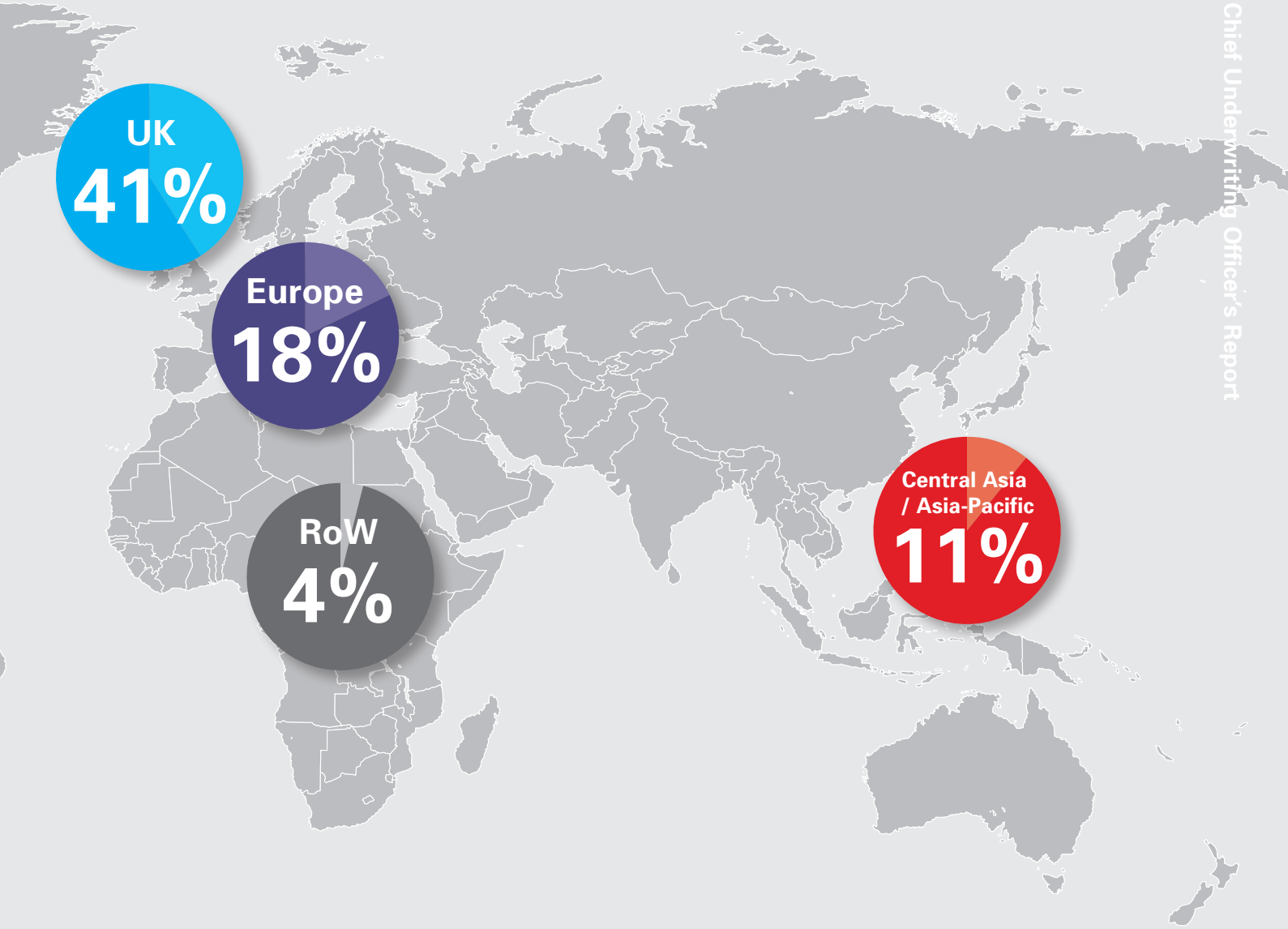
49.9%

MSILM 2014 Gross Written Premium by Geography (£350.8m)



MSILM Gross Written Premium Income




UK
41%
Europe
18%
RoW
4%
Central Asia
/ Asia-Pacific
11%

Chief Financial Officer's Report

John Roome
Chief Financial Officer

MSILM is part of the MS&AD Insurance Group, one of the world's largest Property and Casualty insurers and also a member of Lloyd's through its participation on Syndicate 3210. The performance measures used by MSILM are many and do not solely focus on financial performance, however a profitable underwriting result and strong balance sheet are the foundations on which other performance can be built.

Key 2014 Numbers

Expense ratio

41.0%

Premium

Gross written premiums were 2.2% higher in 2014 than 2013. The growth was adversely affected by the exchange rate of Sterling, particularly against US dollar in which the MSILM Group writes approximately 40% of its business. The increase in premium was 6% at equivalent exchange rates and only marginally below the planned growth.

Net earned premium was 6.2% higher than in 2013. This was also adversely affected by exchange rates but also reflects changes in the reinsurance premium from 2013. The 2014 reinsurance programme benefitted from the competition and price pressure in that market and increased cover was purchased for a reduced overall cost. The effects of this were offset by reinstatement premiums charged in respect of the two Malaysia Airlines' losses.

Claims

The claims ratio was 49.9% in 2014 (49.5% in 2013).The year was notable for a lack of natural catastrophe losses that was a major factor in the excellent results of the Lloyd's market overall. MSILM does not write a typical Lloyd's account and is not as exposed to natural catastrophes, which makes the result all the more pleasing.

The major claims activity in 2014 was in Aviation where the two Malaysia Airlines' losses and the crash of an Air Asia plane represented market losses approaching $1b. MSILM has a small share on both of these airline programmes and this was reflected in our results.

Expenses

The reduction in the expense ratio including acquisition costs, administrative expenses and exchange movements from 42.0% in 2013 to 41.0% in 2014 is the result of continued focus on expense discipline.

Acquisition costs have risen in 2014 as a result largely of a change in business mix to more international business. MSILM has a close relationship with its broker partners and depends on them for the continuing flow of profitable business and this is also reflected in the small increase.

Administrative expenses have reduced by 1.4% from 2013. This is a result of much hard work in the various support functions to improve process efficiency

Foreign exchange

Exchange rates fluctuated more in 2014 than for many years. Sterling had significant movements against the three other major currencies that MSILM trades in as shown below.

	High	Low	Average
GBP:USD	1.7165	1.5545	1.6471
GBP:AUD	1.9225	1.7365	1.8272
GBP:EUR	1.2877	1.1911	1.2409

MSILM matches currency exposure on a monthly basis but the movements in 2014 produced a small gain of £2.8m.

Investments

The investment return for 2014 of £8.50m, representing a return of 1.5% net of investment management costs, was ahead of plan and 2013. MSILM has maintained a conservative investment strategy throughout the post 2009 turmoil in markets that is aimed primarily at capital conservation. This has proved successful as reflected in the consistent returns achieved.

	2014	2013	2012	2011	2010	2009
Investment return (£m)	8.50	7.06	14.50	11.78	14.52	27.67
	1.5%	1.2%	2.4%	1.8%	2.2%	4.3%

Capital Management

MSILM is part of the MS&AD Insurance Group that has total net assets in excess of ¥2.88 trillion (£15.78b) at year end 2014. The management of capital at MSILM is focused on the efficient use and maximisation of the return for MS&AD.

The capital requirements for the MSILM Group are set as a result of its participation in Lloyd's Syndicate 3210. Lloyd's requires each Syndicate to produce an Individual Capital Assessment (ICA) stating how much capital it requires to cover its business risks at a 99.5% confidence level. Lloyd's applies an uplift of 35% to the agreed ICA to support its own ratings.

Efficient use of capital is achieved mainly in the type of assets provided and maximising the return by ensuring that the amount of capital is closely monitored to ensure that available surpluses are returned to MS&AD.

Chief Risk Officer's Report

Martin Burke
Chief Risk Officer

Risk Management is critical to our business. Through an embedded Risk Management Framework and the support of a centralised Risk & Actuarial team, we ensure subject matter experts are provided with independent, robust analysis of their operations in support of business and regulatory objectives.

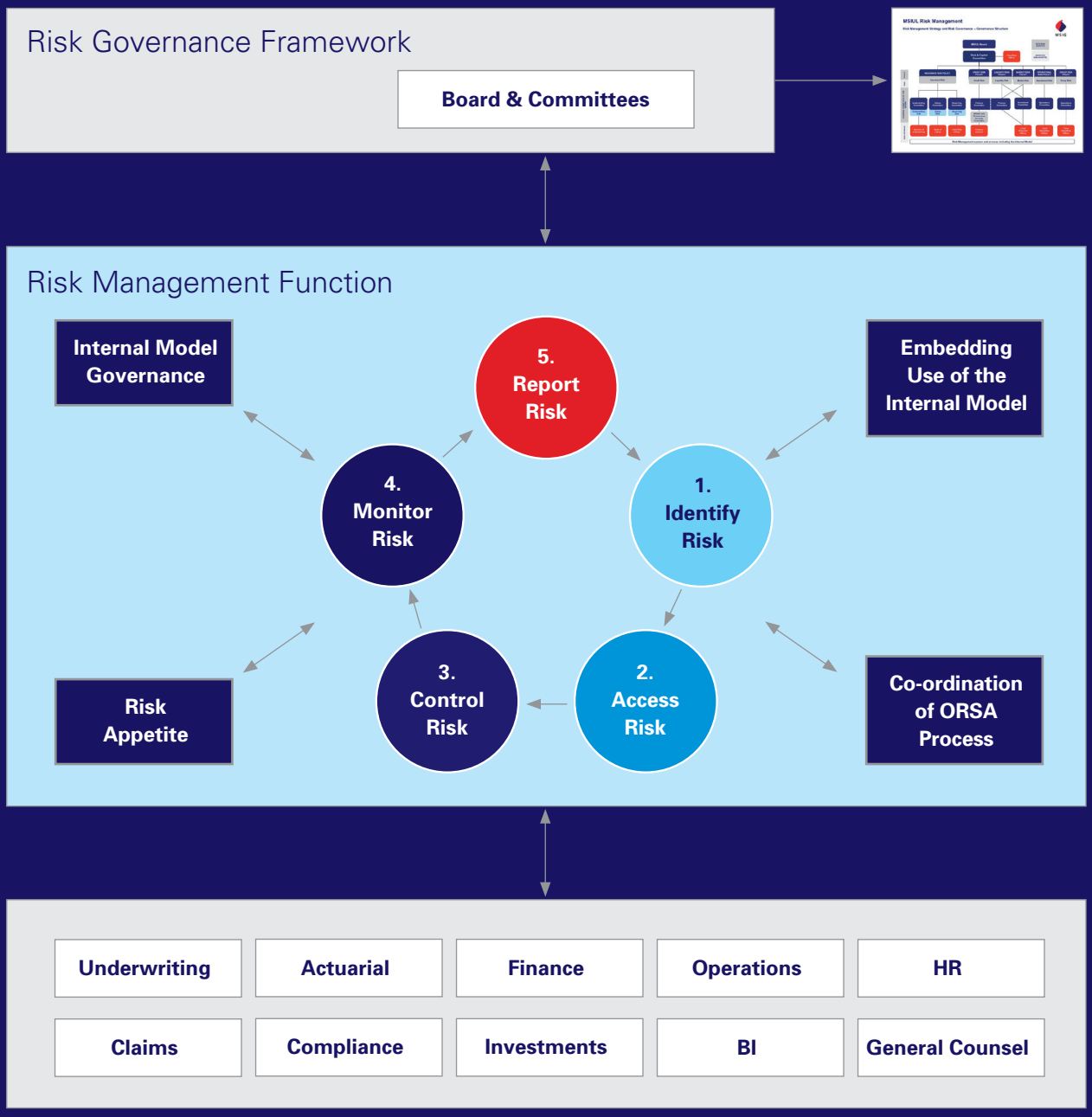
MSILM operates an Internal Model with oversight and governance provided by the Board and Board Committees. Through an extensive annual cycle of activities we demonstrate use of the Internal Model. In 2014 we focused on demonstrating compliance with Solvency II requirements. To that end we continued to liaise closely with the PRA and supported the Lloyd's Internal Model Application Process.

In early 2015 Lloyd's confirmed its view that our Internal Model meets Solvency II tests and standards and is therefore rated as green. This significant achievement reflects considerable work over the course of our Solvency II project.

This Risk Management Framework provides the structure through which we identify, assess, control, monitor and report the risks posed to the achievement of our corporate objectives. It facilitates the timely and efficient flow of risk information from business functions to senior management (and vice-versa) allowing appropriate decisions to be made at all levels of the organisation, thereby enabling the effective management of risk.

The Risk Management Framework is subject to on-going and periodic reviews in order to ensure it remains fit-for-purpose. The Risk Management Function, under the oversight of the Risk and Capital Committee, is responsible for the development and implementation of the Risk Management Framework.

How risk is managed



Corporate and Social Responsibility

David Casement
Director of Legal and Corporate Affairs
and Company Secretary

Our commitment to corporate social responsibility reflects the mission statement of MS&AD Holdings *"to contribute to the development of a vibrant society and help secure a sound future for the earth…"*; to develop products and services that contribute to resolving social issues, reducing our impact on the environment and conserve biodiversity.

MSILM has a business-wide Corporate Social Responsibility (CSR) Working Group with responsibility for implementation of its CSR Policy. In establishing the CSR Working Group and funding its CSR activities, we recognise responsibility for its impact on society and the need to align its competitive interests with social and environmental values. Our goal is positively to impact society whilst achieving commercial success and making CSR part of the culture of the business.

During the past year, the activities of the CSR Working Group have continued to develop in each of the CSR Policy's four areas of focus, the environment, employees, charity and community. This had a very positive impact. We are a proactive member of the Lloyd's Market CSR Network.

Environment: The comprehensive recycling system we introduced in 2013 has continued to receive employee support. In 2014, we recycled 71% of our waste and on the basis of this success have been awarded a Clean City Award. The objective is to recycle 80% of waste by the end of 2015. We also formalised our membership of ClimateWise through Lloyd's in 2014 and are working with Carbon Neutral to finalise the details of a project involving forest creation in the UK to achieve carbon neutrality for our London office.

Employees: We seek to encourage diversity in our business and to provide equal opportunities for employee development to ensure that their maximum potential is realised. The Inclusivity Policy recognises these core standards. All employees share in the success of the business through performance related pay and, at the same time are encouraged to maintain an appropriate work/life balance. The Sabbatical Policy entitles each employee to one month's paid leave after 5 years of service. A summer intern programme was run again in 2014 and received widespread employee engagement.

Charity: Our strategic partnerships with its two nominated charities, The Rainbow Trust and Cancer Research, were very well supported by employees who undertook a number of activities including triathlons and half marathons to raise money in 2014. Employee fundraising increased by 314%, our matched funding increased by 136% and employee Give As You Earn donations increased by 639% in 2014. In addition to its two employee nominated charities, we supported the Insurance Charities Awareness Week and a wide range of other charities including Jeans for Genes, MacMillan, Comic Relief, Movember and Great Ormond Street Hospital through matched funding. A team of 20 employees completed the Great City Race to raise money for Seeing is Believing. Employees have voted Great Ormond Street Hospital as the Company's charity for 2015 and 2016.

Community: We are committed to the local community through the Lloyd's Community Programme (LCP). Employees are actively involved in two programmes in schools in Tower Hamlets, one of which helps primary school children with reading and maths and the other provides mentors and work experience for teenage students. Each employee is encouraged to use the one paid volunteering day per year to which they are entitled to work on a LCP team challenge or regional alternative. In 2014 employees in the Finance Department used their volunteering day to clear derelict land in Hackney Marshes.

At a Glance

Mission

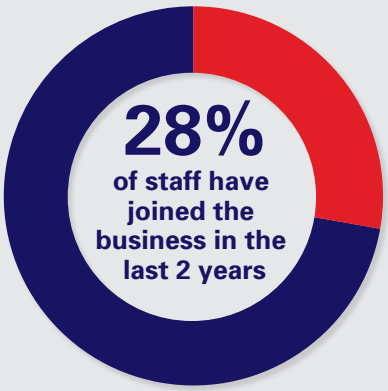
To contribute to the development of a vibrant society and help secure a sound future for the earth by bringing security and safety through the global insurance and financial services business

Innovation and Ideas

4
weeks

317
ideas

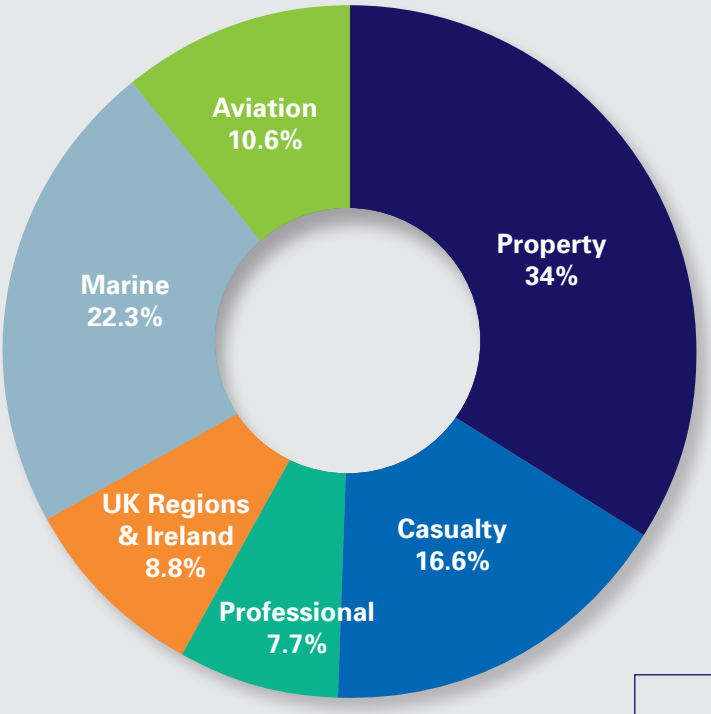
To seek to unlock and engage the exceptional talent within MSILM



Average length of tenure

Meeting our customers' needs and expectations

MSILM Gross Written Premium Income



Key 2014 Numbers

Return on capital

8.4%

Combined ratio

90.9%

General Insurance Result (GIR)

£35.3m

GWP

£350.8m

Loss ratio

49.9%

Expense ratio

41.0%

Culture

"An organisation's culture is the sum of its shared values, beliefs and behaviours. Our culture will be based on professional courtesy, fairness and respect, a welcoming and open environment, support for new ideas, internal and external collaboration and commitment to the success of the Syndicate and its clients and partners. All views are valid and valued. Our culture will be unique to us."

Section 2

Report and Accounts

Contents

Directors and Administration

Directors

John Maxwell Percy Taylor (Non-Executive Chairman)

William Andrew McKee (Chief Executive Officer)

David Alexander Casement

Christopher David Forbes

Kenichi Fukuhara

Martin Peter Hudson (resigned 16 January 2015)

Hiroyuki Iioka

Shinichi Imayoshi

John William Joseph Roome

John Todd Young

Company Secretary

David Alexander Casement

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Registered company number: 3904868

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E14 5GL

Principal Bankers

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PO Box 39952
2 ½ Devonshire Square
London
EC2M 4XJ

Citibank
Citigroup Centre
25 Canada Square
London
E14 5LB

Royal Bank of Canada
155 Wellington Street West
Toronto, ON
Canada
M5V 3L3

Ulster Bank Ireland Limited
George's Quay
Dublin 2
Ireland

Investment managers

Sumitomo Mitsui Asset Management (London) Limited
Threadneedle Asset Management Limited
Union Bancaire Privée, UBP S.A
Henderson Global Investors Limited

Principal securities custodians

Northern Trust
Citibank N.A
Royal Bank of Canada

Report of the Directors

The Directors present their report and accounts for the year ended 31 December 2014.

Results, going concern and dividend

The results for the year are set out on pages 12 and 13. The pre-tax profit for the year is £35,276k (2013: £30,659k). The Group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and its exposures to risk are described in the Strategic Report on pages 5 to 10.

The Group has considerable financial resources and a guarantee from its penultimate parent undertaking to pay all insurance losses, if necessary. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

An interim dividend of £3,000k was paid during the year in relation to 2014 (2013: £3,500).

Charitable donations and political contributions

Charitable donations of £64k (2013: £35k) were paid during the year to various charities. No political contributions were made during the year (2013: £nil).

Internal Audit

The Board has satisfied itself that the Internal Audit function is adequately staffed, experienced and skilled to effectively carry out its duties and has delegated authority for monitoring future resourcing requirements to the Audit Committee.

Directors

The current Directors are shown on page 2.

During the period, none of the Directors held a disclosable interest in the shares of any company in the Group.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom 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 Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the 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 Group and to prevent and detect fraud and other irregularities.

Directors' and Officers' liability insurance policy

During the year, the Company has purchased cover for its Directors and Officers, and those of its subsidiaries, under a Directors' and Officers' liability insurance policy.

Directors' statement as to disclosure of information to auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the group's auditor, each Director has taken all the steps that he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In accordance with section 485 of the Companies Act 2006 a resolution proposing the re-appointment of KPMG LLP as auditors to the Company will be put to the Annual General Meeting.

Strategic Report

Principal activities and review of the business

Mitsui Sumitomo Insurance (London Management) Limited is a service company, providing services to fellow subsidiaries of MSIG Holdings (Europe) Limited (MSIGHE), the Company's immediate parent. In addition, the Company acts as a holding company. The principal activity of the Group is the transaction of general insurance and reinsurance business in the United Kingdom.

The Group's key financial performance indicators during the year were as follows:

	2014 £'000	2013 £'000	Change %
Gross Written Premiums (GWP)	350,801	343,251	2.2%
Underwriting Result	26,567	23,270	14.2%
Profit before tax	35,276	30,659	15.1%
Combined Ratio	90.9%	91.5%	(0.7%)

Note: the combined ratio is the ratio of the net claims incurred and net operating expenses to net premiums earned. A lower combined ratio represents better performance.

The pre-tax profit for the year is £35,276k (2013: £30,659k) with a combined ratio of 90.9% (2013: 91.5%). This is another strong result for the Group following the performance in 2013 and reflects the continuation of the hard work and active management of the portfolio together with the investment in new specialties seen in the past 3 years.

The market has become more challenging during 2014 with increased capital inflows, combined with the continuing low catastrophe occurrence driving down rates and tightening terms of trade. This affected some classes more than others but as the year progressed the pace of competition increased across all classes. This is expected to continue in 2015 making the application of the Group's disciplined underwriting approach and careful expense management even more important.

Gross premiums written were 2.2% higher in 2014 than 2013. The growth was adversely affected by the exchange rate of Sterling, particularly against US dollar in which the Group writes 40% of its business. The Group has taken steps to reduce its exposure to adverse exchange rate movements in 2015.

The Group's underwriting profit of £26,567k (2013: £23,270k) was again broadly based in 2014 with good results in Marine, Property, Casualty and Professional despite challenging market conditions.

The claims ratio was a very creditable 49.9% (2013: 49.5%) in 2014. This is continuing reward for many years of effort and reflects not only the low catastrophe activity but also intelligent risk selection and favourable development of existing reserves. The Group was not significantly impacted by any notable industry losses in 2014 except in Aviation. In addition, the Group has maintained a strong reputation for claims management, as recognised by the receipt of the Claims Team of the Year Award at the Insurance Day Awards. This reflects the Group's commitment, through proactive claims management, to settle legitimate claims expediently.

The reduction in the expense ratio (including acquisition costs and exchange movements) from 42.0% in 2013 to 41.0% in 2014 is the result of continued focus on expense discipline. The Group continues to monitor expenses closely as the business expands.

In 2015, the Group will continue to focus on profitable growth in its existing lines of business and will develop its risk appetite to expand into related products. A new service company, which went live in January 2015, will enable expansion in the UK and Ireland regional business that is part of the core plan.

The Group's investment return for 2014 of £8,499k (2013: £7,063k), representing a return of 1.5% (2013: 1.2%), including investment management costs, was ahead of plan.

The principal driver of the excess return over plan was the substantial decline in the yields of government bonds. Despite the continued signs of recovery in the US and the UK, the persistent weakness of the Euro-zone caused expectations of rate rises to be steadily pushed out as the year progressed. The sharp decline in the oil price in the second half of the year exacerbated this effect. These factors, and the expectation of a substantial QE programme from the ECB, gave room for government bond yields to decline, with the UK 5 year gilt yield falling from 1.86% at the start of the year to close at 1.16%.

Credit spreads tightened modestly in the UK and Europe, but widened slightly in the US. The Group's main alternative assets portfolio contributed well during 2014 with a return of 1.5% that is in excess of its benchmark. There were no equity investments made during 2014 as an attractive entry point proved elusive.

2015 is likely to be a challenging year for the investment portfolio. There is little room for government bond yields or credit spreads to decline substantially further and there remains the potential for interest rate rises to start in the UK and the US later in 2015. As a result, the Group will continue to pursue a conservative investment strategy.

Business written is managed in six classes: **Property, Casualty, Professional, Commercial, Marine and Aviation.** The table below presents the results by these classes of business:

Property

Property recorded an underwriting profit of £7,147k in 2014 (2013: £18,267k).

Gross written premiums decreased by 3.4% to £116,029k (2013: £120,137k). The market was increasingly challenging and margin compression, rate pressure and increased competition from local markets all affected the premium.

The claims environment was relatively benign for the third year in succession with no catastrophe losses affecting the Property class. The claims ratio increased to 54.1% (2013: 43.7%) due to an increased number of large risk losses but remains acceptable.

Year ended 31 December 2014	Property	Casualty	Professional	Commercial	Marine	Aviation	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross written premiums	116,029	60,206	24,581	29,874	83,457	36,624	30	350,801
Underwriting Result	**7,147**	**13,140**	**3,770**	**(4,810)**	**18,722**	**(7,360)**	**(4,042)**	**26,567**
Claims ratio	54.1%	35.6%	28.9%	71.9%	37.9%	91.3%	-	49.9%
Expense ratio	38.1%	34.3%	51.0%	46.1%	37.4%	33.4%	-	41.0%
Combined ratio	**92.2%**	**69.9%**	**79.9%**	**118.0%**	**75.3%**	**124.7%**	**-**	**90.9%**

Year ended 31 December 2013	Property	Casualty	Professional	Commercial	Marine	Aviation	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross written premiums	120,137	48,984	22,046	28,730	87,578	35,825	(49)	343,251
Underwriting Result	**18,267**	**6,997**	**(3,174)**	**(2,635)**	**9,973**	**5,806**	**(11,964)**	**23,270**
Claims ratio	43.7%	45.5%	68.7%	61.5%	51.4%	53.4%	-	49.5%
Expense ratio	36.0%	35.4%	54.0%	50.3%	35.8%	29.2%	-	42.0%
Combined ratio	**79.7%**	**80.9%**	**122.7%**	**111.8%**	**87.2%**	**82.6%**	**-**	**91.5%**

Casualty

Gross written premiums has grown by 22.9% in 2014 to £60,206k (2013: £48,984k) with positive new business performance in the International and Healthcare sectors that the Group has invested in.

Casualty recorded an underwriting profit of £13,140k for 2014 (2013: £6,997k). The 87.8% increase in profit is due to new premium and low claims in the current year together with some favourable development of existing claims.

Professional

This class comprises Professional Indemnity, D&O and Accident & Health. Gross written premium growth of 11.5% to £24,581k (2013: £22,046k) in the year has been driven by D&O, where the Group has invested in new underwriters, offset by declines in Professional Indemnity and Accident & Health.

Professional has made an underwriting profit of £3,770k in the year (2013: loss £3,174k). The 2013 plan to return a positive underwriting result for the class by 2015 was realised in 2014. The result and 2014 claims ratio of 28.9% (2013: 68.7%) has benefited from the favourable settlement of claims from prior years for Professional Indemnity. The current underwriting years are also performing well at this stage.

Growth in the D&O segment has been encouraging and it is the intention to continue to pursue carefully selected growth in this segment in future years.

Commercial

The Commercial class has pursued a policy of controlled gross written premium growth in the UK regions and Ireland resulting in a 4.0% increase to £29,874k (2013: 28,730k).

Commercial recorded an underwriting loss of £4,810k (2013: loss £2,635k). The major contributing factor to the loss has been claims activity with a 2014 claims ratio of 71.9% (2013: 61.5%). The claims environment for Casualty business in Ireland has deteriorated and this affected the class, offsetting good performance in the UK, primarily in Property.

The 2014 expense ratio of 46.1% (2013: 50.3%) is expected to improve further in 2015 as the class grows and becomes more established. The Commercial initiatives for 2015 include the expansion of the UK regional branch network in order to improve access to business.

Marine

The Marine class has been the Group's most consistently profitable class and 2014 has been another good year. It recorded an underwriting profit of £18,722k (2013: £9,973k) and was the largest contributor to the overall Group result.

The underwriting result was due to low 2014 claims, particularly in the Cargo and Specie segments and some favourable development of historic reserves.

Gross written premiums declined by 4.7% to £83,457k (2013: £87,578k) largely due to adverse exchange rate movements during 2014. The high proportion of US business written and strength of Sterling against the US dollar in the earlier part of 2014 was the major contributor.

Aviation

Aviation has been significantly impacted by the Malaysia Airlines and Air Asia losses. The class recorded an underwriting loss of £7,360k (2013: profit £5,806k). These extraordinary losses were the primary contributors to a claims ratio of 91.3% (2013: 53.4%).

Gross written premiums have increased by 2.2% in the year to £36,624k (2013: £35,825k). This is below the planned growth due partly to exchange rate movements and also the deliberate reduction of airline exposures due to the extremely challenging rating environment.

Other

Other includes Motor that has been in run-off following its discontinuance at the end of 2011, adjustments made in accordance with FRS23 for the foreign currency translation of certain non-monetary balance sheet items and other staff expenses.

Principal risks and uncertainties

The Board recognises that the effective management of risk is essential for the Group to achieve its objectives and retains responsibility for the management of the business's risks. It approves the Risk Management Strategy and Risk Appetite on an annual basis. The acceptance and management of risk against the set Risk Appetite is addressed through a framework of policies, procedures and internal controls. Policies are subject to Board approval, while procedures and internal controls are subject to on-going review by management, Board committees, Risk Management and Compliance functions and Internal Audit.

A Risk Register is maintained that is subject to oversight and regular review by a number of the Board's committees with each having responsibility for sections of the Risk Register. Key risk issues and the overall risk profile are regularly reported to and reviewed by the Risk and Capital Committee and the Board through the ORSA (Own Risk and Solvency Assessment) process.

The principal risks and uncertainties facing the Group are as follows:

Insurance risk

The acceptance of insurance risk is the basis of the business undertaken by the Group and is therefore the principal source of its assets and liabilities.

Insurance risk refers to fluctuations in the timing, frequency and severity of insured events relative to expectations at the time of underwriting. This may be exacerbated by an incorrect understanding of the risks assumed, a failure to price the exposures properly, a failure to prudently manage the portfolio insurance risk and ineffective management of underwriting delegated to third parties. It also includes consideration of the frequency and severity of claim settlements (claims risk), and the sufficiency of claims estimates (reserving risk).

The Board, with support from the Underwriting Committee and the Risk and Capital Committee, manages insurance risk by setting the Risk Appetite and Strategy which forms the framework for the annual business plan. Performance against the business plan is monitored throughout the year by:

- Measuring and reporting against defined limits
- Identifying and reporting insurance risk issues and losses
- Developing appropriate corrective action plans

Risk aggregations are monitored across the portfolio in order to avoid excessive accumulation of exposure to individual loss events or systemic loss generating issues.

Credit risk

Credit risk refers to the risk of loss as a result of failure by another party to meet its contractual obligations or failure to perform them in a timely fashion. This risk arises where the Group provides insurance and reinsurance on deferred terms, seeks to recover amounts under contracts of reinsurance, or invests or deposits surplus cash.

In the continuing uncertain market environment the inherent level of credit risk to all business counterparties is heightened and the monitoring of this has been increased accordingly.

All brokers with whom the Group trades are assessed annually and a credit limit is assigned to them by the Broker and Reinsurance Security Committee (BRSC). All new broker trading partners are assessed and assigned a credit limit prior to accepting any business. The BRSC monitors outstanding debts against these credit limits.

The Group reinsures only with reinsurers that have a minimum credit rating of A- from either S&P or AM Best (with the exception of captive insurance arrangements where security is taken over recoverable amounts). The BRSC assesses and approves all new reinsurers and reviews renewing reinsurers annually taking account of the latest information and assessments from independent advisers. It also monitors exposures against agreed limits

Credit risk in respect of cash and invested assets is mitigated by the Group's Investment Policy and by strict guidelines given to investment managers. These restrict the proportion of assets invested in or deposited with lower rated entities and prohibit investment in sub-investment grade entities. The restrictions also limit the counterparties with which the Group can trade, ensuring that exposures are spread across a number of approved entities. In order to avoid compounding insurance-related credit risk, investment in insurance companies is prohibited. The credit profile of the investments and exposure to large counterparties is monitored and regularly reviewed by the Investment Committee.

Financial market risk

Financial market risk refers to the risks arising from adverse movements in the financial markets. Whilst this risk is predominantly a result of potential losses in the equity markets or changes in interest rates and credit spreads, financial market risk also includes potential losses arising from adverse foreign exchange movements.

The Group regularly performs both qualitative and quantitative analysis to monitor financial market risk exposures, particularly their potential impact upon the investment balances. The Group pursues a conservative investment strategy and the majority of its investments are in high quality, liquid, government and corporate bonds. These bonds will typically have relatively short duration so that changing interest rates will have a relatively low impact on investment balances. To diversify sources of market risk and return, the Group has modest investments in alternative assets and also has the authority to make a small investment in equities.

The Group seeks to minimise currency risk by matching assets and liabilities in the major currencies that it receives premium and in which any claims will fall due. The net position in each major currency is reported monthly and this report is used to inform decisions to buy and sell the relevant currencies to remain within the Group's risk appetite.

Financial market risk is monitored and regularly reviewed by the Investment Committee and the Finance Committee and any actions necessary are implemented by the Investment team.

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources available to meet its obligations as they fall due, or is able to secure them only at excessive cost.

Liquidity risk is managed by the close monitoring and modelling of cash positions and working capital requirements. Assets are held primarily in cash and bonds with strong credit ratings and high liquidity. Any cash held in excess of floats and not allocated for investment is generally allocated to AAA-rated money market funds or term deposits.

The Group will, if necessary, transact foreign currency trades to provide liquidity across different currencies on a short-term basis.

In addition, the Group's policyholders benefit from a credit support guarantee in place with Mitsui Sumitomo Insurance Company Limited, the penultimate parent company.

Liquidity risk is monitored and regularly reviewed by the Finance Committee.

Operational risk

Operational risk refers to the risk of loss to the business from inadequate or failed internal processes, people or systems, or from certain external events.

The Group seeks to manage exposure to operational risks by the implementation of a robust set of systems and controls, including consideration of business continuity management.

Operational risk is monitored and regularly reviewed by the Operations Committee.

Group risk

Group risk refers to the potential impact of risks arising from being part of the MS&AD Insurance group.

The Directors and senior managers maintain a close working relationship with the parent group. There are formal regular meetings and a small team of head-office representatives permanently based in London who attend all relevant board management and oversight committees.

Group risk is monitored and regularly reviewed by the Operations Committee, as relevant.

Regulatory risk

MSIUL, as the Managing Agent for Syndicate 3210, is required to comply with the requirements of the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Compliance team monitors regulatory developments, assesses the impact on agency policy, and carries out a compliance monitoring programme.

Regulatory risk is monitored and regularly reviewed by the Operations Committee.

On behalf of the Board

William Andrew McKee
Chief Executive Officer
17 February 2015

Independent Auditor's Report

to the Members of Mitsui Sumitomo Insurance (London Management) Limited

We have audited the financial statements of Mitsui Sumitomo Insurance (London Management) Ltd for the year ended 31 December 2014 set out on pages 12 to 36. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on pages 3 to 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website 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 Group's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Timothy Butchart (Senior statutory auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

17 February 2015

Consolidated Profit and Loss:

Technical Account – General Business
For the year ended 31 December 2014

	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Earned premiums, net of reinsurance					
Net written premiums					
Gross written premiums	3	350,801		343,251	
Outward reinsurance premiums		(48,729)		(48,758)	
			302,072		294,493
Change in the provision for unearned premiums					
Gross amount		(10,693)		(21,817)	
Reinsurers' share		(134)		1,645	
			(10,827)		(20,172)
Earned premiums, net of reinsurance			291,245		274,321
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(163,729)		(198,194)	
Reinsurers' share		15,069		15,820	
			(148,660)		(182,374)
Change in the provision for claims					
Gross amount		(917)		57,623	
Reinsurers' share		4,195		(11,120)	
			3,278		46,503
Claims incurred, net of reinsurance	21		(145,382)		(135,871)
Net operating expenses	5		(119,296)		(115,180)
Balance on the technical account – general business			**26,567**		**23,270**

All the amounts above are in respect of continuing operations.
The notes on pages 16 to 31 form part of these financial statements.

Consolidated Profit and Loss:

Non-Technical Account
For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Balance on the technical account – general business		26,567	23,270
Investment return	8	8,499	7,063
Other Income	9	210	326
Profit on ordinary activities before tax	4	35,276	30,659
Tax on profit on ordinary activities	10	(5,150)	(9,782)
Profit for the financial year after tax		**30,126**	**20,877**

There were no other recognised gains and losses in the year other than those reported in the Profit and Loss account and hence no Statement of Total Recognised Gains and Losses has been presented.

The notes on pages 16 to 31 form part of these financial statements

Consolidated Balance Sheet

Assets
For the year ended 31 December 2014

ASSETS	Notes	2014 £'000	2013 £'000
Fixed Assets			
Tangible Assets	11	8,702	8,328
Investments			
Other financial investments	12	495,616	477,175
Reinsurers' share of technical provisions			
Provision for unearned premiums		10,670	10,804
Claims outstanding		85,366	78,646
		96,036	89,450
Debtors			
Arising out of direct insurance operations	13	101,009	85,560
Arising out of reinsurance operations	13	39,539	39,314
Deferred tax	14	11,959	17,087
Other debtors	15	6,815	4,810
		159,322	146,771
Other assets			
Cash at bank and in hand		44,438	44,195
Overseas Deposits		42,697	54,747
		87,135	98,942
Prepayments and accrued income			
Deferred acquisition costs		54,382	49,003
Other prepayments and accrued income		2,123	3,864
		56,505	52,867
Total assets		**903,316**	**873,533**

The notes on pages 16 to 31 form part of these financial statements.

Consolidated Balance Sheet

Liabilities
For the year ended 31 December 2014

LIABILITIES	Notes	2014 £'000	2013 £'000
Technical provisions			
Provision for unearned premiums		209,828	199,135
Claims outstanding		553,885	546,743
		763,713	745,878
Creditors			
Arising out of direct insurance operations	13	1,792	1,322
Arising out of reinsurance operations	13	19,103	15,896
Other creditors including taxation and social security	16	4,202	18,282
Accruals and deferred income		21,512	26,287
		46,609	61,787
Capital and reserves			
Called up share capital	18	35,961	35,961
Profit and loss account	19	57,033	29,907
Shareholder's funds	20	92,994	65,868
Total liabilities and shareholder's funds		**903,316**	**873,533**

These financial statements were approved by the Board of Directors on 17 February 2015 and were signed on its behalf by:

John William Joseph Roome
Chief Financial Officer

The notes on pages 16 to 31 form part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

Basis of preparation

The Group's financial statements have been prepared under the provision of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) relating to insurance companies and in accordance with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers (the ABI SORP) dated December 2005, as amended in December 2006.

These Group's financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified by the revaluation of investments.

The financial statements include the Group's participation in Lloyd's Syndicate 3210, including the Syndicate's assets, liabilities, revenues and expenses for the year ended 31 December 2014.

In accordance with the amendment to Financial Reporting Standard 3 Reporting Financial Performance the inclusion of unrealised gains and losses in the profit and loss account to reflect the marking to market of investments in the balance sheet is deemed not to be a departure from the unmodified historical cost basis of accounting. Accordingly a separate note on historical cost profit and loss is not given.

The Group has not prepared a cash flow statement taking advantage of the exemption offered by Financial Reporting Standard 1 (Revised 1996) Cash flow statements. The Group claims the exemption on the basis that the ultimate parent undertaking, MS&AD Insurance Group Holdings, Inc. a company incorporated in Japan, produces consolidated statements that are publicly available.

Under Financial Reporting Standard 8 Related Party Disclosures, the Group is exempt from the requirement to disclose related party transactions with the MS&AD Insurance Group and its associated undertakings on the grounds that it is a wholly owned subsidiary of MS&AD Insurance Group Holdings, Inc. which prepares consolidated financial statements.

Basis of consolidation

The financial statements consolidate the accounts of the Company and subsidiaries, including the Group's underwriting through participation in Lloyd's Syndicate 3210. Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of all subsidiaries are prepared for the same reporting year as the Parent Company Consolidation and using the same accounting standards and accounting policies.

All intercompany balances, profits, losses and transactions are eliminated.

Details of principal subsidiaries included within the consolidated financial statements can be found in note 22.

Basis of accounting

Gross Written Premiums

Gross written premiums comprise contracts commencing in the financial year, together with any differences between booked premiums for the prior years and those previously accrued, and estimates of premiums due but not yet receivable or notified to the Group. All premiums are shown gross of commission payable to intermediaries and are exclusive of taxes and duties levied thereon.

Outward reinsurance premiums

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

Unearned premiums

The provision for unearned premiums comprises the amounts representing that part of gross premiums written and reinsurance premiums ceded that relate to unexpired terms of policies in force at the balance sheet date. The provision is calculated using a time apportionment method.

Deferred acquisition costs

Acquisition costs comprise the expenses, both direct and indirect, of acquiring insurance policies written during the financial year. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the proportion of gross premiums written that are unearned as at the balance sheet date.

Claims

Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any adjustments to claims from prior years. Where applicable, deductions are made for salvage and other recoveries.

The provision for claims outstanding represents the ultimate cost of settling all claims (including direct and indirect claims settlement expenses) arising from events that have occurred up to the balance sheet date, including provision for claims incurred but not yet reported, less any amounts paid in respect of those claims. Claims outstanding are reduced by anticipated salvage and other recoveries.

The ultimate cost of outstanding claims is estimated using a range of techniques including actuarial and statistical projections, benchmarking, case by case review and judgment. Statistical techniques assume that past claims development experience can be used as a basis to project ultimate claims costs. Judgment is used to assess the extent to which past trends may not apply in the future. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims. Provisions are calculated allowing for reinsurance recoveries and a separate asset is recorded for the reinsurers' share, having regard to recoverability.

Whilst the Directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated based on the information currently available to them, the ultimate liability will vary as a result of subsequent information and events. Adjustments to the amounts of provision are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Unexpired risks provision

Provision is made where the cost of claims and expenses arising after the end of the financial year from contracts concluded before that date is expected to exceed the provision for unearned premiums and claims, net of deferred acquisition costs and premiums receivable. The assessment of whether a provision is necessary is made by considering the business as a whole accounted for on the annual basis of accounting on the basis of information available as at the balance sheet date, after offsetting surpluses and deficits arising on products which are managed together. Investment income is taken into account in calculating the provision.

Foreign currency translation

Revenue transactions in US dollars, Euros, Australian dollars and Canadian dollars are translated to Sterling at average rates during the year. Revenue transactions in all other currencies are translated to Sterling at the rate on the date of the transaction.

Monetary assets and liabilities are translated to Sterling at rates ruling at the balance sheet date. Non-monetary assets and liabilities are translated to Sterling at the average historic rate. The average historic rate of exchange has been calculated based on the weighted average of month end rates of exchange over the preceding 12 months.

All gains and losses from the retranslation of foreign currency balances are reported in the profit and loss account.

Investments, investment income, expenses and charges

All investments are classified as fair value through the profit and loss account.

Investments consist of bonds, deposits with credit institutions and pooled investments in hedge funds and are stated at current values at the year end. Bonds are included in the balance sheet at bid price. Deposits with credit institutions are included at cost plus accrued income.

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. Interest and related expenses are accounted for on an accruals basis.

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

Taxation

Provision is made at current rates for taxation. In accordance with Financial Reporting Standard 19 Deferred Tax, deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Tangible assets

Tangible assets comprise computer hardware and software, furniture and leasehold improvements. Expenditure on tangible assets is capitalised and depreciated using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of the assets are three to five years for computer hardware and software and three to five years for other tangible assets. Leasehold improvements are depreciated over the term of the lease.

Computer development costs are capitalised as software additions. Computer software is depreciated once brought into use, over a period not more than its useful life.

Pension costs

The Group operates a defined contribution scheme. Pension costs in respect of the defined contribution pension scheme are charged to the Profit and Loss Account as incurred.

Leases

The rental costs relating to operating leases are charged to the profit and loss account on a straight-line basis over the life of the lease.

Changes in accounting policies

The accounting policies are consistent with those of the previous year.

2. Risk Management

Details of the Group's risk management framework are given on pages 8 to 10 in the Strategic Report.

2.(a) Insurance Risk

The insurance risk faced by the Group is based on fortuity by its very nature and is therefore unpredictable.

The principal causes of insurance risks to the Group are the under-pricing of premiums, under-reserving and the exposure to catastrophe claims.

The tables below detail the Group's risk exposures by geographical region and class of business.

2014	Gross Written Premiums £'000	Outward RI Premiums £'000	Net Written Premiums £'000
United Kingdom	59,459	(8,259)	51,200
Other EU countries	29,387	(4,082)	25,305
USA	3,943	(548)	3,395
Other	258,012	(35,840)	222,172
Total	**350,801**	**(48,729)**	**302,072**

2013	Gross Written Premiums £'000	Outward RI Premiums £'000	Net Written Premiums £'000
United Kingdom	59,159	(8,403)	50,756
Other EU countries	32,042	(4,552)	27,490
USA	5,698	(809)	4,889
Other	246,352	(34,994)	211,358
Total	**343,251**	**(48,758)**	**294,493**

2014	Gross Written Premiums £'000	Outward RI Premiums £'000	Net Written Premiums £'000	Net Technical Provisions £'000
Property	116,029	(21,457)	94,572	(176,663)
Casualty	60,206	(5,730)	54,476	(75,631)
Professional	24,581	(3,390)	21,191	(81,901)
Commercial	29,874	(3,208)	26,666	(107,015)
Marine	83,457	(6,826)	76,631	(23,483)
Aviation	36,624	(8,195)	28,429	(138,453)
Other	30	77	107	(64,531)
Total	**350,801**	**(48,729)**	**302,072**	**(667,677)**

2013	Gross Written Premiums £'000	Outward RI Premiums £'000	Net Written Premiums £'000	Net Technical Provisions £'000
Property	120,137	(26,035)	94,102	(140,975)
Casualty	48,984	(5,642)	43,342	(104,973)
Professional	22,046	(2,883)	19,163	(143,480)
Commercial	28,730	(3,294)	25,436	(39,028)
Marine	87,578	(5,703)	81,875	(113,227)
Aviation	35,825	(5,264)	30,561	(77,723)
Other	(49)	63	14	(37,022)
Total	**343,251**	**(48,758)**	**294,493**	**(656,428)**

2.(b) Financial Risk

The Group is exposed to a range of financial risks through its financial assets and financial liabilities. The key financial risk is that the proceeds from financial assets will not be sufficient to fund the obligations arising from insurance policies and investment contracts as they fall due.

The main components of financial risk are credit risk, liquidity risk and market risk. These risks arise from the Group's investment and reinsurance assets and its insurance liabilities.

Credit Risk

Credit risk arising from insurance and reinsurance assets is managed and monitored by the Broker and Reinsurance Security Committee and those arising from investment assets by the Investment Committee.

The table below details the Group's exposure to credit risk by asset type, with reference to the credit rating of the counterparties. For financial investments this also represents the Group's maximum credit risk exposure.

2014	AAA £'000	AA £'000	A £'000	<A £'000	Not rated £'000	Total £'000
Reinsurers' share of outstanding claims including IBNR	-	23,886	54,656	2,207	4,617	85,366
Financial investments:						
Debt securities and other fixed income	133,894	105,892	118,080	39,525	-	397,391
Deposits with credit institutions	-	659	31,704	-	-	32,363
Other financial investments	-	-	-	-	65,862	65,862
Cash at bank and in hand	33,277	302	10,859	-	-	44,438
	167,171	**130,739**	**215,299**	**41,732**	**70,479**	**625,420**

2013	AAA £'000	AA £'000	A £'000	<A £'000	Not rated £'000	Total £'000
Reinsurers' share of outstanding claims including IBNR	-	23,750	46,698	3,085	5,113	78,646
Financial investments:						
Debt securities and other fixed income	109,930	99,932	134,222	44,304	-	388,388
Deposits with credit institutions	-	855	30,609	-	-	31,464
Other financial investments	-	-	-	-	57,323	57,323
Cash at bank and in hand	34,773	2,967	6,455	-	-	44,195
	144,703	**127,504**	**217,984**	**47,389**	**62,436**	**600,016**

Concentrations of financial investments are monitored by industry sector and geographic location of the counterparty as well as by individual counterparties. There are no significant geographical, or industry concentrations at 31 December 2014.

An aged analysis of financial assets is shown below.

2014	Fully performing £'000	Past due but not impaired £'000	Past due and impaired £'000	Total £'000
Financial investments:				
Debt securities and other fixed income	397,391	-	-	**397,391**
Deposits with credit institutions	32,363	-	-	**32,363**
Other financial investments	65,862	-	-	**65,862**
Reinsurance claims outstanding	85,366	-	-	**85,366**
Insurance receivables	120,200	20,348	3,985	**140,548**
Cash at bank and in hand	44,438	-	-	**44,438**
	745,620	**20,348**	**3,985**	**765,968**

2013	Fully performing £'000	Past due but not impaired £'000	Past due and impaired £'000	Total £'000
Financial investments:				
Debt securities and other fixed income	388,388	-	-	**388,388**
Deposits with credit institutions	31,464	-	-	**31,464**
Other financial investments	57,323	-	-	**57,323**
Reinsurance claims outstanding	78,646	-	-	**78,646**
Insurance receivables	110,933	13,941	3,989	**124,874**
Cash at bank and in hand	44,195	-	-	**44,195**
	710,949	13,941	**3,989**	**724,890**

Past due and impaired for insurance and reinsurance receivables has been fully provided for and does not form part of the total.

Liquidity risk

The table below analyses carrying value of the Group's monetary assets and claims liabilities into their relevant maturity groups based on the period remaining at the year end to their contractual maturities or expected settlement dates. As at 31 December 2014 all financial assets can be realised at any time, but the table shows their maturity profile should they continue to be held.

2014	Up to 1 year £'000	1 -3 years £'000	3-5 years £'000	Over 5 years £'000	Total £'000
Financial investments	275,235	172,021	32,056	16,304	**495,616**
Insurance and reinsurance receivables	140,433	115	-	-	**140,548**
Cash at bank and in hand	44,438	-	-	-	**44,438**
Net insurance claims outstanding (a)	(147,295)	(164,745)	(78,485)	(77,994)	**(468,519)**
	312,811	**7,391**	**(46,429)**	**(61,690)**	**212,083**

2013	Up to 1 year £'000	1 -3 years £'000	3-5 years £'000	Over 5 years £'000	Total £'000
Financial investments	211,555	183,817	69,957	11,846	**477,175**
Insurance and reinsurance receivables	124,728	146	-	-	**124,874**
Cash at bank and in hand	44,195	-	-	-	**44,195**
Net insurance claims outstanding (a)	(147,163)	(164,597)	(78,414)	(77,923)	**(468,097)**
	233,315	**19,366**	**(8,457)**	**(66,077)**	**178,147**

(a) Based on expected settlement dates.

Market Risk

Foreign currency market risk

The Group holds its assets and liabilities predominantly in five settlement currencies: Sterling, Euros, US dollars, Canadian dollars and Australian dollars.

It is the Group's policy to match assets and liabilities in the currencies it is exposed to on a monthly basis in order to minimise foreign currency risk. The table below details the Group's asset and liabilities, in converted Sterling, by currency at 31 December 2014.

2014	GBP £'000	EUR £'000	USD £'000	CAD £'000	AUD £'000	Other £'000	Total £'000
Assets	425,554	84,031	304,326	23,520	61,796	4,089	**903,316**
Liabilities	(342,923)	(81,900)	(299,801)	(22,722)	(62,976)	-	**(810,322)**
Net assets	**82,631**	**2,131**	**4,525**	**798**	**(1,180)**	**4,089**	**92,994**

2013	GBP £'000	EUR £'000	USD £'000	CAD £'000	AUD £'000	Other £'000	Total £'000
Assets	474,074	84,015	233,969	17,339	61,173	2,963	**873,533**
Liabilities	(408,115)	(79,734)	(237,343)	(16,159)	(66,308)	(6)	**(807,665)**
Net assets	**65,959**	**4,281**	**(3,374)**	**1,180**	**(5,135)**	**2,957**	**65,868**

The table below shows the impact on the Group's net assets of a 5% appreciation or depreciation in each currency relative to Sterling, as at 31 December 2014.

2014	GBP £'000	EUR £'000	USD £'000	CAD £'000	AUD £'000	Other £'000	Total £'000
5% appreciation	-	107	226	40	(59)	204	**518**
5% depreciation	-	(107)	(226)	(40)	59	(204)	**(518)**

2013	GBP £'000	EUR £'000	USD £'000	CAD £'000	AUD £'000	Other £'000	Total £'000
5% appreciation	-	214	(169)	59	(257)	148	**(5)**
5% depreciation	-	(214)	169	(59)	257	(148)	**5**

Interest rate market risk

The Group holds investments in its balance sheet that are sensitive to movements in interest rates. The sensitivity of the Group's investment portfolio to movements in interest rates is monitored by the Investment Committee.

The table below shows the estimated impact on the profit or loss of a 1% increase in the UK, US, Euro, Canadian and Australian interest rates on the market value of investments, impacting the Group's profit and Shareholder's funds adversely by:

	2014 £'000	2013 £'000
1% change in UK interest rates	2,112	2,353
1% change in US interest rates	1,675	1,718
1% change in Euro interest rates	1,839	1,506
1% change in Canadian interest rates	132	93
1% change in Australian interest rates	768	849

2.(c) Fair value estimation

Financial instruments that are classified as fair value through profit and loss account are assigned a level using a fair value hierarchy that reflects the significance of the inputs used in these measurements.

- **Level 1** financial instruments comprise government bonds that are regularly traded. These have been valued at fair value using quoted prices in an active market.
- **Level 2** financial instruments are less regularly traded government agency bonds, supranational bonds, corporate bonds and currency derivatives. These fair values have been derived from quoted prices.
- **Level 3** financial instruments have a fair value derived from inputs that are not based on observable market data. The Group does not currently hold any level 3 financial instruments.

Investments	2014			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Tota £'000
Government securities	157,172	-	-	157,172
Listed debt securities	-	262,200	-	262,200
Other investments	32,363	43,881	-	76,244
	189,535	**306,081**	**-**	**495,616**

Investments	2013			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Tota £'000
Government securities	97,655	-	-	97,655
Listed debt securities	-	308,631	-	308,631
Other investments	31,464	39,425	-	70,889
	129,119	**348,056**	**-**	**477,175**

All premiums are written in the UK. Profits/(losses) before tax are generated by UK operations.

The Group considers the writing of general insurance to be one class of business for the purpose of SSAP 25 and therefore no further disclosure is given in respect of turnover, net assets and profit.

3. Segmental reporting

An analysis of the underwriting result before investment return is set out below:

2014	Property £'000	Casualty £'000	Professional £'000	Commercial £'000	Marine £'000	Aviation £'000	Other £'000	Total £'000
Gross written premiums	**116,029**	**60,206**	**24,581**	**29,874**	**83,457**	**36,624**	**30**	**350,801**
Net written premiums	94,572	54,476	21,191	26,666	76,631	28,429	107	302,072
Earned premiums, net of reinsurance	91,518	43,639	18,823	26,666	75,595	29,771	5,233	291,245
Claims Incurred, net of reinsurance	(49,501)	(15,518)	(5,447)	(19,184)	(28,628)	(27,188)	84	(145,382)
Underwriting expenses	(34,870)	(14,981)	(9,606)	(12,292)	(28,245)	(9,943)	(311)	(110,248)
	7,147	**13,140**	**3,770**	**(4,810)**	**18,722**	**(7,360)**	**5,006**	**35,615**
Other expenses*							(9,048)	(9,048)
Underwriting Result	**7,147**	**13,140**	**3,770**	**(4,810)**	**18,722**	**(7,360)**	**(4,042)**	**26,567**
Claims ratio	54.1%	35.6%	28.9%	71.9%	37.9%	91.3%	-	49.9%
Expense ratio	38.1%	34.3%	51.0%	46.1%	37.4%	33.4%	-	41.0%
Combined ratio	**92.2%**	**69.9%**	**79.9%**	**118.0%**	**75.3%**	**124.7%**	**-**	**90.9%**
Net technical provisions	**176,663**	**75,631**	**81,901**	**107,015**	**23,483**	**138,453**	**64,531**	**667,677**

2013	Property £'000	Casualty £'000	Professional £'000	Commercial £'000	Marine £'000	Aviation £'000	Other £'000	Total £'000
Gross written premiums	**120,137**	**48,984**	**22,046**	**28,730**	**87,578**	**35,825**	**(49)**	**343,251**
Net written premiums	94,102	43,342	19,163	25,436	81,875	30,561	14	294,493
Earned premiums, net of reinsurance	89,853	36,730	13,994	22,218	77,957	33,386	183	274,321
Claims Incurred, net of reinsurance	(39,264)	(16,730)	(9,614)	(13,667)	(40,079)	(17,818)	1,301	(135,871)
Underwriting expenses	(32,322)	(13,003)	(7,554)	(11,186)	(27,905)	(9,762)	1,811	(99,921)
	18,267	**6,997**	**(3,174)**	**(2,635)**	**9,973**	**5,806**	**3,295**	**38,529**
Other expenses*							(15,259)	(15,259)
Underwriting Result	**18,267**	**6,997**	**(3,174)**	**(2,635)**	**9,973**	**5,806**	**(11,964)**	**23,270**
Claims ratio	43.7%	45.5%	68.7%	61.5%	51.4%	53.4%	-	49.5%
Expense ratio	36.0%	35.4%	54.0%	50.3%	35.8%	29.2%	-	42.0%
Combined ratio	**79.7%**	**80.9%**	**122.7%**	**111.8%**	**87.2%**	**82.6%**	**-**	**91.5%**
Net technical provisions	**140,975**	**104,973**	**143,480**	**39,028**	**113,227**	**77,723**	**37,022**	**656,428**

* Other expenses not allocated to class includes Motor that has been in run-off following its discontinuance at the end of 2011, adjustments made in accordance with FRS23 for the foreign currency translation of certain non-monetary balance sheet items, other staff expenses.

4. Profit on ordinary activities before tax

Profit on ordinary activities before tax is stated after charging

	2014 £'000	2013 £'000
Depreciation on fixed assets	1,783	4,031
Operating leases on Buildings	2,195	2,165
Auditors' remuneration excluding VAT:		
Audit of financial statements	229	239
Other taxation services	9	9
All other services	97	102
	335	**350**

5. Net operating expenses

	2014 £'000	2013 £'000
Acquisition costs	87,731	80,545
Change in deferred costs	(5,381)	(8,886)
Administrative expenses	39,759	40,338
(Gain)/Loss on exchange	(2,813)	3,183
Total net operating expenses	**119,296**	**115,180**
Net operating expenses include:		
Commissions for direct business	53,014	47,576
Commissions for reinsurance business	10,184	17,175

6. Staff numbers and costs

All staff are employed by Mitsui Sumitomo Insurance (London Management) Limited.
The following amounts were incurred by the Group in relation to salary costs:

	2014 £'000	2013 £'000
Wages and salaries	34,879	30,935
Social security costs	4,195	3,881
Pension costs	2,726	2,407
Other	811	2,386
	42,611	**39,609**

Mitsui Sumitomo Insurance (London Management) Limited operates a defined contribution pension scheme.
The assets of the scheme are held separately from those of the Company in an independently administered fund.

6. Staff numbers and costs (continued)

The average number of employees employed by Mitsui Sumitomo Insurance (London Management) during the year was as follows:

	2014 no.	2013 no.
Finance	24	17
Administration	118	101
Claims	39	35
Underwriting	118	121
	299	**274**

7. Remuneration of Directors

	2014 £'000	2013 £'000
Directors' emoluments	3,085	2,382
Group contributions to money purchase pension schemes	196	153

The aggregated emoluments of the highest paid Director were £1,044,224 (2013: £804,954), including pension contributions of £62,420 (2013: £60,650). The Group contributions to the money purchase pension schemes above accrued to three Directors.

8. Investment return

	2014 £'000	2013 £'000
Income from investments	12,623	14,186
(Losses) on the realisation of investments	(3,786)	(2,917)
Unrealised net gain/(loss) on investments	610	(2,967)
Investment manager fees	(948)	(1,239)
	8,499	**7,063**

9. Other Income

Other income comprises:

	2014 £'000	2013 £'000
Risk engineering income	160	310
Other income	50	16
	210	**326**

10. Taxation

10.(a) Analysis of charge in period

	2014 £'000	2013 £'000
Current tax		
UK corporation tax on profits of the period (note 10(b))	(22)	(14)
Deferred tax		
Origination and reversal of timing differences	(7,068)	(5,944)
Impact of reduction in corporation tax rate on opening balance	-	(4,248)
Effect of reduction of corporation tax rate	493	575
Adjustment in respect of prior year	1,447	(151)
Total deferred tax (note 14)	**(5,128)**	**(9,768)**
Tax on profit on ordinary activities	**(5,150)**	**(9,782)**

10.(b) Factors affecting the tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below:

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	35,276	30,659
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013: 23.25%).	(7,584)	(7,128)
Effects of:		
Permanent differences	201	(389)
Timing differences	5,179	10,311
Increase in tax losses in the year	-	(3,281)
Utilisation of brought forward losses	2,001	-
Lower tax rate on overseas earnings	16	16
Group relief	165	457
Current tax charge for the period (note 10(a))	**(22)**	**(14)**

Finance Act 2013 reduced the main rate of corporation tax from 23% to 21% with effect from 1 April 2014, with a further reduction to 20% from 1 April 2015. These rate changes were enacted on 17 July 2013. The rate changes will reduce the Company's future current tax charge accordingly.

11. Tangible assets

	Furniture, fixtures & fittings £'000	Computer hardware, software & software development £'000	Total £'000
Cost			
At 1 January 2014	13,246	33,806	47,052
Additions	58	2,099	2,157
At 31 December 2014	13,304	35,905	49,209
Accumulated Depreciation			
At 1 January 2014	8,437	30,287	38,724
Charge for the year	1,132	651	1,783
At 31 December 2014	9,569	30,938	40,507
Net book value			
At 31 December 2014	**3,735**	**4,967**	**8,702**
At 1 January 2014	4,809	3,519	8,328

12. Other financial investments

	Market Value 2014 £'000	Cost 2014 £'000	Market Value 2013 £'000	Cost 2013 £'000
Debt securities and other fixed income	397,391	397,400	388,387	389,014
Shares and other variable yield securities	43,576	41,926	39,107	36,342
Participation in investment pools	21,980	22,127	17,898	17,898
Deposits with credit institutions	32,363	32,363	31,397	31,397
Derivatives	306		386	-
	495,616	**493,816**	**477,175**	**474,651**

Debt securities and other fixed income consist of listed investments.

13. Debtors and creditors arising out of direct insurance and reinsurance operations

All amounts due to or from the Group in respect of direct insurance and reinsurance operations are in relation to intermediaries.

Of the debtors arising out of direct insurance and reinsurance operations, £115k (2013: £146k) are due after more than one year.

14. Deferred tax

	2014 £'000	2013 £'000
Deferred tax asset brought forward	17,087	26,855
Deferred tax (charge) in the profit and loss account (Note 10)	(5,128)	(9,768)
	11,959	**17,087**

The net deferred tax asset at 31 December 2014 comprises timing differences on carried forward tax losses, the double taxation relief pool, the Syndicate's results and long term incentive plan charges included in the accounts but not yet brought in to current tax. The net deferred tax asset has been calculated based on the rate of 20% enacted at the balance sheet date.

The Director's consider that the Company will generate sufficient taxable profits in the future to utilise the net deferred tax asset.

A net deferred tax asset of £2,159k (2013: £1,824k) has not been recognised in the accounts relating to timing differences on accelerated depreciation over capital allowances.

15. Other debtors

	2014 £'000	2013 £'000
Claims funds	2,614	2,170
Other debtors	4,144	2,167
Salvage and subrogation	48	473
Corporation tax debtor	9	-
	6,815	**4,810**

All balances are due within one year.

16. Other creditors including taxation and social security

	2014 £'000	2013 £'000
Amount due to group companies	-	16,382
Other creditors	4,202	1,900
	4,202	**18,282**

17. Lease Commitments

Annual commitments held in respect of Land and Buildings are leases that expire as follows:

	2014 £'000	2013 £'000
Within 1 year	-	-
Between 1 – 2 years	126	-
Between 2 – 5 years	2,969	3,104
More than 5 years	-	-

18. Called up share capital

	2014 £'000	2013 £'000
Issued share capital:		
Issued and fully paid 359,607,200 ordinary shares of £0.10 each	35,961	35,961

19. Reconciliation of profit and loss reserve

	2014 £'000	2013 £'000
Opening balance brought forward	29,907	12,530
Dividends paid	(3,000)	(3,500)
Retained profit for the year	30,126	20,877
Closing balance carried forward	**57,033**	**29,907**

20. Reconciliation of movement in shareholder's funds

	2014 £'000	2013 £'000
Opening shareholder's funds	65,868	48,491
Dividends paid	(3,000)	(3,500)
Retained profit for the year	30,126	20,877
Closing shareholder's funds	**92,994**	**65,868**

21. Claims incurred

The 2014 claims incurred, net of reinsurance, in the technical account of £145,382k (2013: £135,871k) includes £34,490k (2013: £51,518k) of releases in respect of prior accident years.

22. Subsidiaries

Subsidiary	Principle activity	Registered in
MSI Corporate Capital Limited	Corporate Member of Lloyd's	England and Wales
Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited	Lloyd's Managing Agent	England and Wales
MSI Management (Ireland) Limited	Service Company	Ireland

The Company owns 100% of the issued ordinary share capital and voting rights of all the above companies.

The principal activity of MSI Corporate Capital Limited is to act as a corporate member of Lloyd's and to participate in the Lloyd's insurance market through the provision of 100% of the underwriting capacity of Syndicate 3210.

Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited serves as managing agent for Syndicate 3210.

MSI Insurance Management (Ireland) Limited acts as a service provider introducing regional underwriting business to Syndicate 3210.

23. Dividends

An interim dividend for 2014 amounting to £3,000k (0.83p per share) (2013: £3,500k, 0.97p per share) was paid during the year to MSIG Holdings (Europe) Limited

24. Provisions for pensions and similar obligations

The Group operates a defined contribution pension scheme. The pension cost charge represents contributions payable by the Group and amounted to £2,994k (2013: £2,858k). At 31 December 2014, contributions amounting to £282k, representing one month's worth of contributions, were due (2013: £11k).

25. Financial commitments and guarantees

As a condition of being a corporate member at Lloyd's, MSI Corporate Capital Limited has lodged letters of credit. At the period end, these letters of credit amounted to £87,500k (2013: £95,000k). These continue to be guaranteed by the Group's penultimate parent undertaking, Mitsui Sumitomo Insurance Co, Ltd.

26. Ultimate parent company and parent undertaking of larger group of which Group is a member

The smallest and largest group of undertakings of which the Group is a member, and for which group Financial Statements are prepared, is headed by MS&AD Insurance Group Holdings, Inc. a company incorporated in Japan, which is the ultimate parent undertaking. A copy of their consolidated financial statements is available from the Registered Office of the Company at 25 Fenchurch Avenue, London, EC3M 5AD.

27. Funds at Lloyd's

Every member is required to hold capital at Lloyd's, which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on Prudential Regulation Authority requirements and resource criteria. This has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten.

The funds provided at 31 December 2014 consist of the following: cash deposits and investments included in these financial statements and held in the Syndicate Premium Trust Fund £79,755k (2013: £67,919k), letters of credit (Note 25) guaranteed by Mitsui Sumitomo Insurance Company, Ltd of £87,500k (2013: £95,000k), and Japanese bonds provided by Mitsui Sumitomo Insurance Company, Ltd with a market value of ¥24.0 billion (2013: ¥25.70 billion).

28. Equalisation provisions

No equalisation provisions have been maintained by the Group for tax purposes.

Balance Sheet

As at 31 December 2014

ASSETS	Notes	2014 £'000	2013 £'000
Investments			
Other financial investments	30	10	10
Fixed assets			
Tangible assets	31	8,296	7,862
Investments in group undertakings	32	6,409	6,409
		14,705	14,271
Current assets			
Deferred tax	33	563	563
Other debtors	34	35,531	38,732
Prepayments and accrued income		1,933	1,706
Cash at bank and in hand		10,973	1,381
		49,000	42,382
Total assets		**63,715**	**56,663**
LIABILITIES			
Creditors			
Other creditors including taxation and social security	35	2,318	1,585
Accruals and deferred income			
Accruals		20,958	20,339
Capital and reserves			
Called up share capital	36	35,961	35,961
Profit and loss account	37	4,478	(1,222)
Shareholder's funds	38	40,439	34,739
Total liabilities and shareholder's funds		**63,715**	**56,663**

These financial statements were approved by the Board of Directors on 17 February 2015 and were signed on its behalf by:

John William Joseph Roome
Chief Financial Officer

The notes on pages 33 to 36 form part of these financial statements.

29. Accounting policies

Basis of preparation

Mitsui Sumitomo Insurance (London Management) Limited is the immediate Parent Company for the MSILM Group.

The separate financial statements of the Company are prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The Company has not prepared a cash flow statement taking advantage of the exemption offered by Financial Reporting Standard 1 (Revised 1996) Cash flow statements. The Company claims the exemption on the basis that the ultimate parent undertaking, MS&AD Insurance Group Holdings, Inc. a company incorporated in Japan, produces consolidated financial statements that are publicly available.

Under Financial Reporting Standard 8 Related Party Disclosures, the Company is exempt from the requirement to disclose related party transactions with the MS&AD Insurance Group and its associated undertakings on the grounds that it is a wholly owned subsidiary of MS&AD Insurance Group Holdings, Inc. which prepares consolidated financial statements.

The accounting policies that are used in the preparation of these statements are consistent with the accounting policies used in the preparation of the consolidated financial statements of the MSILM Group as set out in those financial statements.

30. Other financial investments

	2014 £'000	2013 £'000
Deposits with credit institutions	10	10

31. Tangible assets

	Furniture, fixtures & fittings £'000	Computer hardware, software & software development £'000	Total £'000
Cost			
At 1 January 2014	12,694	33,806	46,500
Additions	58	2,099	2,157
At 31 December 2014	12,752	35,905	48,657
Accumulated Depreciation			
At 1 January 2014	8,351	30,287	38,638
Charge for the year	1,072	651	1,723
At 31 December 2014	9,423	30,938	40,361
Net book value			
At 31 December 2014	**3,329**	**4,967**	**8,296**
At 1 January 2014	4,343	3,519	7,862

32. Investments in group undertakings

	MSI Corporate Capital Limited £'000	Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited £'000	MSI Insurance Management (Ireland) Limited £'000	Total £'000
Book value brought forward & carried forward	**5,200**	**1,200**	**9**	**6,409**

The Company owns 100% of the issued ordinary share capital of all the above companies. Shares held in MSI Corporate Capital Limited and Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited (both of which are incorporated in the UK) and MSI Insurance Management (Ireland) Limited, which is incorporated in the Republic of Ireland, are held at cost.

The principal activity of MSI Corporate Capital Limited is to act as a corporate member of Lloyd's and to participate in the Lloyd's insurance market through the provision of 100% of the underwriting capacity to the Syndicate.

Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited serves as managing agent to the Syndicate.

MSI Insurance Management (Ireland) Limited acts as a service provider introducing regional underwriting business to the Syndicate. One share has been issued at a par value of €10k

33. Deferred tax

	2014 £'000	2013 £'000
Deferred tax asset brought forward	563	829
Deferred tax charge in the profit and loss account	-	(266)
Deferred tax asset carried forward	**563**	**563**

34. Other debtors

	2014 £'000	2013 £'000
Amount due from group companies	34,557	37,494
Other debtors	974	1,238
	35,531	**38,732**

With the exception of £20,000k due from MSI Corporate Capital Limited, which is repayable on demand, all other debtors, mainly representing the recharge of expenses paid by the Company on behalf of other group companies, are due within one year. Such balances are normally settled on a monthly basis.

35. Other creditors including taxation and social security

	2014 £'000	2013 £'000
Other creditors including taxation and social security	**2,318**	**1,585**

36. Called up share capital

	2014 £'000	2013 £'000
Issued share capital:		
Issued and fully paid 359,607,200 ordinary shares of £0.10 each	**35,961**	**35,961**

37. Reconciliation of profit and loss account

	2014 £'000	2013 £'000
Opening balance brought forward	(1,222)	1,589
Dividends paid	(3,000)	(3,500)
Profit for the financial year	8,700	689
Closing balance carried forward	**4,478**	**(1,222)**

38. Reconciliation of movement in shareholder's funds

	2014 £'000	2013 £'000
Opening shareholder's funds	34,739	37,550
Dividends paid	(3,000)	(3,500)
Retained profit for the year	8,700	689
Closing shareholder's funds	**40,439**	**34,739**

39. Dividends

An interim dividend for 2014 amounting to £3,000k (0.83p per share) (2013: £3,500k, 0.97p per share) was paid during the year to MSIG Holdings (Europe) Limited.