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AG Dore & Others Syndicate 2526

Annual Report and Accounts
31 December 2014

Contents

Directors and Administration

MANAGING AGENT:

Managing Agent

Asta Managing Agency Ltd

Directors

T A Riddell (Chairman)*
Y A Bouman
G M J Erulin*
L Harfitt
A J Hubbard*
D J G Hunt
D F C Murphy*
S P A Norton
J W Ramage*
J M Tighe

Non Executive Director*

Company Secretary

C Chow

Managing Agent's Registered Office

Camomile Court
23 Camomile Street
London
EC3A 7LL

Managing Agent's Registered Number

1918744

SYNDICATE:

Active Underwriter

D J Frost

Bankers

Barclays Plc
Citibank N.A,
RBC Dexia

Investment Managers

Amundi (UK) Limited

Registered Auditors

KPMG LLP, London

Active Underwriter's Report

For the year ended 31 December 2014

2012 Year of Account in 2014

Headlines:-	
Allocated Capacity	£55.2m
Capacity Utilisation	61.4%
Estimated GWPI (after deduction of brokerage)	£33.9m
Gross Incurred Loss Ratio @ 36 months	46.1%
Net Incurred Loss Ratio @ 36 months	48.5%

Incurred Loss Ratios exclude Incurred but not Reported (IBNR) losses.

The 2012 year of account has been closed with a loss of £21.0m, equating to a 38.1% loss as a percentage of capacity. £3.6m of the loss is in respect of 2012 pure year and £17.4m is from 2011 and prior.

The causes of this loss are numerous and complex but largely arise from loss information on closed years manifesting itself in Q3 and Q4 of 2014 calendar year.

In addition, during the first half of the year it became clear that more recent years of account, in particular the primary PI book, were demonstrating later claims development than had been the case for earlier years. This prompted the ultimate gross claims position to move out by £17.0m.

The PI excess of loss account saw a negative gross incurred claims movement of £4.0m and D&O deteriorated by £6.8m. The D&O performance is attributable to one London market MGA, where the syndicate's exposure was materially reduced in 2012 and was discontinued at the end of 2013. Reinsurance mitigates the impact but additional adjustment premiums are payable.

In light of the above, the Syndicate Board commissioned an independent actuarial review at Q3 and Q4 and an independent review of PI and D&O claims. Both exercises supported the work carried out by the signing actuaries and syndicate claims team, respectively.

More generally, claims deterioration during 2014 seems attributable to those years impacted by the Global Credit Crunch (GCC) and ensuing detrimental economic conditions. However, we need a prolonged period of more stable and lower claims deterioration to evidence this. Nevertheless, from the additional reserving and claims work carried out, we have more confidence in our information on the volatility of the Syndicate's claims portfolio.

2013 Year of Account in 2014

Headlines:-

Allocated Capacity	£59.7m
Capacity Utilisation	62.5%
Estimated GWPI (after deduction of brokerage)	£37.3m
Gross Incurred Loss Ratio @ 24 months	22.6%
Net Incurred Loss Ratio @ 24 months	27.3%

Incurred Loss Ratios exclude Incurred but not Reported (IBNR) losses.

I reported in last year's Accounts that we had better stamp utilisation in 2013 than we had in 2012, largely due to the addition of two new Lines (PA and Warranty). Unfortunately, utilisation is less than we initially thought as the PA account, the majority of estimated premium for which was from new binders written in the second half of the year, will be £1.5m lower than anticipated but the ultimate claims position will only be £0.4m lower, as the line performed worse than expected in the last 12 months and now has a ULR for 2013 of 120%.

The PI book saw higher than expected signings on premiums and a slight drop in binder generated premium due to the non performance of two new Italian binders. Incurred claims at the 24 month stage are better than on any other year since the Syndicate started, but the adverse claims development on the prior years has caused the ULR for the primary element of the PI book to move from 76.3% to 85.3% during 2014.

At this stage of development both the D&O and Medical Malpractice gross incurred loss ratios are less than 10%, against ULRs of 72% and 68% respectively.

2014 Year of Account in 2014

Headlines:-

Allocated Capacity	£64.1m
Capacity Utilisation	56.0%
Estimated GWPI (after deduction of brokerage)	£35.9m
Gross Incurred Loss Ratio @ 12 months	4.2%
Net Incurred Loss Ratio @ 12 months	6.6%

Incurred Loss Ratios exclude Incurred but not Reported (IBNR) losses.

2014 was a very difficult year for the Syndicate, with the decision of the previous Active Underwriter to step down at the start of the year, the decision to cease writing PA half way through the year and the closed year claims deterioration during the year, particularly the second half.

For a variety of reasons, Warranty business, in the 2014 Syndicate Business Forecast ("SBF") at £5m, has not been written during the year. The PA Line had a budget in the SBF of £8m, but at the half year only £0.8m of this had been written. It was clear by this stage that binder renewal business would not generate the premiums expected and, since the 2013 incurred loss ratio was already over 100%, we decided to cease underwriting at this point.

D&O started 2014 with the lapse of the London market MGA that contributed to the loss on 2011 and prior years. The balance of the book showed growth on the 2013 portfolio net of the MGA income, but the overall SBF target of £6m has not been achieved.

The Financial Institutions book fell short of budget as the market became more competitive in the second half of the year.

The premium written under the Medical Malpractice Line also shrank. 73% of the book is from Italy, hence the strengthening of sterling against the Euro, together with the worsening local economy, impacted reported premium. Our premium rate increase of 120% since 2009 has not been sustainable in 2014.

Finally, the PI Line, with nearly 90% renewal retention rate, has not grown in 2014, but what little success we have had has come from new opportunities to the market. The competitive market operates materially lower than our renewal book and is dominated almost exclusively by Syndicates and Companies with little medium to long term exposure in this market or MGAs that have a different driver. The PI Line is still responsible for over half the Syndicate's premium.

My role of Active Underwriter from the start of 2014, and during a difficult period, has impacted that of the Syndicate's PI Line Underwriter. Although I have carried out both roles to the full I made it clear in Q2 2014 that once a suitable candidate could be found for the Active Underwriter job I wished to return to dedicating my time to developing the Syndicate's largest account.

2015 Year

The plan for 2015 has focused on consolidation of the four Lines written in 2014 and maximising stamp utilisation whilst maintaining quality. The PI budget has been reduced to £24m from £27.5m last year; Medical Malpractice is planned to be £8m, down from £10m last year; Financial Institutions will be maintained at £6m and D&O will halve from £6m to £3m.

We took the decision at the start of 2014 to almost entirely remove the financial offshore exposures from our PI book, which has been a source of closed years claims development over the last 12 months. We had already lapsed the D&O London market MGA at the start of 2014. Additionally, we have planned to reduce exposures on our Australian book during 2015 where, although long term performance has been very good, recent performance has been poor. These do not represent wholesale changes to our approach, as the Syndicate's recent claims performance has in the main been from areas we have long since exited or reduced our exposure to, or are as a result of the underlying economy.

It is currently planned that the Syndicate will migrate on 1st April 2015, from Asta Managing Agency, the manager since January 2011, to AmTrust at Lloyds. The migration is subject to the agreement of various interested parties and Lloyds. Although the 2015 SBF projects a loss for the year, this is supported by AmTrust, who hold 99% of the capacity for 2015. The closer alignment with AmTrust for 2015 allows us to plan with more confidence than has been the case in what have been incredibly challenging times.

D J Frost
Active Underwriter
17th March 2015

Report of the Directors of the Managing Agent

The Directors of Asta Managing Agency Ltd ("Asta") present their report in respect of Syndicate 2526 for the year ended 31 December 2014.

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 ("the 2008 Regulations").

Result

The result for calendar year 2014 is a loss of £23.58m (2013 loss: £8.77m).

Principal activity and review of the business

The Syndicate's principal activity continues to be the underwriting of direct insurance and reinsurance business in the Lloyd's market.

The Syndicate writes financial institutions, professional indemnity, medical malpractice, warranty, personal accident and directors and officers insurance primarily in the United Kingdom.

A review is included in the Active Underwriter's report.

Gross written premium income by class of business for the calendar year was as follows;

	2014 £'000	2013 £'000
Financial Institutions	5,103	5,597
Professional Indemnity	23,132	28,344
Medical Malpractice	9,437	9,417
Warranty	(353)	481
Personal Accident	(1,031)	5,683
Directors and Officers	3,184	3,006
	39,472	52,528

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

	2014 £'000	2013 £'000
Gross written premiums	39,472	52,528
Loss for the financial year	(23,580)	(8,769)
Total recognised gains and losses relating to the financial period	(23,956)	(8,319)
Claims ratio	127.6%	77.9%
Expenses ratio	45.6%	47.3%
Combined ratio	173.2%	125.2%

The claims ratio is the ratio of claims incurred net of reinsurance to earned premiums net of reinsurance. The expense ratio is the ratio of net operating expenses, including exchange differences, to earned premiums net of reinsurance.

Traditionally, the performance of the Syndicate has been assessed by measuring, as a percentage of underwriting capacity, the 36 month result on a funded accounting basis for a "closed" underwriting year of account.

The return on capacity for the 2012 closed year of account at 31 December 2014 is shown below together with forecasts for the two open years of account.

	2012 YOA Closed	**2013 YOA Open**	**2014 YOA Open**
Capacity (£'000)	55,188	59,664	64,138
Result/forecast (£'000)	(21,015)	(4,707)	(3,975)
Return on capacity (%)	(38.1%)	(7.9%)	(6.2%)

Investment Policy

The syndicate has a conservative approach to investing, with asset protection a higher priority than investment return.

The investment objective is to invest the Premiums Trust Funds to maximise return within agreed constraints and risk appetite whilst ensuring the liquidity needs of the Agency can be met. Portfolios are invested in high-quality, short-term fixed income securities. Regular investment committee meetings and formal procedures are in place to monitor investments, their returns, and the economic outlook.

Investment Performance

During 2014, the investment portfolios showed steady positive performance despite negative yields in core Eurozone, and volatile performance of Gilts in the UK. The anticipation, and eventual announcement, of the ECB's Quantitative Easing programme lowered yields of European bonds, pushing yields of high rated paper into negative territory, and peripheral government bond yields to fresh lows. The UK bond market made a surprise turnaround, short dated Gilts had underperformed in the first half of the year but reversed all their losses in the second half of the year as oil prices, and consequently inflationary prospects, fell.

The Euro portfolio showed strong returns relative to core European bonds but trailed that of the benchmark as the portfolio did not benefit from the rally in Eurozone periphery bonds, which lie outside the mandate's conservative remit. Sterling returns continued to show resilience, avoiding the gyrations of the benchmark which had monthly losses as high as 28 basis points.

Returns were in line with expectations for all portfolios. Syndicate 2526 returned 0.86% and 0.43% in GBP and EUR respectively. The passively invested CAD portfolio made a return of 1.25%.

Performance was driven by corporate bond and ABS holdings which provided additional carry and benefited from a narrowing of spreads during the year.

Outlook for 2015

Yields remain low and credit spreads are narrow leaving limited scope for generating excess returns. With growth improving, and a pull back from extraordinary liquidity from Central Banks, there is a real possibility of yield rises which could generate losses for fixed income portfolios. To counter this risk the portfolios remain positioned short duration, relative to benchmarks. Corporate bonds will continue to be used to enhance portfolio yields. The short dated nature of the portfolios and a buffer of government and sovereign-related bonds should provide good liquidity to meet potential cashflows.

Principal Risks and Uncertainties

The Syndicate sets risk appetite annually, which is approved by the Agency as part of the Syndicate's business planning and Solvency Capital Requirement ('SCR') process. The Agency Risk Committee meets quarterly to oversee the risk management framework. The Syndicate Board reviews the risk profile and monitors performance against risk appetite using a series of key risk indicators. The principal risk and uncertainties facing the Syndicate are as follows:

Insurance Risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Syndicate Board manages insurance risk by agreeing its appetite for these risks annually through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Syndicate Board then monitors performance against the business plan monthly through the year. Reserve adequacy is monitored through quarterly review by the Syndicate actuary. It is also reviewed by an independent firm of actuaries.

Credit Risk

The key aspect of credit risk is the risk of default by one or more of the Syndicate's reinsurers and intermediaries. The Syndicate Board's policy is that the Syndicate will only reinsure with businesses rated in the A range or higher. The Agency has established a Reinsurance and Intermediaries Security Committee which assesses and is required to approve all new reinsurers and intermediaries before business is placed with them.

In addition, an Investment committee reporting to the Syndicate Board ensures that the Syndicate's investments are held in high quality instruments.

Market Risk

Market risk exposure impacting the Syndicate relates to fluctuations in interest rates or exchange rates. The Syndicate is exposed to foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Agency's policy is to maintain received income or incurred expenditure in the core currencies in which they were received or paid. Any surplus or deficit in a core currency would be subject to review by the Syndicate Board, a sub-committee of the Asta Board.

Exposure to changes in interest rates comes from the Syndicate's investment portfolio. The Agency seeks to minimise this risk through investing in either fixed interest securities or high quality floating rate notes.

Liquidity Risk

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. To mitigate this risk the Syndicate Board reviews cash flow projections regularly.

Operational Risk

This is the risk that errors caused by people, processes, systems and external events lead to losses to the Syndicate. The Agency seeks to manage this risk through the use of detailed procedures manuals and a structured programme of testing of processes and systems by internal audit. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulatory 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 Agency has a director responsible for compliance who monitors regulatory developments and assesses the impact on agency policy.

Group / Strategic

This is the risk of contagion that arises from being associated with key stakeholders and the impact that activities and events that occur within other connected or third parties has on the business.

Strategic risk covers the risks faced by the Syndicate due to changes in underlying strategy of the business or that of its key stakeholders (including strategic conflicts of interest).

Solvency II

Solvency II implementation is due to go live on 01 January 2016. Syndicate progress is on track in order to meet the required deadlines and support the Lloyd's internal model application in April 2015.

Asta has made considerable investment in people and systems over recent years, which has provided the syndicate with a robust framework in order to manage Solvency II activity. Asta continues to deliver to the Lloyd's timetable and expects the syndicate to be fully Solvency II compliant.

Future Developments

The Syndicate will continue to transact the current classes of general direct insurance and reinsurance business. If opportunities arise to write new classes of business, these will be investigated at the appropriate time.

The Financial Reporting Council has issued a suite of new accounting standards that replace existing UK GAAP from 1 January 2015. As part of this change the Syndicate will be adopting FRS 102 and FRS 103 and is well advanced in its preparations. The impact of the change from old to new UK GAAP is not expected to result in any significant changes to the underlying accounting for the Syndicate's results or financial position but it is recognised that the level and detail of disclosures required will change.

The capacity for the 2015 year of account is £64.1m (2014 year of account £64.1m).

Directors serving in the year

The Directors of Asta who served during the year ended 31 December 2014, were as follows:

T A Riddell (Chairman)	
Y A Bouman	Appointed 04 July 2014
G M J Erulin	
L Harfitt	
A J Hubbard	Appointed 01 April 2014
D J G Hunt	
D F C Murphy	
S P A Norton	
J W Ramage	
J M Tighe	
H M Westcott	Resigned 30 April 2014

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 auditors in connection with their report, of which the auditors are unaware. Having made enquiries of fellow Directors of the Agency and the Syndicate's auditors, 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 auditors are aware of that information.

Auditors

The Managing Agency intends to reappoint KPMG LLP as the Syndicate's auditors.

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members before 25 April 2015.

On behalf of the Board

C Chow
Company Secretary
17 March 2015

Statement of Managing Agent's Responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare the Syndicate annual accounts at 31 December each year in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice). The 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, subject to changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
- prepare the 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 that 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 the 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 website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

To the Member's of Syndicate 2526

We have audited the syndicate 2526 annual accounts for the year ended 31 December 2014, as set out on pages 14 to 31. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the members of the syndicate, as a body, 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 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 syndicate's members as a body 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 11, the Managing Agent is responsible for the preparation of syndicate 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the syndicate annual accounts

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on syndicate annual accounts

In our opinion the annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been 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.

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 require 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.

Mark Taylor (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
London
17 March 2015

Profit and loss account: Technical account – General business

For the year ended 31 December 2014

		2014		2013	
	Notes	£'000	£'000	£'000	£'000
Earned premiums, net of reinsurance					
Gross premiums written	3	39,472		52,528	
Outward reinsurance premiums		(10,116)		(8,773)	
Net premiums written			29,356		43,755
Change in the provision for unearned premiums					
Gross amount	16	3,387		(6,345)	
Reinsurers' share	16	584		204	
Change in net provision for unearned premiums			3,971		(6,141)
Earned premiums, net of reinsurance			33,327		37,614
Allocated investment return transferred from the non-technical account			808		690
Claims incurred, net of reinsurance					
Claims paid - Gross amount		(30,105)		(24,924)	
- Reinsurers' share		7,267		1,990	
Net claims paid		(22,838)		(22,934)	
Change in the provision for claims					
Gross amount	16	(32,375)		(13,263)	
Reinsurers' share	16	12,686		6,900	
Change in net provision for claims		(19,689)		(6,363)	
Claims incurred, net of reinsurance	4		(42,527)		(29,297)
Net operating expenses	5		(15,188)		(17,776)
Balance on the technical account – General Business			**(23,580)**		**(8,769)**

All operations are continuing.

The notes on pages 19 to 31 form an integral part of these financial statements.

Profit and loss account: Non-technical account

For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Balance on the technical account – general business		(23,580)	(8,769)
Investment Income	10	1,444	1,722
Unrealised gains on investments		17	20
Investment expenses and charges	11	(326)	(677)
Unrealised losses on investments		(327)	(375)
Allocated investment return transferred to general business technical account		(808)	(690)
Profit for the financial year	15	**(23,580)**	**(8,769)**

Statement of total recognised gains and losses

For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Profit for the financial year		(23,580)	(8,769)
Foreign exchange movement on members' funds	15	(376)	450
Total recognised gains and losses since last annual report		**(23,956)**	**(8,319)**

All operations are continuing.

The notes on pages 19 to 31 form an integral part of these financial statements.

Balance sheet – Assets

At 31 December 2014

		2014		2013	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
ASSETS					
Investments					
Other financial investments	12		47,891		46,750
Reinsurers' share of technical provisions					
Provision for unearned premiums	16	3,598		2,981	
Claims outstanding	16	39,044		26,358	
			42,642		29,339
Debtors					
Due within one year					
Debtors arising out of direct insurance operations	13	8,921		16,057	
Debtors arising out of reinsurance operations	14	5,266		2,037	
Other debtors		318		379	
			14,505		18,473
Due after one year					
Debtors arising out of direct insurance operations	13	1		-	
			1		-
Other Assets					
Cash at bank and in hand	21	5,678		6,408	
Overseas deposits	21	12,914		13,503	
			18,592		19,911
Prepayments and accrued income					
Deferred acquisition costs		4,315		5,199	
Other prepayments and accrued income		1,483		1,288	
			5,798		6,487
TOTAL ASSETS			**129,429**		**120,960**

The notes on pages 19 to 31 form an integral part of these financial statements.

Balance sheet – Liabilities

At 31 December 2014

	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
LIABILITIES					
Capital and reserves					
Members' balances	15		(29,403)		(10,558)
Technical provisions					
Provision for unearned premiums	16	18,978		22,640	
Claims outstanding	16	134,822		104,586	
			153,800		127,226
Creditors					
Due within one year					
Creditors arising out of direct insurance operations	17	435		1,632	
Creditors arising out of reinsurance operations	18	3,868		2,003	
Other creditors including taxation and social security		166		228	
			4,469		3,863
Accruals and deferred income			563		429
TOTAL LIABILITIES			**129,429**		**120,960**

The notes on pages 19 to 31 form an integral part of these annual accounts.

The annual accounts on pages 14 to 31 were approved by the Board of Asta Managing Agency Ltd on 13 March 2015 and were signed on its behalf by

D J G Hunt
Director
17th March 2015

Statement of cash flows

For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Net cash outflow from operating activities	19	(2,910)	(2,241)
Payment of Members Agents' fees		(111)	(238)
Transfer (from)/to members in respect of underwriting participations		5,222	(2,108)
Net cash inflow/(outflow)	20	**2,201**	**(4,587)**
Cash flows were (divested) / invested as follows:			
(Decrease)/Increase in cash holdings	21	(430)	1,973
(Decrease)/Increase in deposits	21	(182)	8,023
Net portfolio divestment	21	2,813	(14,583)
Net investment/(divestment) of cash flows	20	**2,201**	**(4,587)**

The notes on pages 19 to 31 form an integral part of these financial statements.

Notes to the Financial Statements

At 31 December 2014

1. Basis of Preparation

The financial statements are prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, applicable Accounting Standards in the United Kingdom, and comply with the Statement of Recommended Practice issued by the Association of British Insurers in December 2006 ("the ABI SORP").

2. Accounting Policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate's annual accounts.

The financial statements have been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

a. Premiums Written

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

b. Unearned Premiums

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

c. Reinsurance Premium Ceded

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

d. Claims Incurred

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the balance sheet date, but not reported until after the year end.

2. Accounting Policies (Continued)

e. Claims Provisions and Related Recoveries

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

The amount included in respect of IBNR is based on statistical techniques of estimation applied by external consulting actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

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

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

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, 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.

f. Unexpired Risks Provision

A provision for unexpired risks is made where claims, related expenses and deferred acquisition costs, likely to arise 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 separately by reference to classes of business which are managed together, after taking into account relevant investment return.

g. 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.

2. Accounting Policies (Continued)

h. Foreign Currencies

Transactions in US Dollars, Australian Dollars, Canadian Dollars and Euros are translated at the average rates of exchange for the period. Transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Monetary and non-monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

Exchange differences arising on the retranslation of opening balance sheet items at the closing balance sheet rate and the retranslation of the profit and loss account for the year from the average rate to the closing balance sheet rate are taken to reserves and included in the Statement of Total Recognised Gains and Losses.

All other exchange differences are dealt with in the technical account and included within operating expenses.

The following rates of exchange have been used in the preparation of these accounts:

	2014		2013	
	Year End	**Average**	**Year End**	**Average**
USD	1.56	1.65	1.66	1.56
CAD	1.81	1.82	1.76	1.61
EUR	1.29	1.24	1.20	1.18
AUD	1.91	1.83	1.85	1.62

i. Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at bid-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 were traded on the balance sheet date or the last trading day before that date.

j. Investment Return

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.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the 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.

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

2. Accounting Policies (Continued)

k. 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 (currently at 20%) 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 other overseas tax payable by members on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

l. Pension Costs

The Managing Agent operates a defined contribution scheme. Pension contributions to Syndicate staff are charged to the Syndicate and included within net operating expenses.

m. Profit Commission

Profit commission is charged by the Managing Agent at a rate of 15% of profit subject to the operation of a deficit clause. Such commission does not become payable until after the appropriate year of account closes normally at 36 months.

n. Syndicate Operating Expenses

Where expenses are incurred by the Managing Agent or on behalf of the Managing Agent on the administration of managed Syndicates, these expenses are apportioned using various methods depending on the type of expense. Expenses which are incurred jointly for the Managing Agent and managed Syndicates are apportioned between the Managing Agent and the Syndicates depending on the amount of work performed, resources used and volume of business transacted.

3. Segmental Analysis

2014	Gross Premiums Written £'000	Gross Premiums Earned £'000	Gross Claims Incurred £'000	Net Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Insurance:						
Accident and Health	(1,343)	1,860	(1,887)	(892)	(569)	(1,488)
Third Party Liability	32,976	33,575	(55,240)	(11,287)	11,319	(21,633)
Pecuniary Loss	37	313	(95)	(229)	(49)	(60)
	31,670	35,748	(57,222)	(12,408)	10,701	(23,181)
Reinsurance	7,802	7,111	(5,258)	(2,780)	(280)	(1,207)
Total	**39,472**	**42,859**	**(62,480)**	**(15,188)**	**10,421**	**(24,388)**

2013	Gross Premiums Written £'000	Gross Premiums Earned £'000	Gross Claims Incurred £'000	Net Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Insurance:						
Accident and Health	5,628	2,212	(1,188)	(1,504)	(13)	(493)
Third Party Liability	40,400	37,246	(33,071)	(14,015)	647	(9,193)
Pecuniary Loss	728	602	(136)	(287)	(141)	38
	46,756	40,060	(34,395)	(15,806)	493	(9,648)
Reinsurance	5,772	6,123	(3,792)	(1,970)	(172)	189
Total	**52,528**	**46,183**	**(38,187)**	**(17,776)**	**321**	**(9,459)**

Commissions on direct insurance gross premiums earned during 2014 were £8.0m (2013: £9.3m).

All premiums were written in the UK. Analysis by destination is not materially different from the analysis above.

4. Claims

There were adverse movements of £31.7m (2013: adverse £5.4m), in gross incurred claims experienced during the year on prior year gross claims reserves as at 31 December 2013.

5. Net Operating Expenses

	2014 £'000	2013 £'000
Brokerage and commission	7,397	13,175
Other acquisition costs	1,318	892
Change in deferred acquisition costs	803	(2,500)
Administration expenses	5,779	5,597
(Profit)/Loss on exchange	(109)	612
	15,188	17,776

Administration expenses include:

Auditor's remuneration		
Fees payable to the Syndicate's auditor for the audit of these financial statements	90	88
Fees payable to the Syndicate's auditor and its associates in respect of:		
Other services pursuant to legislation	63	48
Total auditor's remuneration	153	136

6. Staff Numbers and Costs

The following amounts were charged to the Syndicate in respect of salary costs:

	2014 £'000	2013 £'000
Wages and salaries	1,777	1,614
Social security costs	237	249
Other pension costs	211	219
	2,225	2,082

The average number of employees working on the Syndicate during the year was as follows:

	2014 Number	2013 Number
Administration and finance	2	3
Underwriting	11	11
Claims	5	5
	18	19

7. Emoluments of the Directors of Asta Managing Agency Ltd

The aggregate emoluments of the Directors and staff of the Managing Agency are met by Asta Managing Agency Ltd and are disclosed within the financial statements of that company, with the exception of J. M. Tighe, S.P.A. Norton and D.J.G. Hunt. J.M. Tighe's remuneration is disclosed in the financial statements of Asta Capital Ltd and the remuneration of S.P.A. Norton and D.J.G. Hunt is disclosed in the financial statements of Asta Insurance Markets Ltd and were all charged in the accounts of Asta Managing Agency Ltd.

8. Active Underwriter's Emoluments

The Active Underwriter received the following aggregate remuneration, charged as a Syndicate expense:

	2014 £'000	2013 £'000
Emoluments	224	207
Contributions to pension scheme	24	20
	248	227

9. Highest Paid Director's Emoluments

No emoluments of the Director's of Asta Managing Agency Ltd have been directly charged to the Syndicate in the year.

10. Investment Income

	2014 £'000	2013 £'000
Income from investments	1,439	1,719
Gains on the realisation of investments	5	3
	1,444	1,722

11. Investment Expenses and Charges

	2014 £'000	2013 £'000
Investment management expenses, including interest	42	50
Losses on realisation of investments	284	627
	326	677

12. Other Financial Investments

	2014		2013	
	Market Value £'000	Cost £'000	Market Value £'000	Cost £'000
Shares and other variable yield securities	6,563	6,563	8,005	8,005
Debt securities and other fixed income securities	41,328	41,630	38,745	39,091
	47,891	48,193	46,750	47,096

All debt securities and other fixed income securities are listed on a recognised stock exchange.

The following table analyses the credit rating by investment grade of financial investments and cash at bank and in hand.

	2014			2013		
	Total Investments £'000	Cash at Bank and in hand £'000	Total £'000	Total Investments £'000	Cash at Bank and in hand £'000	Total £'000
Gov	19,115	-	19,115	16,005	-	16,005
AAA	12,798	5,678	18,476	19,839	6,408	26,247
AA	13,177	-	13,177	9,545	-	9,545
A	2,801	-	2,801	1,361	-	1,361
Total	**47,891**	**5,678**	**53,569**	**46,750**	**6,408**	**53,158**

13. Debtors Arising out of Direct Insurance Operations

	2014 £'000	2013 £'000
Due within one year - intermediaries	8,921	16,057
Due after one year - intermediaries	1	-
	8,922	16,057

14. Debtors Arising out of Reinsurance Operations

	2014 £'000	2013 £'000
Due within one year		
- intermediaries	5,266	2,037
	5,266	2,037

15. Reconciliation of Members' Balances

	2014 £'000	2013 £'000
Members' balances brought forward at 1 January	(10,558)	107
Loss for the financial year	(23,580)	(8,769)
Exchange movement	(376)	450
Members' Agents Fee	(111)	(238)
Collection from/(distribution to) members	5,222	(2,108)
Balance carried forward at 31 December	(29,403)	(10,558)

Members participate on Syndicates by reference to years of account. Their ultimate result, assets and liabilities are assessed with reference to policies incepting in those years of account in respect of their membership of those particular years.

16. Technical Provisions

	2014 Gross provisions £'000	2014 Reinsurance assets £'000	2014 Net £'000	2013 Gross provisions £'000	2013 Reinsurance assets £'000	2013 Net £'000
Claims outstanding						
Balance at 1 January	104,586	(26,358)	78,228	94,137	(19,458)	74,679
Change in claims outstanding	32,375	(12,686)	19,689	13,263	(6,900)	6,363
Effect of movements in exchange rates	(2,139)	-	(2,139)	(2,814)	-	(2,814)
Balance at 31 December	**134,822**	**(39,044)**	**95,778**	**104,586**	**(26,358)**	**78,228**
Claims notified	58,160	(18,962)	39,198	52,824	(13,417)	39,407
Claims incurred but not reported	76,662	(20,082)	56,580	51,762	(12,941)	38,821
Balance at 31 December	**134,822**	**(39,044)**	**95,778**	**104,586**	**(26,358)**	**78,228**
Unearned premiums						
Balance at 1 January	22,640	(2,981)	19,659	16,771	(2,818)	13,953
Change in unearned premiums	(3,387)	584	(2,803)	6,345	(204)	6,141
Effect of movements in exchange rates	(275)	(1,201)	(1,476)	(476)	41	(435)
Balance at 31 December	**18,978**	**(3,598)**	**15,380**	**22,640**	**(2,981)**	**19,659**

17. Creditors Arising out of Direct Insurance Operations

	2014 £'000	2013 £'000
Due within one year		
- intermediaries	435	1,632
	435	1,632

18. Creditors Arising out of Reinsurance Operations

	2014 £'000	2013 £'000
Due within one year		
- intermediaries	3,868	2,003
	3,868	2,003

19. Reconciliation of operating loss to net cash inflow from operating activities

	Notes	2014 £'000	2013 £'000
Operating loss on ordinary activities		(23,580)	(8,769)
Realised and unrealised investment losses including foreign exchange		2,379	1,858
Increase in net technical provisions		13,271	9,255
Decrease/(Increase) in debtors		4,656	(8,264)
Increase in creditors		740	3,229
Foreign exchange movements on balance due to members		(376)	450
Net cash outflow from operating activities		**(2,910)**	**(2,241)**

20. Movement in Opening and Closing Portfolio Investments Net of Financing

	2014 £'000	2013 £'000
Net cash (outflow)/inflow from the year	(430)	1,973
Cash flow – portfolio investments	2,631	(6,560)
Movement arising from cash flows	2,201	(4,587)
Changes in market value and exchange rates	(2,379)	(1,858)
Total movement in portfolio investments net of financing	(178)	(6,445)
Balance brought forward at 1 January	66,661	73,106
Balance carried forward at 31 December	66,483	66,661

21. Movement in Cash and Portfolio Investments

	At 1 January 2014 £'000	Cash Flow £'000	Changes to Market Value and Currencies £'000	At 31 December 2014 £'000
Cash at bank and in hand	6,408	(430)	(300)	5,678
Shares and other variable yield securities	8,005	(1,563)	121	6,563
Debt securities and other fixed income securities	38,745	4,376	(1,793)	41,328
Overseas deposits	13,503	(182)	(407)	12,914
	66,661	2,201	(2,379)	66,483

22. Net Cash Inflow/(outflow) on Portfolio Investments

	2014 £'000	2013 £'000
(Sale)/Purchase of overseas deposits	(182)	8,023
Purchase/(Sale) of debt securities and other fixed interest securities	4,376	(6,376)
Sale of shares and other variable yield securities	(1,563)	(8,207)
Net cash inflow/(outflow) on portfolio investments	**2,631**	**(6,560)**

23. 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 and based on FCA and PRA requirements and resource criteria. FAL 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. Since FAL is not under the management of the Managing Agent, no amount has been shown in these annual accounts by way of such capital resources. However, the Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

24. Disclosure of Interests

Managing Agent's interest

Asta is currently the Managing Agent for nine Lloyd's Syndicates. Syndicates 1686, 1729, 1897, 1910, 2357, 2525, 2526, 4242 and 6117 are managed on behalf of third party capital providers.

The agency also provides administrative services to Syndicates and undertakes a number of ancillary roles for clients.

The Financial Statements of the Managing Agency can be obtained by application to the Registered Office (see page 1).

24. Disclosure of Interests (Continued)

Related Parties

Asta provides services and support to Syndicate 2526 in its capacity as Managing Agent. Asta fees for the year were:

	2014	2013
Managing Agent's Fees	£0.6m	£0.6m
Service Fees	£2.2m	£1.9m
	£2.8m	£2.5m
Amount unpaid at 31 December 2014	£0.2m	£0.2m

From time to time, syndicates managed by Asta enter into (re)insurance contracts with one another. All such transactions are subject to Asta's internal controls which ensure that all are compliant with Lloyd's Related Party Bylaw provisions. Syndicate 2526 has not entered into any of these contracts with another syndicate managed by Asta.

Syndicate 2526 uses a service company, Dore Underwriting Services, to receive premiums that are not processed through Lloyd's. The service company is owned by AmTrust Group, who participate on the 2013 and 2014 year of account for the Syndicate and receive no commissions for this service. Service company income was:

	2014	2013
Service company premium	£2.8m	£4.7m
To be paid by the Syndicate at 31 December 2014	£0.3m	£0.1m

The Warranty account was sourced using AmTrust's Warranty Line Underwriter who was seconded for a period of his time to the Syndicate. Only one contract was written representing £0.35m GWPI.

AmTrust Group have supplied rent and accommodation to the employees of Dore Underwriting Services. The value of these services was £0.1m.

25. Post Balance Sheet Event

The 2012 underwriting year result, less members' agent's fees, of (£21.3m) will be called from members during 2015.