Liberty Syndicates

Syndicate 4472 Annual Accounts under UK GAAP

31 December 2013

Liberty Specialty Markets

Contents

Twenty thirteen summary

Progress
Optimism
Opportunity

Liberty Syndicates' underlying profit for the financial year ended 31 December 2013 exceeded expectations and 2012 results. Such positive figures reflect: the below average catastrophe toll for the year; the quality and diversity of our portfolio; our underwriting discipline; client-focus and excellent service standards.

We look forward to 2014 with cautious optimism, well placed to maximise our potential and take advantage of new opportunities.

£m	2013	2012
Underlying profit:		
Profit for the financial year	66.5	163.4
Exclusion of investment return under UK GAAP[1]	(12.0)	(115.7)
Inclusion of investment income under US GAAP[1]	60.3	62.1
Underlying profit for the financial year	114.8	109.8
Combined ratio[2]	94.7%	94.3%

The Syndicate manages its investments under US GAAP accounting principles and thus measures its underlying profit by removing the UK GAAP investment return and replacing it with its US GAAP investment income. The unrealised gains/losses recognised under UK GAAP may reverse in later years for those investments that the Syndicate holds until maturity.

[1] Investment return under UK GAAP includes net unrealised gains/losses on investments as calculated using UK GAAP. Under US GAAP unrealised gains and losses are shown as 'other comprehensive income'.

[2] The combined ratio is the ratio of claims incurred, net of reinsurance and net operating expenses to premiums earned, net of reinsurance. It excludes investment income and realised and unrealised gains/losses.

Chairman's statement

Rigour
Discipline
Quality

Liberty Syndicates' profitable performance in 2013 reflects its consistent adherence to strict underwriting discipline against a continuing backdrop of challenging market conditions and an uncertain economic outlook. The presence of high quality management, a strongly embedded team ethos, and a rigorous policy of only writing lines of business in which we have expertise and which offer profitable opportunities contributed to the result for the year.

Liberty Syndicates continues to play its role in bringing attractive business to Lloyd's from emerging markets such as Latin America where it has real expertise. We continue to explore markets in Asia where we are now well placed to take advantage of the opportunities they offer as a result of the creation of Liberty Specialty Markets.

On a sad note 2013 saw the death of Danny Forsythe who through his executive role at Liberty Mutual Group was very supportive of the growth in the Syndicate over the last seven years. The end of 2013 also saw the retirement of Richard Youell whose extensive knowledge and experience of the Lloyd's market was much valued by the board and management. We shall miss both of them.

I am pleased to welcome to the board Chris Peirce, Richard Reid and Chris Hanks.

Keith Nicholson, Chairman

Managing Director's statement

Potential
Flexibility
Client-focus

For the financial year ended 31 December 2013, Syndicate 4472 produced an underlying profit[1] of £114.8m (2012: £109.8m profit). This is ahead of expectations for the year and better than 2012, driven principally by the below average catastrophe toll for the year in 2013. That is not to say that there haven't been some notable losses in 2013 with flooding in Europe and Canada, European winter storms, Asian windstorms and tornadoes in the US all triggering losses. That the Syndicate is able to absorb these losses and still post a good underwriting result is reflective of the well diversified underwriting portfolio that we have developed, with many lines of business contributing to what has been an excellent year in terms of pure underwriting performance. This is particularly pleasing given the importance of underwriting discipline in such a low investment yield environment.

The quality of our business and business diversity is reflected in this set of results and I would like to recognise the contribution made by the Liberty Syndicates team in this success. The business operates at the highest level based upon delivery of market-leading expertise and service standards. During 2013, we continued our strategy of further building out our strong operating platform through the selection of new business opportunities whilst developing existing lines of business. That we were successful in these goals in 2013 underlines the strength of the Liberty Syndicates brand and reputation within the market.

Looking forward to 2014

I look forward to 2014 with cautious optimism. The market continues to face a number of threats including poor investment returns, high levels of industry capital (particularly in reinsurance) and reducing margins in a number of lines of business. Any rate increases are likely to be restricted to loss affected contracts or very specific niches. Elsewhere the environment continues to look very challenging and soft market conditions are likely to prevail. I am confident however that Liberty Syndicates' market leading position will continue to yield access to high quality business that is consistent with our risk appetite and that Liberty Syndicates remains well placed to take advantage of any suitable new opportunities that provide the required margin. Furthermore Liberty Syndicates' position within the Liberty Mutual Group affords us the flexibility to adjust strategy quickly, thus reacting to changing market conditions and maximising profitability.

Liberty Syndicates has invested considerable resource in the development of sophisticated modelling techniques and pricing models. These provide management with a clear view of the risks faced by the business and give them the tools to deploy relevant strategies to mitigate them.

Our business

Liberty Syndicates is organised around high quality staff in both underwriting and support functions. A notable development in recent years has been the incorporation of Solvency II and the ORSA within the business as usual structure of the Syndicate. In line with the latest regulatory requirements, the ORSA is now a key part of the decision making process of the business and further supports our commitment to the provision of the highest quality support for the underwriting teams and management decision making.

Liberty Syndicates' underwriting reputation and strong platform has allowed us to continue to attract high quality opportunities and underwriting talent. During 2013, our underwriting portfolio was enhanced by the addition of a new underwriter to the specialty products area led by Peter Smith which further develops our offering in this area and will continue to improve our access to profitable business.

[1]Underlying profit represents Total Recognised Gains for the year excluding foreign exchange translation and investment return under United Kingdom Generally Accepted Accounting Principles ("UK GAAP"), plus investment income under United States Generally Accepted Accounting Principles ("US GAAP").

Clients and markets

Liberty Syndicates underwrites a broad portfolio of specialist insurance and reinsurance products. Our client-focused business operates to a mantra of exacting service standards provided via market-leading underwriting, combined with claims and risk management expertise. Liberty Syndicates has built up a strong reputation for providing bespoke underwriting solutions for our clients, and the speed of our response when dealing with broker requests has further cemented our position as a must see market.

Liberty Syndicates enjoys a truly global approach to underwriting. Being at Lloyd's, it lies at the heart of the London market where a concentration of specialist insurance and reinsurance expertise continues to attract the largest and most complex international business. Access to our trading partners around the world is key to the success of our business model and the Lloyd's platform with its global licences and strong rating, combined with a sophisticated broker network, continues to be our prime distribution channel.

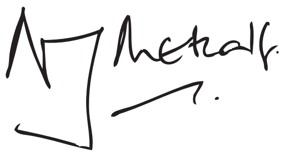
Liberty Specialty Markets

In September 2013, we announced the creation of Liberty Specialty Markets, combining the operational management of Liberty Syndicate Management Limited (LSML), Liberty Mutual Insurance Europe Limited (LMIE) and Liberty Mutual Reinsurance, the reinsurance division of Liberty Mutual Insurance Company (LMIC).

This integration will allow us to make the most of the businesses we operate and, as Liberty Specialty Markets, clearly articulate our offering to the customers and markets that we serve, making the most of our potential – our strength, scale and combined expertise. We will further develop our capability for analysis and insight, investing our capital to support sustainable, profitable business, monitoring and tracking performance and acting on a responsive basis. We will maintain our current legal entities but will combine our executive teams into a single board and overall governance structure.

A key focus of our integration activities is ensuring that we maintain our existing discipline and business performance, approaching opportunities in a prioritised, structured and controlled manner.

The integration programme is progressing well. An exciting milestone in this will be our move, in Q4 2014, to our new combined London office at 20 Fenchurch Street.



Nick Metcalf, President & Managing Director

Chief Underwriting Officer's statement

Growth
Strength
Performance

2013 produced a record underwriting result for the Syndicate and saw the continued growth of our business take stamp capacity for 2014 to £1.175bn, making us the 3rd largest syndicate in Lloyd's. These are achievements of real significance when set against the continued background of international economic torpor and excess capacity in our industry. Overall this was a satisfying result but one boosted by the relative lack of major catastrophe activity in the year.

All of our divisions contributed to this result in 2013. Our Reinsurance divisions have had a very successful year. Our Cologne based London Market Reinsurance team maintained their market-leading reputation as leaders in property, marine and speciality treaty business. Another strong year from our aviation treaty experts further cemented Liberty Syndicates' much admired place in profitably supporting our London market clients.

Our International Treaty Reinsurance division also had an admirable year, in spite of some significant international losses such as the European floods and Asian storms. Writing property catastrophe to clients in (and with exposure to) every corner of the globe demands superior underwriting talent, vision and discipline. When combined with consolidating Liberty Syndicates' place in a range of products and territories (treaty credit, agriculture, Latin America, Spain), the reputation of our business continues to grow along with our profits. That our Treaty Casualty team continues to support an outstanding reinsurance result in difficult market circumstances reveals much about their abilities and the strength of their client relationships. All areas of our insurance business had to work hard to generate acceptable margins in 2013 and this will continue into 2014. Anaemic economic growth only depresses a willingness for our clients to spend more on their insurance protections, notwithstanding the undoubted value that our products bring. It is quite a feat that I can report that (allowing for reserve strengthening for Irish pyrites in our discontinued latent defect portfolio) all insurance divisions contributed planned profits.

Our Property division thoughtfully seized upon opportunities on the US side and reaped the benefits of the development of the underwriting team on the international side to achieve growth while maintaining underwriting profitability. Despite a difficult rating environment in most lines of business our Contingent Lines division continues to find ways to deliver on-target results, helped in no small part by the excellent reputation built up by the underwriters in recent years. Our Global Financial Risks team has cemented its position as an undoubted market leader, and has contributed fully to the Syndicate becoming recognised as a centre of excellence for this sort of business in conjunction with our Trade Credit RI capability.

The marine market has remained a challenging environment in 2013. The much publicised worsening of the Costa Concordia loss in the year and a continued softening of rates in most classes have all contributed to a difficult market place. This has been particularly so in the In-Orbit Satellite book where we are strategically responding to the rating conditions prevailing at this point in the market cycle. In spite of this the performance across the Marine portfolio has remained positive overall in 2013, and of particular note are the Marine Liability and Hull portfolios which despite challenging circumstances made a positive contribution to profits.

The position we have developed in the Lloyd's market provides the perfect platform for market leadership and innovation, and this has been aptly demonstrated by the Specialty Products team, who have had a highly successful first full year of underwriting. As well as making a positive contribution to overall profitability this team has helped cement the Syndicate's position as a market-leading player in the Specialty arena, particularly in the political risks and credit treaty space. This area has been one of the principal drivers of growth in 2013 and we look forward to its further development in 2014.

Underwriting is not getting any easier. Capital in our industry and in the London market continues to grow at a faster rate than underlying economic growth or consumer demand.

We are presented daily with challenges, be they regulatory, because of the increased profile of the capital markets in our space, or evolving distribution business models. Yet our underwriters, claims team, actuaries, reinsurance buyers and exposure managers met them admirably in 2013 and we will continue to grow stronger in 2014.

Matthew Moore, Chief Underwriting Officer

Finance Director's statement

Improvement
Profitability
Growth

For the second year running, the Syndicate has incurred relatively low losses on catastrophe events with property reinsurance classes yielding healthy accident year profits. The Property direct and Casualty reinsurance classes have had favourable claims development. The net impact of prior year development has been negligible, however, as we have further strengthened the reserves on the latent defects account, which is in run-off.

The Syndicate commenced four new underwriting classes after the acquisition of a new Specialty underwriting team in late 2012. Gross written premium for these classes, coupled with planned increases in existing lines of business and favourable rate changes, contributed to a 15% rise in overall gross written premiums compared to 2012.

As the Syndicate continues to grow its top line year on year, premiums earning through the calendar year have also increased.

Net operating expenses increased in 2013 compared with 2012. This was primarily the result of increased commissions payable on higher gross earned premiums. Administrative expenses also increased, driven by higher performance related costs as well as a planned increase in personnel costs consistent with our continued strategy of profitable growth. Reinsurance commissions receivable, relating to quota share reinsurance contracts, remained stable.

Investment income

Underlying investment income reduced marginally from £62.1m to £60.3m. The investing environment has remained a challenging one with the search for yield by institutions driving spreads tighter. Issuers have taken advantage of the low cost funding environment so that new issues offer very little premium due to the strength of demand for spread product.

In 2013 the Federal Reserve announced plans to scale back quantitative easing and allow interest rates to rise. This, combined with an improved outlook for the developed economies, has pushed up the government risk-free yield curves. Consequently, the portfolio has incurred unrealised losses. Despite this challenging environment, the investment base has again increased.

Foreign exchange

The majority of the Syndicate's premium income is underwritten in US dollars. The Syndicate is also fully aligned and reports internally to its US parent in US dollars. However, for the purpose of these accounts, the net assets in each individual currency are converted back to Sterling resulting in a currency translation gain of £14.3m.

Solvency II and New UK GAAP

The Syndicate's Solvency II programme continues to provide the planned benefits and ensure the Syndicate is fully Solvency II compliant by the 2016 implementation date. Changes to UK GAAP come into force from 1 January 2015 and require 2014 comparatives. The Syndicate continues to assess the development of the insurance accounting model under UK GAAP which is expected to adopt many of the concepts of Solvency II, and thus fits well with our business model. However, several key differences between the two accounting models will remain.

Liberty Specialty Markets

During 2013 the Syndicate began a process of integration with two other entities in the Liberty Mutual Group to form Liberty Specialty Markets, while maintaining its separate legal existence. Integration activities are making good progress and will culminate in the consolidation of all London operations in a new office in the 20 Fenchurch Street building. Liberty Specialty Markets will have the size and flexibility to succeed in the challenging environment that lies ahead.

John Dunn, Group Finance Director

Financial Report – 2013

Technical and non-technical account highlights are outlined below:

£m	2013	2012
Gross premiums written	1,268.1	1,107.1
Premiums earned, net of reinsurance	1,024.8	841.7
Claims incurred, net of reinsurance	(633.2)	(518.3)
Net operating expenses	(337.1)	(275.7)
Investment return	12.0	115.7
Profit for the financial year	**66.5**	**163.4**

The component parts of the Syndicate's underlying profit are shown below:

Underlying profit:

Profit for the financial year	66.5	163.4
Exclusion of investment return under UK GAAP[1]	(12.0)	(115.7)
Inclusion of investment income under US GAAP[1]	60.3	62.1
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Combined ratio[2]	94.7%	94.3%

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Financial
report

Directors and administration

Managing Agent

Liberty Syndicate Management Limited

Directors

Keith Nicholson	Chairman
Nick Metcalf	President & Managing Director
John Dunn	Group Finance Director
Matthew Moore	Active Underwriter and Chief Underwriting Officer
Christopher Hanks	Non-Executive
Gordon McBurney	Non-Executive
Christopher Peirce	Non-Executive
Richard Reid	Non-Executive

Company secretary

David Turner

Managing agent's registered office

Plantation Place South
60 Great Tower Street
London
EC3R 5AZ

Managing agent's registered number

3003606

SYNDICATE: Active underwriter

Matthew Moore

Investment managers

Liberty Mutual Group Asset
Management Inc.

Registered auditor

Ernst & Young LLP, London

Managing agent's report

The Directors of Liberty Syndicate Management Limited ("the Managing Agent") present their report for the year ended 31 December 2013. This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No. 1950 of 2008, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("Lloyd's Regulations 2008").

Results

The result for calendar year 2013 is a profit of £66,490,000 (2012: £163,454,000). Profits will be available for distribution by reference to the results of individual underwriting years.

Principal activity and review of the business

The principal activity of Syndicate 4472 ("the Syndicate") during the year continued to be the transaction of general insurance and reinsurance business. The Syndicate's key financial performance indicators during the year were as follows:

	2013 £000	2012 £000	Change %
Gross premiums written	1,268,146	1,107,138	15%
Profit for the financial year	66,490	163,454	(59%)
Total recognised gains relating to the year	80,816	152,363	(47%)
Combined ratio (i)	94.7%	94.3%	

Notes: (i) The combined ratio is the ratio of claims incurred, net of reinsurance and net operating expenses to premiums earned, net of reinsurance. It excludes investment income and realised and unrealised gains and losses.

Gross premiums written were 15% higher in 2013 compared to 2012. This was the result of growth in existing business lines and favourable rate changes combined with a new Speciality underwriting team, acquired in late 2012, beginning to write new business.

The underwriting result (balance on the general business technical account less allocated investment return) has improved from a profit of £47.8m to £54.5m. However, due to large unrealised losses on investments, the Syndicate's overall profit has declined from 2012.

The loss ratio for 2013 remains stable at 61.8% (2012: 61.6%). This is due to a second consecutive year of below average market catastrophes. In conjunction with a stable expense ratio (discussed in more detail below) this has resulted in very little movement in the combined ratio, which has increased marginally from 94.3% to 94.7%. In the context of significant premium growth, maintenance of these ratios demonstrates the quality of new business acquired and the on-going commitment to underwriting discipline.

Net operating expenses have increased due to planned increases in personnel costs. These increases are in line with business growth and the expense ratio has remained consistent with the prior year at 32.9% (2012: 32.7%). The Managing Agent continues to pursue a strategy of profitable growth.

Managing agent's report (continued)

Principal risks and uncertainties

Insurance risk

The Directors of the Managing Agent agree the appetite for insurance risk annually through a business plan which sets targets for volume, pricing, line size and retention by class of business and which takes account of expected activity within the Syndicate. The Directors then monitor performance against the business plan.

In addition, benchmark pricing methodologies are in place for major classes of business and stochastic modelling and catastrophe exposure modelling is undertaken to measure key risks against agreed tolerance levels. The Directors achieve comfort over the adequacy of claims reserves by operating a range of controls. Detailed analysis is performed by the Reserving Committee, including regular assessment of the results of actuarial studies, claims analysis and underwriter review. In addition, an independent third party performs an annual actuarial review of reserve adequacy and the Syndicate's reserves are benchmarked to Lloyd's peers.

A panel of independent peer reviewers, all former class underwriters and all retained as external contractors, reviews a sample of risks written by the Syndicate and feeds back its findings to the Underwriting Risk Working Groups, which are attended by divisional underwriting heads and other key support staff. These groups report to the Managing Agent's Risk Management Committee.

Market risk

As the Syndicate operates in a global insurance market, foreign exchange movements can have an impact in the overall results. This can come from mismatches between the currencies in which the assets and liabilities are denominated. The currency mix is therefore monitored on a regular basis by the Managing Agent's finance function and the Investment Committee in order to ensure that currencies are matched as well as possible.

The Managing Agent determines duration ranges for the investment portfolios as part of the overall risk appetite; this is set to reflect the maturity profile of claims and sets limits on the individual and aggregate credit exposure for each portfolio. The Managing Agent manages currency weightings of the investment portfolios in GBP, USD and EUR against principal currency exposures.

Risk concentration

Risk concentration is the risk of multiple exposures occurring simultaneously or within a planning period (typically a calendar year) and beyond the expectations of the Managing Agent. This can be caused by failing to understand how multiple exposures can be linked to one another (missed correlating factors) or through underestimating the frequency of some loss making events. The financial effect could be severe if risk concentrations go undetected until losses occur.

The Managing Agent models the aggregation of underwriting limits as part of insurance risk, models the concentrating effect of systemic money market default as part of market risk and systemic credit defaults as part of credit risk. In addition, policies are in place to identify possible correlating factors between the risk classes (prohibiting investment in insurance or reinsurance firms for example) in order to reduce the possibility of correlating factors.

Reverse stress tests and scenario stress tests are used to provide assurance that the applied correlation between risks, under extreme circumstances, is appropriate and in line with expectations. The level of correlation derived from this method is compared to the statistical and judgmentally derived correlation factors that are used in the Syndicate's internal model.

Credit risk
The key aspect of credit risk is the risk of default by one or more of the Syndicate's reinsurers, brokers or coverholders. Board approved criteria have been set for reinsurance purchases based on internal assessment, major credit rating agency benchmarks, and maximum exposure to each counterparty. The Managing Agent also maintains strict conditions for broker and coverholder appointments.

There is a clear process in place for the approval and renewal of all brokers and coverholders. All are subject to due diligence once a year in order to minimise the potential for excessive credit risk.

Liquidity risk
The Syndicate maintains a portfolio of liquid investments within its investment funds that could reasonably be expected to realise near total market value on any particular day in order to meet potential liquidity requirements following an extreme insurance loss. The Managing Agent prepares cash flow projections and monitors cash flows to mitigate the risk of a liquidity shortfall.

The provisions made for ensuring that there is an appropriate level of liquidity are also subject to annual Scenario Stress Tests and Reverse Stress Tests. These are in addition to the modelling that is performed in the Internal Model.

Reputational risk
Reputational risk is the risk of loss of trade or sub optimal trading due to the negative perception of the Managing Agent in the eyes of a key stakeholder – taken to be insureds, brokers, employees, capital providers, rating agencies or regulators. This is mitigated through having a strategy of transparent and ethical dealings with all stakeholders and aligning the Managing Agent's strategy with a mutually beneficial long term relationship with insured and broker alike.

Operational risk
The Managing Agent maintains a control environment that includes operations procedures manuals covering all aspects of the business as well as the continual maintenance of a risk register by the Managing Agent's risk team. Risk mitigation plans are prepared and implemented to handle operational risks. An Internal Audit team also prepares and executes a risk-based internal audit programme to test the effectiveness of internal controls. The Audit Committee is satisfied that the Internal Audit function has the appropriate resources.

The Managing Agent also has a detailed programme in place to identify and analyse risks to the integrity of certain financial information used and reported in the business. Key controls identified as part of this programme, many of which address people, process or system risk, are subject to regular internal review and testing.

There is an Operational Risk Working Group attended by the heads of functions to discuss the operational processes and any emerging risks or risk events that have occurred. Any material items are escalated to the Risk Management Committee for further discussion.

Regulatory risk
Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to a change in regulations. The Managing Agent is required to comply, inter alia, with the requirements of the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. The Managing Agent's overseas operations are also subject to local laws. The Managing Agent has a dedicated Compliance Officer who monitors regulatory developments and assesses the impact on the Managing Agent's policies and procedures.

Managing agent's report (continued)

Principal risks and uncertainties (continued)

Integration

It was announced in September 2013 that Liberty Syndicates would be integrating with two other Liberty Mutual Group entities to form Liberty Specialty Markets. The risk and uncertainty that this project presents is being managed through a dedicated governance structure in order to provide minimal disruption in our core services. The Managing Agent is engaging with market specialists to assist in the planning and implementation stage in order to ensure that there is a smooth transition to the new insurance platform.

Future developments

The outlook for 2014 remains challenging. Significant downward pressure on rates is reducing margins on a number of lines whilst investment performance continues to reflect difficult economic conditions. However, the Directors remain optimistic and the Syndicate is embarking on a number of opportunities for expansion. For 2014, Liberty has launched a new sub-syndicate structure which is expected to generate growth in gross premiums and profit. Further, the integration of multiple underwriting platforms into Liberty Specialty Markets is also anticipated to provide opportunities. The combined entity will have the size and flexibility to successfully navigate the challenging commercial landscape.

As part of Liberty Specialty Markets, the Syndicate will continue to transact general insurance and reinsurance business via the Lloyd's underwriting platform. The Syndicate will continue to adjust the levels of business written to maintain the desired return on risk; this will include adjusting levels of premium income written in different classes, while monitoring risk rigorously with a fully integrated planning, pricing and risk monitoring process and an effective reinsurance programme to protect capital in line with the Board's risk appetite.

In support of the philosophy of profitable growth, the Managing Agent will continue to build upon and improve its high quality underwriting and support structures. The basis of this structure will continue to be organised around high quality staff and to this end the Managing Agent's management remains committed to maintaining the Syndicate's position as an employer of choice in the Lloyd's market.

Directors

The directors of the Managing Agent who served during the year ended 31 December 2013 were as follows:

Keith Nicholson	Chairman
Nick Metcalf	President & Managing Director
John Dunn	Group Finance Director
Matthew Moore	Active Underwriter and Chief Underwriting Officer
Danny Forsythe	Non-Executive (deceased 15th May 2013)
Christopher Hanks	Non-Executive (appointed with effect 31st October 2013)
Gordon McBurney	Non-Executive
Christopher Peirce	Non-Executive
Richard Reid	Non-Executive (appointed with effect 19th June 2013)
Richard Youell	Non-Executive (resigned with effect 30th September 2013)

None of the Directors has any participation on the Syndicate.

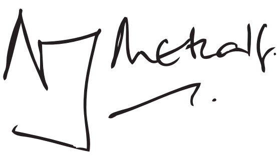
Disclosure of information to the auditors

So far as each person who was a director of the Managing Agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with its report, of which the auditor is unaware. Having made enquiries of fellow directors of the Managing Agent and the Syndicate'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

The Syndicate's sole member, Liberty Corporate Capital Limited, has resolved to reappoint Ernst & Young LLP as the recognised auditors for 2014. Under Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, Ernst & Young LLP will be deemed to be reappointed as auditors for future years unless the member formally advises Liberty Syndicate Management Limited otherwise.

By order of the Board.



Nick Metcalf
President & Managing Director
London

14 March 2014

Statement of managing agent's responsibilities

The Managing Agent is responsible for preparing the Syndicate annual report and annual accounts in accordance with applicable laws and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare Syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Syndicate annual accounts are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

In preparing the Syndicate annual accounts, the Managing Agent is 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 annual accounts; and
- prepare the Syndicate annual accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

The Managing Agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Independent auditor's report

To the member of Syndicate 4472

We have audited the annual accounts of Syndicate 4472 ("the Syndicate") for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows, and the related notes 1 to 18. 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 Syndicate's member, in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Syndicate's member 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 Syndicate's member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Managing Agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 20, the Managing Agent is responsible for the preparation of the Syndicate's annual accounts which give a true and fair view. Our responsibility is to audit and express an opinion on the Syndicate annual accounts 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 Syndicate annual accounts

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

Opinion on the Syndicate annual accounts

In our opinion the annual accounts:

- give a true and fair view of the Syndicate's affairs as at 31 December 2013 and of its 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 Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Opinion on other matter prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

In our opinion the information given in the Managing Agent's Report for the financial year in which the annual accounts are prepared is consistent with the annual accounts.

Independent auditor's report (continued)

To the member of Syndicate 4472

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the Managing Agent in respect of the Syndicate has not kept adequate accounting records; or
- the Syndicate annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Angus Millar (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London

14 March 2014

Profit and loss account: Technical account – general business

For the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Gross premiums written	3	1,268,146	1,107,138
Outward reinsurance premiums		(211,643)	(196,951)
Net premiums written		1,056,503	910,187
Change in the provision for unearned premiums:			
Gross amount		(34,407)	(79,046)
Reinsurers' share		2,702	10,564
Change in the net provision for unearned premiums		(31,705)	(68,482)
Earned premiums, net of reinsurance		1,024,798	841,705
Allocated investment return transferred from the non-technical account		9,454	89,015
Claims incurred, net of reinsurance:			
Claims paid			
Gross amount		(517,742)	(546,562)
Reinsurers' share		98,973	75,127
Net claims paid		(418,769)	(471,435)
Change in the provision for claims			
Gross amount		(169,359)	(58,091)
Reinsurers' share		(45,048)	11,246
Change in the net provision for claims		(214,407)	(46,845)
Claims incurred, net of reinsurance		(633,176)	(518,280)
Net operating expenses	4	(337,138)	(275,658)
Balance on the general business technical account		63,938	136,782

All the amounts above are in respect of continuing operations.

Profit and loss account: Non-technical account

For the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Balance on the general business technical account		63,938	136,782
Investment income	7	69,688	75,812
Unrealised (losses) / gains on investments		(54,272)	42,930
Investment expenses and charges	7	(3,410)	(3,055)
Allocated investment return transferred to the general business technical account		(9,454)	(89,015)
Profit for the financial year		66,490	163,454

Statement of total recognised gains and losses

For the year ended 31 December 2013

	2013 £000	2012 £000
Profit for the financial year	66,490	163,454
Effect of foreign exchange translation	14,326	(11,091)
Total recognised gains relating to the year	80,816	152,363

Balance sheet – assets

At 31 December 2013

	Notes	2013 £000	2012 £000
Investments			
Financial investments	8	2,482,464	2,257,299
Reinsurers' share of technical provisions			
Provision for unearned premiums		23,484	17,435
Claims outstanding		253,678	297,774
		277,162	315,209
Debtors			
Debtors arising out of direct insurance operations	9	221,266	153,363
Debtors arising out of reinsurance operations		274,829	254,612
		496,095	407,975
Other assets			
Cash at bank and in hand		52,721	78,620
Other assets	10	85,436	93,384
Prepayments and accrued income			
Accrued interest		24,114	20,167
Deferred acquisition costs		133,672	122,072
Other prepayments and accrued income		9,361	447
		167,147	142,686
Total assets		3,561,025	3,295,173

Balance sheet – liabilities

At 31 December 2013

	Notes	2013 £000	2012 £000
Capital and reserves			
Member's balance	11,18	609,431	560,487
Technical provisions			
Provision for unearned premiums		538,643	498,779
Claims outstanding		2,244,404	2,096,603
		2,783,047	2,595,382
Creditors			
Creditors arising out of direct insurance operations	12	4,977	3,131
Creditors arising out of reinsurance operations	13	87,079	96,905
Other creditors		64,786	29,626
		156,842	129,662
Accruals and deferred income		11,705	9,642
Total liabilities		3,561,025	3,295,173

The annual accounts on pages 23 to 27 were approved by the Board of Liberty Syndicate Management Limited and were signed on its behalf by

N J Metcalf

Nick Metcalf
Liberty Syndicate Management Limited

14 March 2014

Statement of cash flows

At 31 December 2013

	Notes	2013 £000	2012 £000
Net cash inflow from operating activities	14	285,011	220,667
Transfers to member in respect of underwriting participations	11	(28,696)	(32,496)
	15	256,315	188,171
Cash flows were invested as follows:			
Decrease in cash holdings	15	(28,499)	(21,319)
Increase in overseas deposits	15	2,992	50,264
Increase in net portfolio investments	15	281,822	159,226
Net investment of cash flows		256,315	188,171

Notes to the annual accounts

At 31 December 2013

1. Basis of preparation

These financial statements have been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and applicable Accounting Standards in the United Kingdom. The recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers have been adopted, except that exchange differences are dealt with in the technical account as there are no non-technical items.

2. Accounting policies

Gross premiums written

Gross premiums written comprise premiums on contracts incepted during the financial year, as well as adjustments arising in the financial year to premiums on contracts incepted in prior accounting periods. All premiums are shown gross of commissions and exclusive of duties and taxes thereon. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified.

Unearned premiums

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

Outwards reinsurance premium

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

Claims provisions and related recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported ("IBNR") at the balance sheet date based on statistical methods. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

The provision for claims outstanding is based on information available at the balance sheet date. Significant delays are experienced in the notification and settlement of certain claims, and accordingly the ultimate cost of such claims cannot be known with certainty at the balance sheet date. Subsequent information and events may result in the ultimate liability being less than or greater than the amount provided. Any differences between claims provisions and subsequent settlements are dealt with in the technical account – general business of later years.

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved.

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

The Directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return.

Deferred acquisition costs

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

Foreign currencies

Monetary assets and liabilities are translated into Sterling at the exchange rates prevailing at the balance sheet date. Income and expense transactions are translated using the rate prevailing at the date of transactions or an appropriate average rate. The Syndicate maintains separate currency ledgers for US dollar, Canadian dollar and Euro business. These non-Sterling businesses are considered by management to represent foreign branches. Exchange gains and losses arising from the retranslation into Sterling of the balance sheets of these branches using the rates of exchange prevailing at the balance sheet date, and the retranslation into Sterling of the profit and loss accounts of these branches using the average rates of exchange for the year have been recorded in the statement of total recognised gains and losses.

Exchange gains and losses arising from other foreign currencies are included in the technical account.

Undistributed profits on closed years of account plus investment return earned on those undistributed profits plus cash calls received from the member, less any transfers to the member in respect of underwriting participations, are included within member's balances. This accumulated component of the member's balance is held in Sterling and US dollars for future distribution. The US dollar balance is retranslated at the year-end exchange rates at each balance sheet date resulting in a movement in the reconciliation of member's balances.

Notes to the annual accounts

At 31 December 2013

2. Accounting policies (continued)

Investments
Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

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

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been allocated to the technical account in respect of actual investment return on investments supporting the general insurance technical provisions and member balances. Any investment returns on investments that relate to undistributed profits on closed years remain in the non-technical account.

Taxation
Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic-rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year are included in the balance sheet under the heading 'other debtors'.

No provision has been made for any overseas tax payable by the corporate member on underwriting results.

Pension costs
Liberty Syndicate Management Limited operates a defined contribution pension scheme. Pension contributions relating to managing agency staff working on behalf of the Syndicate are charged to the Syndicate and included within net operating expenses.

Liberty Syndicate Management Limited also operates a defined benefits pension scheme, which provides benefits based on final pensionable pay for all qualifying employees. Costs in respect of the scheme relating to managing agency staff working on behalf of the Syndicate are charged to the Syndicate.

Internal claims handling costs
Internal claims handling costs, including remuneration costs of the claims department, are reclassified from administrative expenses and included in claims incurred (net of reinsurance).

3. Segmental analysis

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

2013	**Gross premiums written £000**	**Gross premiums earned £000**	**Gross claims incurred £000**	**Gross operating expenses £000**	**Reinsurance balance £000**	**Total £000**	**Net technical provisions £000**
Direct insurance:							
Accident & health	66,045	77,268	(39,686)	(32,295)	(1,132)	4,155	67,614
Motor (third-party liability)	42,021	38,936	(32,333)	(9,282)	145	(2,534)	79,507
Motor (other classes)	33,855	31,206	(37,673)	(7,434)	(3,352)	(17,253)	44,251
Marine aviation & transport	109,331	118,259	(71,071)	(36,712)	(5,486)	4,990	226,250
Fire & other damage to property	254,176	231,330	(93,785)	(62,845)	(27,959)	46,741	257,743
Third party liability	107,291	96,127	(69,881)	(28,943)	(6,900)	(9,597)	305,804
Miscellaneous	163,281	147,848	(119,708)	(61,702)	(8,267)	(41,829)	384,527
	776,000	740,974	(464,137)	(239,213)	(52,951)	(15,327)	1,365,696
Reinsurance	492,146	492,765	(222,964)	(115,920)	(84,070)	69,811	1,140,189
	1,268,146	1,233,739	(687,101)	(355,133)	(137,021)	54,484	2,505,885

2012	**Gross premiums written £000**	**Gross premiums earned £000**	**Gross claims incurred £000**	**Gross operating expenses £000**	**Reinsurance balance £000**	**Total £000**	**Net technical provisions £000**
Direct insurance:							
Accident & health	86,943	76,919	(40,249)	(20,624)	(1,896)	14,150	78,482
Motor (third-party liability)	40,893	29,292	(28,206)	(7,854)	(522)	(7,290)	69,965
Motor (other classes)	28,270	19,079	(12,420)	(5,116)	(2,249)	(706)	38,445
Marine aviation & transport	117,741	117,331	(86,320)	(31,459)	3,915	3,467	215,525
Fire & other damage to property	205,084	194,616	(96,154)	(52,182)	(38,122)	8,158	244,424
Third party liability	46,600	34,343	(11,066)	(9,208)	(2,286)	11,783	233,777
Miscellaneous	119,453	107,104	(81,810)	(28,717)	18,634	15,211	297,752
	644,984	578,684	(356,225)	(155,160)	(22,526)	44,773	1,178,370
Reinsurance	**462,154**	**449,408**	**(248,428)**	**(138,653)**	**(59,333)**	**2,994**	**1,101,803**
	1,107,138	1,028,092	(604,653)	(293,813)	(81,859)	47,767	2,280,173

Reinsurers' commissions and profit participations are included in the reinsurance balance.

Notes to the annual accounts

At 31 December 2013

3. Segmental analysis (continued)

Commissions on direct insurance gross premiums written during 2013 were £197,986,000 (2012: £165,191,000).

Included within net claims incurred in the Technical Account – General Business is a release of £190,000 (2012: strengthening of £49,546,000) being the difference between the provision for claims outstanding at the beginning of the year less payments made during the year on account of claims incurred in previous years and the provision for claims outstanding at the end of the year for such claims. The marginal net release in 2013 was the result of favourable development on prior year attritional losses offsetting a small deterioration in the estimated ultimate catastrophe liabilities and a strengthening of reserves reflecting potential iron pyrites liabilities.

All premiums were concluded in the UK. The geographical analysis of premiums by destination is as follows:

	2013 £000	2012 £000
UK	284,065	214,970
Other EU Countries	220,657	205,234
Americas	457,801	418,716
Worldwide	305,623	268,218
Total	1,268,146	1,107,138

4. Net operating expenses

	2013 £000	2012 £000
Acquisition costs	(280,132)	(239,407)
Change in deferred acquisition costs	10,654	22,360
Administrative expenses	(85,675)	(76,050)
Profit / (loss) on exchange	20	(716)
Gross operating expenses	(355,133)	(293,813)
Reinsurance commissions receivable	17,995	18,155
Net operating expenses	(337,138)	(275,658)
Administrative expenses include:		
Auditor's remuneration:		
Audit services	437	428
Actuarial services	220	262
Other services	157	137
	814	827

The member's standard personal expenses are included within administrative expenses.

5. Staff numbers and costs

All staff are employed by the Managing Agent. The following amounts were recharged from the Managing Agent to Syndicate 4472 in respect of salary costs:

	2013 £000	2012 £000
Wages and salaries	49,116	41,501
Social security costs	3,532	2,954
Other pension costs	3,192	2,063
Other	1,157	1,070
	56,997	47,588

The average number of employees employed by the Managing Agent but working for the Syndicate during the year was as follows:

	2013 Number	2012 Number
Administration and finance	192	173
Underwriting	113	101
Claims	22	20
Investments	4	3
	331	297

6. Emoluments of the Directors of Liberty Syndicate Management Limited

The Directors of Liberty Syndicate Management Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2013 £000	2012 £000
Emoluments	3,239	2,189
The Active Underwriter received the following remuneration charged to the Syndicate and included within net operating expenses.		
Emoluments	897	589

During the year the Directors of the Managing Agent provided services to Syndicate 4472. The amounts shown above are the full amount recharged to Syndicate 4472 in respect of directors' emoluments for these services.

Notes to the annual accounts

At 31 December 2013

7. Investment return

	2013 £000	2012 £000
Income from investments	77,176	74,492
(Losses) / gains on the realisation of investments	(7,488)	1,320
	69,688	75,812
Investment management expenses, including interest	(3,410)	(3,055)

8. Financial investments

	2013		2012	
	Market Value £000	Cost £000	Market Value £000	Cost £000
Shares and other variable yield securities and units in unit trusts	33,637	33,637	27,706	27,706
Debt securities and other fixed income securities	2,145,217	2,190,545	1,899,679	1,863,448
Loans secured by mortgage	286,659	293,293	313,279	306,765
Deposits with credit institutions	16,951	16,951	16,635	16,635
	2,482,464	2,534,426	2,257,299	2,214,554

Within the amounts disclosed above £1,629,271,000 (2012: £1,209,961,000) of Debt securities and other fixed income securities, £55,183,000 (2012: £63,096,000) of Loans secured by mortgage and £33,637,000 (2012: £27,706,000) of Shares and other variable yield securities and units in unit trusts are listed.

9. Debtors arising out of direct insurance operations

	2013 £000	2012 £000
Intermediaries	221,266	153,363

10. Other assets

Other assets comprises overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

11. Reconciliation of member's balance

	2013 £000	2012 £000
Balance due to member brought forward at 1 January	560,487	467,235
Profit for the financial year	66,490	163,454
Effect of foreign exchange translation	14,326	(11,091)
Payment of profit to member - partial distribution of 2006 year of account	(28,696)	(32,496)
Foreign exchange on funds in Syndicate (2006 – 2010 years of account undistributed results)	(3,176)	(26,615)
Balance due to member carried forward at 31 December	609,431	560,487

The member participates on the Syndicate by reference to years of accounts' ultimate results, and assets and liabilities are assessed with reference to policies incepting in that year of account in respect of its membership of a particular year. The balance due to the member is payable when the years of account close, usually after three years. The balance of the 2006 year of account was retained within the Syndicate at the time of closure. During 2013, £28,696,000 of this balance was distributed to the member (2012: £32,496,000). There still remains a balance owing to the member for the 2006 year of account. In addition, the balances of the 2007, 2008, 2009 and 2010 years of account were also retained within the Syndicate at the time of closure and continue to be retained in full.

12. Creditors arising out of direct insurance operations

	2013 £000	2012 £000
Intermediaries	4,977	3,131

13. Creditors arising out of reinsurance operations

	2013 £000	2012 £000
Reinsurance ceded	87,079	96,905

Notes to the annual accounts

At 31 December 2013

14. Reconciliation of operating profit to net cash inflow from operating activities

	2013 £000	2012 £000
Operating profit on ordinary activities	66,490	163,454
Changes to market values and currencies on cash, portfolio investments and financing	64,997	73,056
Effect of foreign exchange translation	14,326	(11,091)
Increase in net technical provisions	225,712	58,081
Increase in debtors, prepayments and accrued income	(112,581)	(52,694)
Increase in creditors, accruals and deferred income	29,243	16,476
Foreign exchange movement on funds in Syndicate (2006–2010 years of account undistributed results)	(3,176)	(26,615)
Net cash inflow from operating activities	285,011	220,667

15. Movement in opening and closing portfolio investments net of financing

	2013 £000	2012 £000
Net cash outflow for the year	(28,499)	(21,319)
Cash flow		
Increase in overseas deposits	2,992	50,264
Increase in portfolio investments	281,822	159,226
Movement arising from cash flows	256,315	188,171
Changes to market values and currencies on cash, portfolio investments and financing	(64,997)	(73,056)
Total movement in cash, portfolio investments and financing	191,318	115,115
Portfolio at 1 January	2,429,303	2,314,188
Portfolio at 31 December	2,620,621	2,429,303

Movement in cash, portfolio investments and financing

	At 1 Jan 2013 £000	Cash flow £000	Changes to market value and currencies £000	At 31 Dec 2013 £000
Cash and deposits:				
Cash at bank and in hand	78,620	(28,499)	2,600	52,721
Overseas deposits	93,384	2,992	(10,940)	85,436
Total cash and deposits	172,004	(25,507)	(8,340)	138,157
Portfolio investments:				
Shares and other variable yield securities and units in unit trusts	27,706	7,089	(1,158)	33,637
Debt securities and other fixed income securities	1,899,679	288,549	(43,011)	2,145,217
Loans secured by mortgage	313,279	(14,176)	(12,444)	286,659
Deposits with credit institutions	16,635	360	(44)	16,951
Total portfolio investments	2,257,299	281,822	(56,657)	2,482,464
Total cash, portfolio investments and financing	2,429,303	256,315	(64,997)	2,620,621

Notes to the annual accounts

At 31 December 2013

16. Net cash outflow on portfolio investments

	2013 £000	2012 £000
Purchase of shares and other variable yield securities	(452,655)	(168,707)
Purchase of debt securities and other fixed income securities	(775,638)	(952,942)
Net sale / (purchase) of loans securedby mortgage	14,176	(6,548)
Net (purchase) / sale of deposits with credit institutions	(360)	1,093
Sale of shares and other variable yield securities	445,566	215,771
Sale of debt securities and other fixed income securities	487,089	752,107
Net cash outflow on portfolio investments	(281,822)	(159,226)

17. Related parties

Liberty Corporate Capital Limited is the corporate member of Syndicate 4472. Liberty Corporate Capital Limited's immediate parent company is Liberty International Holdings Inc.

Liberty Syndicate Management Limited is the managing agent of Syndicate 4472. Liberty Syndicate Management Limited's immediate parent company is Liberty International Holdings LLC.

The ultimate parent company of both Liberty Corporate Capital Limited and Liberty Syndicate Management Limited is Liberty Mutual Holding Company Inc. of Boston, 175 Berkeley Street, Boston, Massachusetts 02117, U.S.A. a company incorporated in the United States of America. The smallest higher group of companies for which group accounts are drawn up, and of which these companies are members, is Liberty International Holdings LLC.

Copies of the group accounts of Liberty International Holdings Inc., Liberty International Holdings LLC and Liberty Mutual Holding Company Inc. are available from the company's office, 175 Berkeley Street, Boston, Massachusetts 02117, U.S.A.

Syndicate 4472 has taken advantage of the exemption in Financial Reporting Standard 8 'Related Party Disclosures' and not disclosed transactions with entities that are part of the Liberty Mutual Holding Company Inc. group.

18. 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 their participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by the Syndicate's Individual Capital Assessment (ICA) process which calculates how much capital the Syndicate requires to cover its underlying business risks at a 99.5% confidence level. Lloyd's approves the ICA based on PRA requirements and resource criteria. The ICA process considers 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. Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses.

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