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Ariel Re

Member Argo Group

Ariel Syndicate 6117

Syndicate Annual and Underwriting Accounts

31 December 2016

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Section 1

Ariel Syndicate 6117
Syndicate Annual Report and Accounts
31 December 2016

Directors and Advisors

MANAGING AGENT'S REGISTERED OFFICE

Argo Managing Agency Limited
Exchequer Court
33 St Mary Axe
London EC3A 8AA

MANAGING AGENT'S REGISTERED NUMBER

03768610

DIRECTORS

A P Latham (Chairman)
D Argyle
J S Bullock
P L Burrows
P J Grant
D J Harris
D M Lang
K A Nealon
B C Ritchie
M E Watson III

SYNDICATE

Ariel Syndicate 6117

ACTIVE UNDERWRITER

D Kirby

BANKERS

Barclays Bank Plc
Citibank NA
RBC Dexia

AUDITORS

Ernst & Young LLP
Statutory Auditor
25 Churchill Place
Canary Wharf
London
E14 5EY

Chairman's Statement

I am pleased to present my report to you as Chairman of Argo Managing Agency Limited and its managed Special Purpose Arrangement ("SPA") 6117, which reinsures Ariel Syndicate 1910. Following the acquisition of Ariel Re group by the Argo group on February 6 2017, Ariel Syndicate 6117, together with its host Ariel Syndicate 1910, has now novated from Asta Managing Agency Ltd ("Asta") to Argo Managing Agency Limited.

Syndicate 1910 and SPA 6117 is a very successful business combination and has produced superior returns for a number of years. I, and everyone at Argo, look forward to working with our new colleagues.

I would also like, on behalf of everyone at Argo and Ariel Re, to thank Asta for all their hard work facilitating the development of Syndicate 1910 at Lloyd's since 2007, and their excellent co-operation and advice during the recent novation process.

RESULTS SUMMARY

Gross written premiums increased from £24.2m in 2015 to £45.6m in 2016, yielding a £1.9m profit compared to £6.2m in 2015.

2016 saw a series of large losses which severely impacted the calendar year combined ratio, driving it up to 115.7% from 79.0%. These losses included Hurricane Matthew, fires in Alberta, and the New Zealand Earthquake. Most of these losses fell on the 2016 Year of Account which nevertheless is still forecast to beat plan by the time it closes at the end of 2018, despite challenging market conditions that continued to erode profit margins and premium volumes.

The 2015 Year of account has performed very credibly. It is forecast to close at the end of 2017 with a return of 14.9% on capacity. The 2014 Year of account closes as at the end of 2016 with an excellent return of 26.1% on capacity, in line with the forecast result at the end of 2015, thanks to a benign period of losses and a stronger rating environment than in today's market.

The prudent reserving policy of the Syndicate in prior years enabled releases as risk expired or large losses were settled, which contributed to underwriting results on an annualised basis. The Syndicate holds surplus profits in US dollars which is its functional currency and therefore the depreciation of Sterling versus the Dollar following the EU referendum also had a positive effect on results.

STAFF COMMITMENT

2016 was a particularly demanding year for Ariel Re staff as the previous shareholders explored the sale of the Company through a process which took most of the year. Their continued dedication and enthusiasm through this time, along with a determination to maintain underwriting discipline and a commitment to core principles, means the syndicate is in the best possible position to navigate through the current market conditions and be a meaningful contributor to the future success of Argo.

Anthony P. Latham

A P Latham
Chairman
16 March 2017

Report of the Directors of the Managing Agent

On 6 February 2017 the Argo group acquired the Ariel Re group and on 7 February 2017 the Syndicate novated from Asta Managing Agency Ltd to Argo Managing Agency Limited, a company registered in England and Wales.

The directors of the Argo Managing Agency Limited accordingly present their report for the year ended 31 December 2016.

REPORTING BASIS

These syndicate annual accounts are 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 total recognised income for calendar year 2016 is a profit of £1.9m (2015 profit: £6.2m). Profits will be distributed by reference to the results of individual underwriting years.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Syndicate was established in 2014 as a 'sidecar' Special Purpose Arrangement, writing a 25 percent whole account quota share of Syndicate 1910 for the 2014 year of account, 20 percent for 2015 and 30 percent for 2016. In 2015, Syndicate 1910 wrote a quota-share contract comprising predominately personal lines and some limited small commercial lines. This business was not reinsured by Syndicate 6117. Both syndicates are now managed by Argo Managing Agency Limited having previously been managed by Asta Managing Agency Ltd. The syndicate is charged an overriding commission on all gross premium written as well as its share of all Lloyd's levies, subscriptions and costs. A profit commission is payable to Syndicate 1910 based on the profit earned under the contract. The Syndicate will take a 50% share of the entirety of Syndicate 1910's business for 2017.

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

	2016 £'000	**2015 £'000**
Gross written premiums	45,609	24,237
Profit / (loss) for the financial year	(5,601)	4,818
Total comprehensive income	1,932	6,198
Combined ratio	115.7%	79.0%

The combined ratio is made up of the claims and expense ratio.

The return on capacity for the 2014 closed year of account at 31 December 2016 is shown below together with forecasts for the two open years of account.

	2014 YOA Closed	**2015 YOA Open**	**2016 YOA Open**
Capacity (£'000)	57,920	38,102	51,882
Forecast return (£'000)	15,097	5,656	1,516
Return on capacity (%)	26.1%	14.9%	2.9%

REINSURANCE PROGRAMME PURCHASE

The Syndicate does not buy reinsurance independently of its host Syndicate 1910, but benefits from the reinsurance protection purchased by Syndicate 1910 as premiums and claims are ceded, under the whole account quota-share net of Syndicate 1910's reinsurance.

INVESTMENTS

The Syndicate operates on a funds withheld basis, and so does not operate its own bank accounts or hold any investments, but benefits from the investment return earned by host Syndicate 1910 which cedes a share of expenses net of credit for its own investment income.

FOREIGN EXCHANGE EXPOSURE POLICY

The aim of the host Syndicate's policy is to minimise foreign exchange volatility in US Dollar terms (the functional currency of the syndicate). To achieve this, they aim to match assets and liabilities in currency. It is the host Syndicate's policy to hold its surplus assets (profits) in US Dollars.

PRINCIPAL RISKS AND UNCERTAINTIES

Note 12 in the notes to the financial statements provides an analysis of the key insurance and financial risks to which the syndicate is exposed

DONATIONS

Charitable donations during the year amounted to £nil (2015: £nil).

OUTLOOK AND FUTURE DEVELOPMENTS

The Syndicate will continue to write a whole account quota share of Syndicate 1910. This will increase to 50% for the 2017 year of account, from 30% for 2016.

The capacity for the 2017 year of account is £108.3m (2016 year of account £51.9m)

Effective 1 January 2016, Lloyd's is subject to the Solvency II capital regime and the Solvency 1 figures are no longer applicable from that date. Although the capital regime has changed, this has not significantly impacted the SCR of the syndicate, since this has been previously calculated based on Solvency II principles.

DIRECTORS AND OFFICERS SERVING IN THE YEAR

Details of the Directors of the managing agent who served during the year ended 31 December 2016 and to the date of this report:

Directors and officers:

A P Latham (independent non-executive; Chairman) (appointed 27 April 2016)
J Spencer (resigned 26 October 2016)
D Argyle
J S Bullock (non-executive)
P L Burrows (independent non-executive)
P J Grant (independent non-executive)
D J Harris
D M Lang (appointed 8 April 2016)
K A Nealon (independent non-executive)
B C Ritchie
M E Watson III (non-executive)

ANNUAL GENERAL MEETING

The directors do not propose to hold an annual general meeting for the syndicate. If any member agent or direct corporate supporter of the syndicate wishes to meet with them, the directors are happy to do so.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person who was a director of the Managing Agent at the date of approving the report is aware, there is no relevant audit information, being information needed by the Syndicate auditor in connection with the auditor's report, of which the auditor is unaware. Having made enquiries of fellow directors of the Agency and the Syndicate's Auditors, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

AUDITORS

The Syndicate's auditors, Ernst & Young LLP, are deemed to be reappointed under the provisions of The Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 and Section 487(2) of the companies Act 2006.

Approved by the Board of Argo Managing Agency Limited and signed on behalf of the Board.

David Harris

D J Harris
Director

16 March 2017

Statement of Managing Agent's responsibilities

The managing agent is responsible for preparing the Syndicate annual 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 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 Accounting Standards have been followed, subject to any material departures disclosed and explained in the notes to the Syndicate accounts; and
- Prepare the Syndicate 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 adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. 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 business' website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Report of Independent Auditors

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 6117

We have audited the syndicate annual accounts of syndicate 6117 ('the syndicate') for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'.

This report is made solely to the syndicate's members, 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 auditors' 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 7, 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 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 syndicate annual accounts sufficient to give reasonable assurance that the syndicate 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 syndicate annual accounts. In addition, we read all the financial and non-financial information in the Syndicate Annual Report and Accounts 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 SYNDICATE ANNUAL ACCOUNTS

In our opinion the syndicate annual accounts:

- Give a true and fair view of the syndicate's affairs as at 31 December 2016 and of its profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'; 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 Report of the Directors of the Managing Agent for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate 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 (Lloyd'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

Andrew R. Blackmore (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
21 March 2017

Income Statement

Technical account - General business

For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Gross premiums written	2	45,609	24,237
Outward reinsurance premiums		-	-
Net written premiums		45,609	24,237
Change in the provision for unearned premiums			
• Gross amount		(9,947)	433
• Reinsurers' share		-	-
Change in the net provision for unearned premiums	3	(9,947)	433
Earned premiums, net of reinsurance		35,662	24,670
Claims paid			
• Gross amount		(7,449)	(2,380)
• Reinsurers' share		-	-
		(7,449)	(2,380)
Changes in claims outstanding			
• Gross amount		(20,787)	(6,870)
• Reinsurers' share		-	-
Change in the net provision for claims	3	(20,787)	(6,870)
Claims incurred, net of reinsurance		(28,236)	(9,250)
Net operating expenses	4	(13,027)	(10,241)
Balance on technical account – general business		**(5,601)**	**5,179**

Income statement (continued)

Non-technical account - General business

For the year ended 31 December 2016

	2016 £'000	2015 £'000
Balance on technical account – general business	(5,601)	5,179
Foreign exchange gains and losses	-	(361)
(Loss)/Profit for the financial year	**(5,601)**	**4,818**

Statement of comprehensive income

For the year ended 31 December 2016

	2016 £'000	2015 £'000
(Loss)/Profit for the financial year	(5,601)	4,818
OCI – Currency translation differences	7,533	1,380
Total comprehensive income for the year	**1,932**	**6,198**

Statement of changes in members' balances

For the year ended 31 December 2016

	2016 £'000	2015 £'000
At 1 January	8,143	2,399
Total comprehensive income for the year	1,932	6,198
Members' agent's fees	(503)	(454)
Early profit release	(9,023)	-
At 31 December	**549**	**8,143**

Statement of financial position

As at 31 December 2016

	Notes	2016 £'000	2015 £'000
Assets			
Debtors			
Debtors arising out of reinsurance operations	7	57,927	31,062
Total assets		**57,927**	**31,062**
Members' balances and liabilities			
Capital and reserves			
Members' balances		549	8,143
Liabilities			
Technical provisions			
Provision for unearned premiums	3	23,730	13,156
Claims outstanding	3	33,648	9,513
		57,378	22,669
Accruals and deferred income		-	250
Total liabilities		57,378	22,919
Total members' balances and liabilities		**57,927**	**31,062**

The notes on pages 16 to 27 form part of these annual accounts.

The financial statements on pages 10 to 27 were approved by the board of Argo Managing Agency Limited on 16 March 2017 and were signed on its behalf by:

D Argyle
Director
16 March 2017

David Harris

D J Harris
Director
16 March 2017

Statement of cash flows

For the year ended 31 December 2016

	2016 £'000	2015 £'000
Cash flows from operating activities		
Profit on ordinary activities	(5,601)	4,818
Increase in gross technical provisions	34,709	8,718
Increase in debtors	(26,865)	(12,352)
Decrease in creditors	(250)	-
Movement in other asset/liabilities/foreign exchange	7,030	(1,184)
Net cash flows from Operating activities	9,023	-
Cash flows from financing activities		
Early release of profit to member's personal reserve fund	(9,023)	-
Net cash outflow from financing activities	(9,023)	-
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

Notes to the financial statements

For the year ended 31 December 2016

1. ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103), being applicable UK GAAP accounting standards, and in accordance with the provision of Schedule 3 of the Large and Medium –sized Companies and Groups (Accounts and Reports) Regulations 2008 pursuant to section 369 of the Companies Act 2006.

The financial statements are prepared under the historical cost convention.

BASIS OF PREPARATION

The financial statement of Ariel Syndicate 6117 were authorised for issue by the board of directors on 16 March 2017. The Financial statements have been prepared in accordance with applicable accounting standards. The functional currency of the Syndicate is US dollars and the Financial statements are prepared in sterling, and rounded to the nearest £'000 unless otherwise stated.

As permitted by FRS103 the Syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

The prior year comparative for deferred acquisition costs have been reclassified within the unearned premium reserve to reflect the fact that premium is recognised within the income statement net of the Syndicates share of the host syndicate's acquisition costs.

JUDGEMENT AND KEY SOURCES OF UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates. The following are the Syndicate's key sources of estimation uncertainty:

Premiums Written

Gross written premiums comprise the Syndicate's share of the total premiums receivable by Syndicate 1910, net of reinsurance purchased by Syndicate 1910 and net of acquisition costs paid by Syndicate 1910, for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. Syndicate 1910 recognises premium on the date on which the policy commences. Syndicate 1910 states gross written premium gross of brokerage payable and excludes taxes and duties levied on them.

Syndicate 1910 makes estimates 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.

1. ACCOUNTING POLICIES (continued)

Claims incurred and reinsurer's share

Gross claims incurred comprise the Syndicate's share of claims and settlement expenses (both internal and external) paid by Syndicate 1910 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. These amounts are ceded from Syndicate 1910 net of reinsurance.

The provision for claims in Syndicate 1910 comprises amounts set aside for claims notified and claims incurred, but not yet reported (IBNR).

The amount included in respect of IBNR in Syndicate 1910 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 in Syndicate 1910 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 in Syndicate 1910 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 and the claims experience for the year. Syndicate 1910 uses a number of statistical techniques to assist in making these estimates.

Accordingly, the two most critical assumptions as regards claims provisions in Syndicate 1910 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 Syndicate's share of the provisions for gross claims and related reinsurance recoveries in Syndicate 1910 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.

1. ACCOUNTING POLICIES (continued)

SIGNIFICANT ACCOUNTING POLICIES

Unearned Premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. In respect of general insurance business, written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unexpired risks

A provision for unexpired risks is made where claims and related expenses are 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.

At 31 December 2016 and 31 December 2015 the syndicate did not have an unexpired risks provision.

Acquisition costs

Acquisition costs comprise over-rider and profit commission paid to Syndicate 1910. The share of Syndicate 1910's acquisitions cost is not the cost of acquiring the business from Syndicate 6117's perspective and therefore the Syndicate's share of these costs are netted off within the Syndicate's Gross written premium.

Acquisition costs are considered written, as earned, and therefore there are no deferred acquisition costs.

Profit commission

Profit commission is charged by ceding Syndicate 1910 at a rate of 17.5% of profit on a year of account basis. The Syndicate also incurs its share of the profit commission charged by the managing agent to Syndicate 1910 based on the profit on a year of account basis. This commission is payable to Syndicate 1910.

Profit commission does not become payable until the appropriate year of account closes, normally at 36 months.

Funds withheld

The syndicate operates on a "funds with-held basis" and operates no bank accounts of its own and holds no investments. Investment income earned by Syndicate 1910 is ceded to the Syndicate within administration expenses.

1. ACCOUNTING POLICIES (continued)

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. The Syndicate incurs its share of the operating expenses and personal expenses of Syndicate 1910, and also may incur expenses on its own behalf which are then paid by Syndicate 1910, and then recharged to the Syndicate.

Foreign Currencies

The Syndicate's functional currency is US dollars and its presentational currency is Sterling.

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

Exchange Rates

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

	2016 Year end	**2015 Year end**
Euro	**1.17**	1.35
US dollar	**1.23**	1.48
Canadian dollar	**1.66**	2.05
Australian dollar	**1.71**	2.02
Japanese yen	**144.4**	178.6

1. ACCOUNTING POLICIES (continued)

Distribution of profits and collection of losses

Lloyd's has regulations on solvency and the distribution of profits and payment of losses between a syndicate and its members. Lloyd's continues to require syndicate membership to be on an underwriting year basis, and profits and losses belong to members according to their membership. Normally profits and losses are transferred between a syndicate and its members after results for an underwriting year are finalised after 36 months. This period may be extended if an underwriting year is placed in run-off. The syndicate may make earlier on account distributions or cash calls according to the cash flow of that underwriting year, subject to Lloyd's regulations. As the Syndicate has no bank accounts of its own distributions are made on its behalf by Syndicate 1910 and treated as payments against Reinsurance premium receivable balances in the accounts.

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. Managing agents can recover UK basic rate income tax deducted from syndicate investment income, and consequently any distribution to members or 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 United States federal income tax payable 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'.

No provision has been made for any other foreign taxes payable by members on underwriting results.

2. SEGMENTAL ANALYSIS

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

2016	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Reinsurance	45,609	35,662	(28,236)	(13,027)	-	(5,601)

2015	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Reinsurance	24,237	24,670	(9,250)	(10,241)	-	5,179

All premiums were concluded in the UK.

* Gross operating expenses are the same as net operating expenses shown in the income statement, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses for 2016.

3. TECHNICAL PROVISIONS

	2016			2015		
	Gross provisions £'000	Reinsurance assets £'000	Net £'000	Gross provisions £'000	Reinsurance assets £'000	Net £'000
Claims outstanding						
Balance at 1 January	9,513	-	9,513	2,395	-	2,395
Change in claims outstanding	20,787	-	20,787	6,870	-	6,870
Effect of FX and other movements	3,348	-	3,348	248	-	248
Balance at 31 December	**33,648**	**-**	**33,648**	**9,513**	**-**	**9,513**
Claims notified	8,807	-	8,807	2,109	-	2,109
Claims incurred but not reported	24,841	-	24,841	7,404	-	7,404
Balance at 31 December	**33,648**	**-**	**33,648**	**9,513**	**-**	**9,513**
Unearned premiums						
Balance at 1 January	13,156	-	13,156	13,666	-	13,666
Change in unearned premiums	9,947	-	9,947	(433)	-	(433)
Effect of movements in exchange rates	627	-	627	(77)	-	(77)
Balance at 31 December	**23,730**	**-**	**23,730**	**13,156**	**-**	**13,156**

3. TECHNICAL PROVISIONS (continued)

Claims development table

The tables below show the Syndicate's cumulative incurred claims development, including both claims notified and IBNR for each underwriting year, together with the cumulative payments to date on a gross and net of reinsurance basis at the balance sheet date.

The Syndicate has taken advantage of the transitional rules of FRS 103 that permit only five years of information to be disclosed upon adoption. The claims development information disclosed is being increased from five years to ten years over the period 2016-2020.

Underwriting year	**2014 £'000**	**2015 £'000**	**2016 £'000**
Estimate of cumulative gross/net claims incurred:			
At end of first underwriting year	5,861	9,257	19,217
One year later	7,745	11,186	
Two years later	10,815		
Less cumulative gross paid	(3,339)	(2,053)	(2,178)
Liability for gross outstanding claims	7,476	9,133	17,039
Total liabilities for gross outstanding claims (all years)			33,648

The uncertainty associated with the ultimate claims experience of an underwriting year is greatest when the underwriting year is at an early stage of development and the margin for future experience potentially being more adverse than assumed is at its highest. As claims develop, and the ultimate cost of the claims becomes more certain, the relative level of margin should decrease. Due, however, to the uncertainty inherent in the claims estimation process, initial reserves may not always be in a surplus. In 2016, there has been an overall surplus of £1.8 million on prior year reserves. This has been primarily generated by better than expected claims experience on the property reinsurance class of business.

4. NET OPERATING EXPENSES

	2016 £'000	**2015 £'000**
Acquisition costs	2,573	1,951
Administration expenses	10,454	8,290
Net operating expenses	13,027	10,241

Members' standard personal expenses amounted to nil (2015: nil).

5. AUDITORS'S REMUNERATION

	2016	2015
	£'000	£'000
Audit of the Syndicate annual accounts	16	15
Other services pursuant to regulations and Lloyd's byelaws	58	41
	74	56

Auditor's remuneration is included as part of the administrative expenses in note 4 to the financial statements.

6. STAFF COSTS AND EMOLUMENTS OF THE DIRECTORS OF THE MANAGING AGENT

No emoluments of the Directors of either Asta Managing Agency Ltd or Argo Managing Agency Limited were charged to the Syndicate during the year.

The emoluments of the active underwriter are borne by the host Syndicate, and are not separately identifiable from the fee charged to the Syndicate.

No staff that worked on Syndicate business during the year were employed by either Asta Managing Agency Ltd or Argo Managing Agency Limited. The host syndicate cedes to the Syndicate a share of an administration fee that does not separately identify staff costs.

7. DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	2016	2015
	£'000	£'000
Due within one year - intermediaries	13,139	31,062
Due after one year - intermediaries	44,788	-
	57,927	31,062

8. RELATED PARTIES

Ariel and Asta established Special Purpose Syndicate 6117, backed by individual names advised by the member's agent Hampden, which has written a 30% whole account quota share of the net premiums, claims and expenses of Syndicate 1910 2016 Underwriting Year (2015: 20%). The net amount of premium ceded from Syndicate 1910 under the whole account quota share was £45.6m (2015: £24.2m), with overriding and profit commission earned coming to £2.6m (2015: £2.0m). As this quota share reinsurance is placed on a funds withheld basis, the net amount due as at 31 December 2016 of £57.9m (2015: £31.1m) will not become payable until the relevant underwriting year closes after 36 months (see note 7).

9. DISCLOSURE OF INTERESTS

Managing Agent's interest

Argo Managing Agency Limited is currently the Managing Agent for Lloyd's Syndicates 1200 1910 and 6117.

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

10. FUNDS AT LLOYD'S

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

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on 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. Refer to note 12 for further details.

11. OFF-BALANCE SHEET ITEMS

The Syndicate has not been party to any arrangement, which is not reflected in its statement of financial position, where material risks and benefits arise for the Syndicate.

12. RISK MANAGEMENT

a) Governance framework

The primary objective of the Managing Agent in approaching the Syndicate's risk and financial management framework is to protect the Syndicate's members from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Managing Agent has an established a risk management function for its syndicates with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to execute management committees and senior managements. Lastly the Managing Agent has a Syndicate policy framework which sets out the risk profiles for its syndicates, risk management, control and business conduct standards for the Syndicate's operations, and is being enhanced following the novation between managing agencies. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Syndicate.

12. RISK MANAGEMENT (continued)

The board of directors of the Managing Agent approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the Syndicate goals, and specify reporting requirements. Significant emphasis is placed on assessment and documentation of risks and controls, including the articulation of "risk appetite".

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000.

Effective 1 January 2016, Lloyd's is subject to the Solvency II capital regime and the Solvency I figures are no longer applicable from that date. Although the capital regimes has changed, this has not significantly impacted the Solvency Capital requirement of the syndicate, since this has been previously calculated based on Solvency II principles, as described below.

Within the supervisory framework, Lloyd's applies capital requirements at member level and central to ensure that Lloyd's complies with Solvency II capital requirements, and beyond that to meet its own financial strength, licence and ratings objectives.

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly the capital requirement in respect of Ariel Syndicate 6117 is not disclosed in these financial statements.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each Syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The Syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each Syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2017 was 35% of the member's SCR 'to ultimate'.

12. RISK MANAGEMENT (continued)

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), held within and managed within a Syndicate (funds in Syndicate) or as the member's share of the members' balances on each Syndicate on which it participates. Accordingly, the ending members balances reported on the statement of financial position on page 12, represent resources available to meet members' and Lloyd's capital requirements.

c) Insurance risk

The Syndicate writes a quota share of Syndicate 1910. Any insurance risk is therefore derived from Syndicate 1910 and disclosed within their Report and Accounts.

d) Financial risk

1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to honour their obligation to the Syndicate. The Syndicate's net exposure and credit risk is the risk of default by Syndicate 1910.

2016	**£'000**	
	Neither past due or impaired	**Total**
Debtors arising out of reinsurance insurance operations	57,927	57,927
Total	57,927	57,927

2015	**£'000**	
	Neither past due or impaired	**Total**
Debtors arising out of reinsurance insurance operations	31,062	31,062
Total	31,062	31,062

12. RISK MANAGEMENT (continued)

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2016 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated, Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

2016	**£'000**	
	A	**Total**
Debtors arising out of reinsurance insurance operations	57,927	57,927
Total	57,927	57,927

2015	**£'000**	
	A	**Total**
Debtors arising out of reinsurance insurance operations	31,062	31,062
Total	31,062	31,062

2) Liquidity Risk

The Syndicate operates on a Funds Withheld basis and operates no bank accounts of its own. All transactions are incurred and settled in the first instance by the host Syndicate 1910. On closing a year of account, profits or losses earned by Syndicate 6117 are settled between the host syndicate and the members.

3) Market Risk

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Syndicate's functional currency is US Dollars and its exposure to foreign exchange risk arises primarily with respect to its share of transactions by Syndicate 1910 in Euro, GB Pounds and Canadian dollars. Syndicate 1910 seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

12. RISK MANAGEMENT (continued)

The table below summarises the exposure of the Syndicate's share of the financial assets and liabilities of Syndicate 1910 to foreign currency exchange risk at the reporting date, as follows:

2016	£'000							
	GBP	USD	EUR	CAD	AUD	JPY	OTH	Total
Total Assets	1,160	47,739	2,829	3,298	1,127	1,953	(179)	57,927
Total Liabilities	(8,789)	(39,992)	(1,447)	(2,529)	(1,508)	(787)	(2,326)	(57,378)
Net Assets	(7,629)	7,747	1,382	769	(381)	1,166	(2,505)	549

2015	£'000							
	GBP	USD	EUR	CAD	AUD	JPY	OTH	Total
Total Assets	961	25,364	713	1,076	660	1,459	829	31,062
Total Liabilities	(4,382)	(15,835)	(336)	(241)	(1,929)	(423)	227	(22,919)
Net Assets	(3,421)	9,529	377	835	(1,269)	1,036	1,056	8,143

The host Syndicate, Syndicate 1910, matches its currency position so holds net assets across a number of currencies. Syndicate 1910 takes into consideration the underlying currency of the Syndicate's required capital and invests its assets proportionately across these currencies so as to protect the solvency of Syndicate 1910, against variation in foreign exchange rates. The net assets of Syndicate 6117 are held by Syndicate 1910 on a funds withheld basis and are due to Syndicate 6117 after 3 years.

13. POST BALANCE SHEET EVENTS

During 2017, the following amounts are proposed to be distributed to members.

	2017 £'000
2014 Year of Account	5,507

On 6 February 2017 the Argo group acquired the Ariel Re group, and on 7 February 2017 the Syndicate together with host Syndicate 1910 novated from Asta Managing Agency Ltd to Argo Managing Agency Limited, a company registered in England and Wales.

Section 2

Ariel Syndicate 6117
2014 Underwriting Year Accounts
For the 36 Months ended 31 December 2016

Report of the Directors of the Managing Agent for the 2014 Closing Year of Account
for the 36 months ended 31 December 2016

On 6 February 2017 the Argo group acquired the Ariel Re group and on 7 February 2017 the Syndicate novated from Asta Managing Agency Ltd to Argo Managing Agency Limited, a company registered in England and Wales.

The Directors of Argo Managing Agency Limited present their report at 31 December 2016 for the 2014 closed year of account.

This report is prepared in accordance with the Lloyd's Syndicate Byelaw (No 8 of 2005). It accompanies the underwriting year accounts prepared on an underwriting year 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 Syndicate Accounting Byelaw (No 8 of 2005) and applicable accounting standards in the United Kingdom, comprising FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland".

BUSINESS REVIEW

Syndicate 6117 writes a 25% quota-share of the whole account of Syndicate 1910's 2014 year of account.

We are pleased to announce that the 2014 year of account on the traditional Lloyd's three-year accounting basis has closed with a profit before members' agents fees of £15.1m, which equates to a return on capacity of 26.1%.

This represents an excellent return on capacity thanks to a benign period of losses and a stronger rating environment than the one in which we currently find ourselves.

Stamp Allocated Capacity	£57.9m
Capacity Utilisation	66.6%
Result (as a percentage of capacity) before Members' Agents Fees	26.1%
Total Result	£15.1m

Effective 31 December 2016, the 2014 Year of Account of the Syndicate was closed into the 2015 Year of Account of Syndicate 1910.

DIRECTORS AND OFFICERS SERVING IN THE YEAR

Details of the Directors of the managing agent who served during the year ended 31 December 2016 and to the date of this report:

Directors and officers:

A P Latham (independent non-executive; Chairman) (appointed 27 April 2016)
J Spencer (resigned 26 October 2016)
D Argyle
J S Bullock (non-executive)
P L Burrows (independent non-executive)
P J Grant (independent non-executive)
D J Harris
D M Lang (appointed 8 April 2016)
K A Nealon (independent non-executive)
B C Ritchie
M E Watson III (non-executive)

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/she is obliged to take as a Director in order to make he/she aware of any relevant audit information and to establish that the auditors are aware of that information.

The board of directors of the Managing Agent has overall responsibility for the establishment and oversight of the Syndicate's risk and capital management.

Approved by the Board of Directors and signed on behalf of the Board.

David Harris

D J Harris
Director

16 March 2017

Statement of Managing Agent's Responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare Syndicate underwriting year accounts at 31 December in respect of any underwriting year which is being closed by reinsurance to close which give a true and fair view of the result of the underwriting year at closure. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005).

In preparing the Syndicate underwriting year accounts, the Managing Agent is required to:-

- Select suitable accounting policies and apply them consistently throughout each underwriting year and from one underwriting year to the next, subject to changes from newly adopted accounting standards. Where items affect more than one underwriting year, the Managing Agent must ensure that the Syndicate treats the affected member equitably. In particular, the premium charged for reinsurance to close should be equitable between the reinsured and reinsuring members of the Syndicate;

- Take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;

- Make judgements and estimates that are reasonable and prudent; and

- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

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 Lloyd's Regulations and Syndicate Accounting Byelaw. 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 business website. Legislation in the UK governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Report of Independent Auditors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 6117
2014 Closed Year of Account

We have audited the Syndicate underwriting year accounts for the 2014 year of account of Syndicate 6117 for the three years ended 31 December 2016, which comprise the Income Statement, the Statement of Financial Position, the Statement of Members' Balances, the Statement of Cash Flows and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law, the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005) and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts".

This report is made solely to the members of the Syndicate, as a body, in accordance with the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005) and 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 and 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 31, the Managing Agent is responsible for the preparation of the Syndicate's underwriting year accounts under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), which give a true and fair view.

Our responsibility is to audit, and express an opinion on the Syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements 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 UNDERWRITING YEAR ACCOUNTS

An audit involves obtaining evidence about the amounts and disclosures in the syndicate underwriting year accounts sufficient to give reasonable assurance that the syndicate underwriting year accounts are free from material misstatement, whether caused by fraud or error. This includes as 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 syndicate underwriting year accounts. In addition, we read all the financial and non-financial information in the Underwriting Year Report and Accounts to identify material inconsistencies with the audited syndicate underwriting year 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 SYNDICATE UNDERWRITING YEAR ACCOUNTS

In our opinion the Syndicate underwriting year accounts:

- Give a true and fair view of the profit for the 2014 closed year of account;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'; and
- Have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) requires us to report to you if, in our opinion:

- The Managing Agent in respect of the Syndicate has not kept adequate accounting records;
- The Syndicate underwriting year 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

Andrew R. Blackmore (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
21 March 2017

Income Statement

Technical account – General business

For the 36 months ended 31 December 2016

	Notes	£'000	£'000
Earned premiums, net of reinsurance			
Gross premiums written	4	38,539	
Outward reinsurance premiums		-	
			38,539
Reinsurance to close premiums received, net of reinsurance			-
Allocated investment return transferred from the non-technical account			-
Claims incurred, net of reinsurance			
Claims paid - Gross amount		(6,468)	
- Reinsurers' share		-	
Net claims paid		(6,468)	
Reinsurance to close premium payable net of reinsurance		(6,999)	
			(13,467)
Net operating expenses	7		(14,003)
Balance on the technical account – general business			**11,069**

Income statement (continued)

Non-technical account – General Business

For the 36 months ended 31 December 2016

	£'000
Balance on the technical account – general business	11,069
Exchange gains and losses	4,028
Profit for the closed year of account	**15,097**

There are no recognised gains or losses in the accounting period other than those dealt with in the Income Statement and so no statement of other comprehensive income has been prepared.

Statement of financial position

As at 31 December 2016

	Notes	£'000	£'000
Assets			
Debtors			
Debtors arising out of reinsurance operations	10		22,295
Total assets			**22,295**
Liabilities			
Amounts due to members			5,506
Reinsurance to close premiums payable to close the Account	6		7,632
Creditors			
Creditors arising out of reinsurance operations	11	8,539	
Other creditors		618	
			9,157
Total liabilities			**22,295**

The notes on pages 38 to 44 form part of these annual accounts.

The Syndicate underwriting year accounts were approved by the Board of Argo Managing Agency Limited on 16 March 2017 and were signed on its behalf by:

D Argyle
Director
16 March 2017

D J Harris
Director
16 March 2017

Statement of members' balances

For the 36 months ended 31 December 2016

	£'000
Profit for the closed year of account	15,097
Early profit release	(9,024)
Members' agents' fees paid on behalf of members	(567)
Members' balances carried forward at 31 December 2016	**5,506**

Statement of cash flows

For the 36 months ended 31 December 2016

	£'000
Cash flows from operating activities	
Profit for the year of account	15,097
Increase in debtors	(22,295)
Increase in creditors	9,157
RITC premium payable, net of reinsurance	7,632
Net cash inflow from operating activities	9,591
Cash flows from financing activities	
Early release of profit	(9,024)
Member's agents fees paid on behalf of members	(567)
	(9,591)
Net increase in cash and cash equivalents	-
Cash and cash equivalent at 1 January 2014	-
Cash and cash equivalent at end of the year of account	-

Notes to the financial statements

For the 36 months ended 31 December 2016

1. BASIS OF COMPLIANCE

The Syndicate underwriting year accounts have been prepared under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Lloyd's Regulations") and in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" ("FRS 102"), and Financial Reporting Standard 103 "Insurance Contracts" ("FRS 103").

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

The functional currency of the Syndicate is US dollars and the Financial statements are prepared in sterling, and rounded to the nearest £'000 unless otherwise stated.

Members participate on a Syndicate by reference to a year of account and each Syndicate year of account is a separate annual venture. These accounts relate to the 2014 year of account which has been closed by reinsurance to close at 31 December 2016. Consequently the statement of financial position represents the assets and liabilities of the 2014 year of account at the date of closure and the income statement and statement of cash flows reflects the transactions for that year of account during the 36 months period until closure.

As permitted by FRS 103, the Syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

As each Syndicate year of account is a separate annual venture, there are no comparative figures.

2. ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the annual accounts.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the Syndicate.

2. ACCOUNTING POLICIES (continued)

The ultimate cost of outstanding claims is estimated using a range of techniques including actuarial and statistical projections, benchmarking, case by case review and judgement. Statistical techniques assume that past claims development experience can be used as a basis to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in the future. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims.

Whilst the Directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated based on the information currently available to them, the ultimate liability will vary as a result of subsequent information and events.

UNDERWRITING TRANSACTIONS

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of that three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Policies written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

Outwards reinsurance premiums ceded are attributed to the same year as the original risk being protected.

Gross claims paid are allocated to the same year of account as that to which the corresponding premiums are allocated and include internal and external claims settlement expenses.

2. ACCOUNTING POLICIES (continued)

The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims and unearned premiums, net of deferred acquisition costs and unexpired risks) relating to the closed year. Although this estimate of net outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the premium so determined. The reinsurance to close premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year to the members of the successor year of account and gives them the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts.

The outstanding claims comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR).

Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics. The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate's 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. 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 provision for claims includes amounts in respect of internal and external claims handling costs.

The Syndicate uses a number of statistical techniques to assist in making the above estimates. 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 methods used, and the estimates made, are reviewed regularly.

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

2. ACCOUNTING POLICIES (continued)

SYNDICATE OPERATING EXPENSES & PROFIT COMMISSION

Costs incurred by the host, Syndicate 1910 are charged to the Syndicate under the Quota share

Cost incurred by the managing agent in respect of the Syndicate are charged to the host syndicate, recharged to the Syndicate and included within the relevant profit and loss account heading. Where expenses do not relate to any specific year of account they are apportioned between years of account on a basis which reflects the benefit obtained by each year of account from each type of expense.

Where expenses are incurred jointly by the Managing Agent and the host syndicate, they are apportioned as follows:

- Salaries and Related Costs
  According to time of each individual spent on Syndicate matters.

- Accommodation Costs
  According to number of personnel.

- Other Costs
  As appropriate in each case.

- Profit Commission
  Profit commission is charged by ceding Syndicate 1910 at a rate of 17.5% of profit on a year of account basis. The Syndicate also incurs its share of the profit commission charged by the managing agent to Syndicate 1910 based on the profit on a year of account basis.

- Pensions
  The Managing Agent operates a defined contribution pension scheme and its recharges to the Syndicate in respect of salaries and related costs include an element for pension costs. These pension costs are expensed in full in the period to which the recharge relates.

Amounts recharged by the Managing Agent include costs arising from the use of assets in the period. These rental costs are expensed in full in the period to which the recharge relates.

2. ACCOUNTING POLICIES (continued)

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 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. It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue & Customs.

Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

FOREIGN CURRENCY

The Syndicate's functional currency is USD and presentational currency is GBP.

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

Exchange differences are recorded in the non-technical account.

3. RISK MANAGEMENT

Effective from 31 December 2016 the Syndicate closes by way of Reinsurance to Close ("RITC") in to the host Syndicate 1910's 2015 year of account. The RITC process means that Insurance, Financial, Credit, Liquidity, Market and Capital risks are transferred to the accepting Syndicate. Accordingly, these Underwriting Year accounts do not have any associated disclosures as required by section 34 of FRS 102. Full disclosures relating to these risks are provided in the main Annual accounts of the Syndicate.

4. SEGMENTAL ANALYSIS

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

	Gross Premiums Written and Earned £'000	Gross Claims Incurred £'000	Net Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Reinsurance	38,539	(13,467)	(14,003)	-	11,069
Total	38,539	(13,467)	(14,003)	-	11,069

All business is written in the United Kingdom. Analysis by destination is not materially different from the analysis above.

Gross operating expenses are the same as net operating expenses.

5. ANALYSIS OF RESULT BY YEAR OF ACCOUNT

All results relate to the 2014 Year of account which has not accepted any Reinsurance to close premiums from prior years.

6. REINSURANCE TO CLOSE PREMIUM, PAYABLE NET OF REINSURANCE

	Reported £'000	IBNR £'000	Total £'000
Gross and Net Reinsurance to Close Premium	3,313	4,319	7,632

The 2014 Year of Account has been reinsured to close into the 2015 Year of Account of host Syndicate 1910.

7. NET OPERATING EXPENSES

	£'000
Acquisition costs	3,675
Standard personal expenses	848
Administration expenses	9,480
	14,003

8. AUDITORS REMUNERATION

	£'000
The closed year profit is stated after charging:	
Fees payable to the Syndicate's auditor for the audit of these financial statements	15
Fees payable to the Syndicate's auditor and its associates in respect of:	
Other services pursuant to legislation	35
	50

The auditor did not receive any other remuneration other than that stated above.

9. STAFF COSTS AND EMOLUMENTS OF THE DIRECTORS OF THE MANAGING AGENT

No emoluments of the Directors of either Asta Managing Agency Ltd or Argo Managing Agency Limited were charged to the Syndicate during the year.

The emoluments of the active underwriter are borne by the host Syndicate, and are not separately identifiable from the fee charged to the Syndicate.

No staff that worked on Syndicate business during the year were employed by either Asta Managing Agency Ltd or Argo Managing Agency Limited.

10. DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	£'000
Due within one year – Intermediaries	22,295
	22,295

11. CREDITORS ARISING OUT OF REINSURANCE BUSINESS

	£'000
Due within one year	8,539
	8,539

12. RELATED PARTIES

Ariel and Asta established Special Purpose Syndicate 6117, backed by individual names advised by the member's agent Hampden, which has written a 25% whole account quota share of the net premiums, claims and expenses of Syndicate 1910 2014 Underwriting Year.

Syndicate 6117 is charged by Syndicate 1910 an overriding commission of 1% of written premium and a profit commission of 17.5% of profits earned. These amounts were £3.2m and £0.5m.

Syndicate 6117's 2014 underwriting year closes by way of Reinsurance to close into Syndicate 1910's 2015 Underwriting year.

13. DISCLOSURE OF INTERESTS

Managing Agent's interest

Argo Managing Agency Limited is currently the Managing Agent for Lloyd's Syndicates 1200, 1910 and 6117.

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

14. POST BALANCE SHEET EVENT

During 2017, the following amounts are proposed to be distributed to members.

	2017 £'000
2014 Year of Account	5,507

On 6 February 2017 the Argo group acquired the Ariel Re group, and on 7 February 2017 the Syndicate novated from Asta Managing Agency Ltd to Argo Managing Agency Limited, a company registered in England and Wales.

Summary of Closed Year Results

as at 31 December 2016

	2014 £'000
Syndicate allocated capacity	57,920
Number of Underwriting members	993
Results for an illustrative share of **£10,000**	
	£
Gross premiums	6,654
Net premiums	6,654
Net claims	(1,117)
Reinsurance to close	(1,208)
Profit on exchange	695
Syndicate operating expenses	(2,418)
Total comprehensive income	2,606
Members agent fees	(98)
Profit on ordinary activities	**2,508**

Notes

1. The summary of closed year results has been prepared from the audited accounts of the Syndicate.
2. Members' agent fees have been stated at the amount which would be incurred pro rata by individual Names writing the illustrative premium income in the Syndicate. Foreign tax, which may be treated as a credit for personal tax purposes, has been excluded.
3. As regards the 2014 year of account, an illustrative share of £10,000 represents 0.017% of the respective allocated capacity.