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Syndicate 5886

Syndicate Annual Report and Accounts

31 December 2018

Contents

Underwriter's Report

Introduction

This report addresses both Syndicate 5886's open underwriting years of account and the 2018 calendar year result.

2018 was the second trading year of Blenheim Syndicate 5886 and was also the second consecutive year of a high frequency of catastrophe losses to the market. Against this background we saw significant development of our core books that had incepted during 2017 and added two further lines of business.

2017 Account

As you will be aware, Syndicate 5886 was given Lloyd's approval to begin underwriting for the 2017 year of account on 16th October 2016, with an underwriting capacity of £150 million.

The makeup of the account was discussed in last year's report as was the need to make a cash call as a result of the 2017 catastrophe losses given that it was our first year and we needed the funds to maintain liquidity and to meet our US funding requirements.

The latest forecast result for this year of account is detailed in the Managing Agent's report on page 6.

2018 Account

We increased our stamp capacity to £180 million for the 2018 year of account.

2018 was a busy year for the Syndicate with the addition of two new lines of business and with the continued expansion of our three existing lines of business in what was our second year of trading for the new Syndicate. As mentioned in last year's report, we added an Accident and Health ("A&H") account and a Specialty Reinsurance account. The A&H line started writing from the start of the year under Nick Faux, who was formerly underwriting this class for the London office of Munich Re. In June 2018 we were joined by John Cutts, formerly head of Specialty Treaty business for the Talbot/Validus Syndicate to write the Specialty Reinsurance account. He joined his deputy, Stephanie Hunt, who had made a sound start to the account at the beginning of the year. Both accounts have developed well, in line with the modest plans we had in place for their first year and have established themselves with the leading brokers and customers within their respective class.

As reported last year, in spite of having seen a frequency of significant catastrophic events during 2017 the reaction of the catastrophe markets was as muted as we expected. Lost capital was quickly restored and the excess capital in the market, coupled with low demand for additional limits from clients, meant that supply of reinsurance capacity continued to exceed demand and that price increases, while widespread, were modest. Rates for Treaty business in the US rose by around 5% to 10% overall, with loss affected accounts leading the way. None of this was surprising given the prolonged period of benign loss activity which had preceded these events.

The Treaty account grew satisfactorily, with the Syndicate seeing increased shares on longstanding accounts and with lead positions being increasingly restored to us at the clients' request. This has enabled the account to reach maturity in a very short period of time, with future growth being modest unless market conditions improve.

Underwriter's Report Continued

The Direct Property account saw its first full year of trading in 2018, with Simon King only being able to join us in February 2017. He quickly re-established the account and we re-built our book of business in an environment which saw parts of the market offering strong rate increases as capacity contracted in places such as Australasia, the Caribbean and parts of the United States. This trend has continued into 2019.

Our Contingency account also grew, following a very good result for 2017 and, although small by design, it has continued to perform very well so far in 2018.

In terms of loss experience, 2018 began extremely well for the two Property accounts with the most benign US spring storm season for a very long time. The third quarter made up for it with a string of natural catastrophes. Typhoon Jebi in Japan was the largest windstorm in the area for nearly thirty years and was quickly followed by Hurricane Florence in the Carolinas, Hurricane Michael which hit the Florida panhandle and Georgia and finally the wildfires in California. Our Treaty account was exposed to all four of these while our Direct Property account only suffered losses from the two hurricanes. Frequency is the greatest enemy of the catastrophe underwriter and to see such frequency in two consecutive years is unprecedented in recent times.

However, both Property accounts were not only well reinsured for these events, but there was more retained premium and a greater balance and scale to the accounts than was the case in our inaugural year, to absorb the cost of multiple retentions under our reinsurance programs, as well as to pay for attritional losses. As a result, in spite of the catastrophe activity, this year of account is currently only marginally negative and as the eventual outcome of the year will be determined to a large degree by how the run off performs as the balance of the 2018 year comes off risk, we are hopeful that it may achieve a small positive result.

2019 Account

We have increased our stamp capacity to £215 million for the 2019 year of account.

By the 2019 renewal season, we had managed to achieve critical mass within the Property Treaty account, both in terms of overall premium but also in the shape of the account.

Despite another wave of catastrophe losses during 2018 and another set of poor results in the market likely as a consequence, the catastrophe market's response was once again, lacklustre. Treaty rates continued to bump along the bottom at the beginning of the year, although the bulk of the market's loss affected business is yet to renew, with the result that any increase in rates will happen later this year and will not move the pricing on our overall book very significantly.

With our Treaty account having reached maturity, our focus for 2019 will be on firmly establishing our Specialty Treaty account and continuing to grow our Direct Property account where, for the first time in a few years, things are improving quite quickly. This is set against the background of a Lloyd's 2019 business planning season which has limited syndicates' premium capacities in a drive to improve performance at the same time as others in the wider market have begun to reduce their lines and retreat to their core lines, leaving an increasing amount of property business in distress, with a consequential increase in premiums and improving terms and conditions.

Underwriter's Report Continued

While we were able to agree some growth for our Direct Property account during the business planning process this will not meet the opportunities we're now seeing as the recovery in the Direct Property market gathers pace. We are therefore looking at how best to increase or augment the premium capability of the Direct Property team to meet the opportunity.

The Contingency account is also seeing an improved landscape although growth is limited by our approved business plan.

In common with every other business in the UK we are affected to some extent by Brexit, albeit that we only write a relatively small proportion of our overall business in Europe. During last year, Lloyd's established Lloyd's Brussels as a mechanism designed to allow Lloyd's underwriters to continue to trade EU in/reinsurance business from January 2019. This has been reasonably effective to date and we have written most of our European Treaty business through this company. There are a small number of continental clients that have stopped accepting Lloyd's as they are "concerned" about a hard Brexit. In these cases, we have used a fronting arrangement with one of our reinsurers to continue to access this business.

Calendar Year Result

On an annual accounting basis, the result of the Syndicate for the 2018 calendar year is a loss of £18.4 million after currency translation differences. This reflects the catastrophes that occurred in the year as well as the fact that reinsurance premiums, administrative expenses and the like earn faster than premium. Some £42.7 million of gross premium is unearned at the balance sheet date. This will essentially become fully earned over the next twelve months.

Concluding Comments

While we continue to trade in a challenging environment, there are signs of real improvement as an increasing number of our competitors are now pulling in their horns. This by no means a universally hard market, but there are significant areas of opportunity now evident for the selective underwriter.

The business is now fully staffed in all underwriting and support areas with a highly experienced group of individuals of the highest calibre, most of whom have worked together very successfully for many years. My heartfelt thanks go to all Syndicate staff for their professionalism and for the long hours they put in on the Syndicate's behalf.

J. C. Hamblin
Active Underwriter
22 March 2019

Directors and Administration

Managing Agent

Asta Managing Agency Ltd

Directors

T A Riddell (Chairman)*
R P Barke
C V Barley
L Harfitt
A J Hubbard*
D J G Hunt
P A Jardine*
M D Mohn*
S P A Norton
J W Ramage*
K Shah*
R A Stevenson*
J M Tighe

Non-Executive Directors*

Company Secretary

N J Burdett

Managing Agent's Registered Office

5th Floor
Camomile Court
23 Camomile Street
London
EC3A 7LL

Managing Agent's Registered Number

1918744

Active Underwriter

J C Hamblin

Bankers

Barclays Bank
Citibank N.A.
RBC Dexia

Registered Auditors

Moore Stephens LLP (Resigned 01 February 2019)
BDO LLP (Appointed 13 February 2019)

Managing Agent's report

The Syndicate's Managing Agent is Asta Managing Agency Limited (“Asta”) a company registered in England and Wales.

Blenheim Underwriting Limited (“Blenheim”) provides many of the underwriting, claims and administrative services in respect of Syndicate 5886 to Asta as its Appointed Representative.

The Directors of the Managing Agent present their report for the year ended 31 December 2018.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("Lloyd's Regulations 2008").

Results

The result for calendar year 2018 is a loss of £16.6 million (2017: loss of £38.8 million) before a loss on currency translation of £1.8 million (2017: gain on currency translation of £1.7 million) which equates to a total comprehensive loss of £18.4 million (2017: total comprehensive loss of £37.1 million).

The Syndicate has presented its results under FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. In accordance with FRS 102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS 103.

Principal activity and review of the business

The Syndicate’s principal activity is the underwriting of direct insurance and reinsurance business in the Lloyd’s market.

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

	2018	2017
	£’000	£’000
Property Treaty	**88,414**	79,436
Direct and Facultative Property	**44,260**	17,334
Contingency	**7,925**	3,563
Accident & Health	**2,303**	-
Specialty Treaty	**5,096**	-
	147,998	100,333

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

	2018	2017
	£’000	£’000
Gross written premiums	**147,998**	100,333
Loss for the financial year (before currency translation gains)	**(16,640)**	(38,783)
Total comprehensive loss	**(18,437)**	(37,130)
Combined ratio	**118.2%**	184.1%

The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned.

The forecast result on the traditional three year Lloyd's basis after charging standard managing agent's fees and profit commission but before charging members' agents fees, is shown below.

	2017 YOA Open
Capacity (£'000)	149,904
Forecast loss (£'000)*	(36,267)
Loss on capacity (%)*	(24.19)

* of which £23,841,502 (15.90% of capacity) was received as a cash call in the year.

This forecast has been based on the following assumptions:

- Future claims development will follow an expected pattern. In particular, the incidence or development of major or attritional losses or the ability of the Syndicate's reinsurers to respond to potential recoveries will not diverge materially from expectations based on developments to date;
- No material changes occur in estimates as to ultimate premium levels and future reinsurance costs;
- There will be no material reinsurance failure;
- Interest, inflation and exchange rates at 31 December 2019 will not differ significantly from those taken into account in the forecast; and
- There will be no significant changes in regulatory or legislative policies which will affect the activities of the Syndicate.

Further details regarding the performance of the Syndicate in the calendar year are set out in the Underwriters report on pages 1 to 3.

Principal risks and uncertainties

The Syndicate Board sets risk appetite annually, which is approved by the Managing Agent as part of the Syndicate's business planning and Solvency Capital Requirement ('SCR') process. The Agency Risk Committee meets at least 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 Syndicate Board, a sub-committee of the Agency Board, reviews the risk profile as reflected in the risk register, 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 through the approved 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 through the year.

Reserve adequacy is monitored through quarterly review by the Syndicate actuary and the Reserving Committee. 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 approved reinsurers, supported by collateralisation, where required. The Agency Reinsurance Security Committee monitors reinsurer ratings and is required to approve all new reinsurers before business is placed with them.

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. The Syndicate has minimal exposure to changes to interest rate as funds are held in cash and cash equivalents.

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. Blenheim has also arranged various overdraft and other facilities to help manage the Syndicate's cashflow. Further details are set out in Note 20.

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 an operational risk and control framework throughout the Syndicate, 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 compliance officer who manages a team of four that monitor business activity and regulatory developments and assesses any effects on the Agency.

The Syndicate has no appetite for failing to treat customers fairly. The Syndicate manages and monitors its conduct risk through a suite of risk indicators and reporting metrics as part of its documented conduct risk framework.

Group / strategic risk

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).

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 capacity for the 2019 year of account is £215 million (2018 year of account: £180 million).

Significant uncertainty remains associated with the UK's planned exit from the European Union. The risks to UK economic growth remain significant as the terms of the UK's exit from the EU remain unclear.

To mitigate the risk of losing access to EEA business and mitigate the impact of the Lloyd's syndicates losing EEA passporting rights, Lloyd's have set up an EU regulated insurance company ("LIC") in Brussels to underwrite EEA-exposed business from 1 January 2019. This is a fully operational, capitalised insurance company under Solvency II. It is authorised and regulated by the National Bank of Belgium and regulated by the Financial Services and Markets Authority and licensed to write non-life risks across the EEA and the UK.

Writing business via Lloyd's Brussels has necessitated a number of operational changes that syndicates have had to make to enable them to be able to write EEA business via a reinsurance arrangement with LIC. The Managing Agency has been working with the Syndicate to implement these changes to ensure that the Syndicate is set up to write business via Lloyd's Brussels from 1 January 2019.

Directors

Details of the Directors of the Managing Agent that were serving at the year end and up to the date of signing of the financial statements are provided on page 4. Changes to directors were as follows;

R P Barke	Appointed 1 January 2018
P A Jardine	Appointed 1 November 2018
R A Stevenson	Appointed 1 November 2018
C Chow*	Resigned 28 February 2019
N J Burdett*	Appointed 1 March 2019

*Company Secretary

Disclosure of information to the 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 Managing Agent, 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

On 1 February 2019 Moore Stephens LLP merged its business with BDO LLP. As a result, Moore Stephens LLP has resigned as auditor and the Directors have appointed BDO LLP as auditor in their place. BDO LLP has indicated its willingness to continue in office. The Directors of the Managing Agency intend to reappoint BDO 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 26 April 2019.

On behalf of the Board

N J Burdett
Company Secretary
22 March 2019

Statement of Managing Agent's responsibilities

The Managing Agent is responsible for preparing the financial statements 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 financial statements at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and FRS 103 “Insurance Contracts”. The financial statements 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 financial statements, 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 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 financial statements may differ from legislation in other jurisdictions.

Independent Auditor’s report

Independent Auditor's report to the Members of Syndicate 5886

Opinion

We have audited the financial statements of Syndicate 5886 (the ‘Syndicate’) for the year ended 31 December 2018 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and Financial Reporting Standard 103 “Insurance Contracts” (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Syndicate’s affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd’s Syndicates and Aggregate Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Managing Agents use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the Managing Agent has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Syndicate’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Managing Agent is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Managing Agent's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Managing Agent's Report has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Syndicate and its environment obtained in the course of the audit, we have not identified material misstatements in the Managing Agents Report.

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:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records;
- certain disclosure of Managing Agent emoluments and other benefits specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Responsibilities of the Managing Agent

As explained more fully in the Statement of Managing Agent's responsibilities out on page 10, the Managing Agent is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Managing Agent determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Managing Agent is responsible for assessing the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Managing Agent either intends to cease the underwriting business of the Syndicate, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Syndicate's members, as a body, in accordance with The Insurance Accounts Directive (Lloyd's Syndicates 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.

Alexander Barnes *Senior Statutory Auditor*
For and on behalf of BDO LLP, Statutory Auditor
London
22 March 2019

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Income statement

Technical account - General business

For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Gross premiums written	3	**147,998**	100,333
Outward reinsurance premiums		**(36,988)**	(31,008)
Net written premiums		**111,010**	69,325
Change in the provision for unearned premiums			
Gross amount		**(16,626)**	(25,690)
Reinsurers' share		**(1,099)**	2,658
	4	**(17,725)**	(23,032)
Earned premiums, net of reinsurance		**93,285**	46,293
Allocated investment return transferred from the non-technical account		**516**	137
Claims paid			
Gross amount		**(81,215)**	(28,822)
Reinsurers' share		**34,840**	2,249
		(46,375)	(26,573)
Changes in the provision for claims outstanding			
Gross amount		**(35,201)**	(90,993)
Reinsurers' share		**4,419**	52,222
	4	**(30,782)**	(38,771)
Claims incurred, net of reinsurance		**(77,157)**	(65,344)
Net operating expenses	5	**(33,144)**	(19,641)
Balance on technical account – general business		**(16,500)**	(38,555)

All the amounts above are in respect of continuing operations. The notes on pages 20 to 43 form part of these financial statements.

Income statement continued

Non-technical account - General business

For the year ended 31 December 2018

	2018 **£'000**	2017 £'000
Balance on technical account – general business	**(16,500)**	(38,555)
Investment income	**516**	137
Allocated investment return transferred to the general business technical account	**(516)**	(137)
Exchange loss	**(140)**	(228)
Loss for the financial year	**(16,640)**	(38,783)

Statement of comprehensive income

For the year ended 31 December 2018

	2018 **£'000**	2017 £'000
Loss for the financial year	**(16,640)**	(38,783)
Currency translation differences	**(1,797)**	1,653
Total comprehensive loss for the year	**(18,437)**	(37,130)

Statement of changes in members' balances

For the year ended 31 December 2018

	2018 **£'000**	2017 £'000
At 1 January	**(37,130)**	-
Total comprehensive loss for the year	**(18,437)**	(37,130)
Collection from members	**23,841**	-
At 31 December	**(31,726)**	(37,130)

All the amounts above are in respect of continuing operations. The notes on pages 20 to 43 form part of these financial statements.

Statement of financial position

As at 31 December 2018

	Notes	2018 £'000	2017 £'000
ASSETS			
Investments			
Other financial investments	9,15	**35,295**	20,389
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	**1,263**	2,107
Claims outstanding	4	**54,385**	47,922
		55,648	50,029
Debtors			
Debtors arising out of direct insurance operations	10	**6,907**	2,455
Debtors arising out of reinsurance operations	11	**35,536**	25,395
Other debtors		**1,867**	615
		44,310	28,465
Cash and other assets			
Cash at bank and in hand	15	**6,423**	5,452
Other assets	16	**2,530**	1,217
		8,953	6,669
Prepayments and accrued income			
Deferred acquisition costs	4	**8,434**	3,965
Other prepayments and accrued income		**1,424**	944
		9,858	4,909
Total assets		**154,064**	110,461

The notes on pages 20 to 43 form part of these financial statements.

Statement of financial position continued

As at 31 December 2018

	Notes	2018 £'000	2017 £'000
MEMBERS' BALANCES AND LIABILITIES			
Capital and reserves			
Members' balances		**(31,726)**	(37,130)
Liabilities			
Technical provisions			
Provision for unearned premiums	4	**42,669**	23,444
Claims outstanding	4	**126,111**	86,626
		168,780	110,070
Creditors			
Creditors arising out of direct insurance operations	12	**263**	411
Creditors arising out of reinsurance operations	13	**9,600**	15,246
Other creditors	14	**6,003**	20,586
		15,866	36,243
Accruals and deferred income		**1,144**	1,278
Total liabilities		**185,790**	147,591
Total members' balances and liabilities		**154,064**	110,461

The notes on pages 20 to 43 form part of these financial statements.

The financial statements on pages 15 to 43 were approved by the Board of Directors on 19 March 2019 and were signed on its behalf by:

D J G Hunt
Director
22 March 2019

Statement of cash flows

For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
(Loss) on ordinary activities		**(16,640)**	(38,783)
Increase in gross technical provisions		**58,710**	110,070
(Increase) in reinsurers' share of gross technical provisions		**(5,619)**	(50,029)
(Increase) in debtors		**(15,845)**	(28,465)
(Decrease)/increase in creditors		**(5,567)**	21,433
Movement in other asset/liabilities/foreign exchange		**(9,417)**	(3,195)
Investment return		**(516)**	(137)
Net cash inflow from operating activities		**5,106**	10,894
Cash flows from investing activities			
Purchase of other financial investments		**-**	-
Sale of other financial investments		**-**	-
Investment income received		**516**	137
Net cash inflow from investing activities		**516**	137
Cash flows from financing activities			
Collection of losses		**23,841**	-
Profit distribution		**-**	-
(Repayment)/receipt –Bank catastrophe cash facility		**(14,810)**	14,810
Net cash inflow from financing activities		**9,031**	14,810
Net increase in cash and cash equivalents		**14,653**	25,841
Cash and cash equivalents at beginning of year		**25,841**	-
Foreign exchange on opening cash and cash equivalents		**1,224**	-
Cash and cash equivalents at end of year	15	**41,718**	25,841

Notes to the financial statements

For the year ended 31 December 2018

1. Basis of preparation

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 FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value. The Syndicate's functional currency is US Dollars, being the primary economic environment in which it operates. The accounts have been presented in Sterling (GBP), which is the Syndicate's presentation currency and rounded to the nearest £'000. The presentation currency is consistent with the Syndicate's Quarterly Monitoring Return.

2. Accounting policies

Use of estimates

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.

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.

Accounting policies continued

Significant 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 financial statements.

Gross premiums

Gross written premiums comprise the total premiums receivable 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. They are recognised on the date on which the policy commences. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates, primarily relating to binder business, are judgemental and could result in misstatements of revenue recorded in the financial statements.

The main assumption underlying future premium is that past premium development can be used to project future premium development.

Reinsurance premiums

Reinsurance premiums comprise the total premiums payable for the whole cover provided by contracts entered in the period, including portfolio premiums payable, and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

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

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.

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

The amount included in respect of IBNR is based on a combination of statistical techniques of estimation applied by the in-house actuaries and a detailed review of losses by management, further reviewed by external consulting actuaries. The statistical techniques generally involve projecting from past experience of the development of claims over time (using market data where syndicate data is unavailable) 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.

Accounting policies continued

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 and the claims experience for the year. 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, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided.

Provision for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. 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.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct or inwards reinsurance business being reinsured.

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 and 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.

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as the advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies.

Deferred acquisition costs are costs arising from the conclusion of insurance contracts that are incurred during the reporting period, but which relate to a subsequent reporting period and which are carried forward to subsequent reporting periods.

Deferred acquisition costs are amortised over the period in which the related premiums are earned.

Accounting policies continued

Reinsurance assets

The Syndicate cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies and Lloyd's syndicates. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Syndicate may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2018.

Ceded reinsurance arrangements do not relieve the Syndicate from its obligations to policyholders.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are not recognised when the derecognition criteria for financial assets have been met.

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Foreign currencies

The Syndicate's functional currency is US Dollars being the primary economic environment in which it operates. The Syndicate's presentation currency is Sterling (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 or appropriate average rate. 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.

Accounting policies continued

In translating its results and financial position into the presentational currency, the Syndicate translates all assets and liabilities at the closing rates of exchange and translates all income and expense items at average rates, with all resulting exchange gains and losses recognised in other comprehensive income.

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

	2018	2017
	Year End	Year End
AUD	**1.81**	1.73
CAD	**1.74**	1.70
EUR	**1.11**	1.13
JPY	**139.62**	152.20
USD	**1.27**	1.35

Financial assets and liabilities

In applying FRS 102, the Syndicate has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).

Financial assets and financial liabilities at fair value through profit and loss comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition. Investments in shares and other variable yield securities, units in unit trusts, and debt and other fixed income securities are designated as at fair value through profit or loss on initial recognition, as they are managed on a fair value basis in accordance with the Syndicate’s investment strategy.

Financial instruments are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Syndicate’s contractual rights to the cash flows from the financial assets expire or if the Syndicate transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. A financial liability is derecognised when its contractual obligations are discharged, cancelled, or expire.

Regular way purchases and sales of financial assets are recognised and derecognised, as applicable, on the trade date, i.e. the date that the Syndicate commits itself to purchase or sell the asset.

A financial asset or financial liability is measured initially at fair value plus, for a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in the income statement. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency but excludes interest and dividend income.

Accounting policies continued

At each reporting date the Syndicate assesses whether there is objective evidence that financial assets not measured at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Syndicate about any significant financial difficulty of the issuer, or significant changes in the technological, market, economic or legal environment in which the issuer operates.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value and are used by the Syndicate in the management of its short-term commitments. They also comprise collective investment schemes which are invested on a short-term basis.

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.

Fair value measurement of investments

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

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

Level 1 financial instruments comprise government bonds that are regularly traded, deposits with credit institutions and collective investment schemes which comprise Money Market Funds.

- Bonds have been valued at fair value using quoted prices in an active market.
- Deposits with credit institutions are included at cost plus accrued income.
- Money Market Funds are valued on a stable net asset value ("NAV") basis. Money Market Funds are readily convertible into cash, are subject to an insignificant risk of

changes in fair value and are used by the Syndicate in the management of its short-term commitments.

Level 2 financial instruments are less regularly traded government and agency bonds, supranational bonds, corporate bonds, currency derivatives, bond futures, and fund investments.

- Bonds are included in the balance sheet at bid price using prices supplied by the custodian or by the investment managers, who obtain market data from numerous independent pricing services. The prices used are reconciled against a common market pricing source.
- Currency derivatives and bond futures are included at market price.
- Investments in regulated collective investment schemes are valued on the NAVs of each of the individual funds as published publicly by the managers.
- Investments in pooled investments in unregulated investment schemes (hedge funds) are valued based on the underlying NAVs of each of the individual funds. Hedge fund NAVs are provided by the administrators of the schemes.
- Investments in investment pools are valued on the valuations supplied by the investment manager (Lloyd's).

Level 3 financial instruments have a fair value derived from inputs that are not based on observable market data. The Syndicate does not currently hold any level 3 financial instruments.

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'.

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.

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. Analysis of underwriting result

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

	2018					
	Gross written premiums	**Gross premium earned**	**Gross claims incurred**	**Gross operating expenses**	**Reinsurance balance**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Direct Insurance;						
Accident & Health	**1,601**	**775**	**(623)**	**(329)**	**(125)**	**(302)**
Energy – Non Marine	**1**	**9**	**(8)**	**(2)**	**41**	**40**
Fire and other damage to Property	**32,220**	**22,394**	**(20,888)**	**(7,639)**	**200**	**(5,933)**
Aviation	**877**	**311**	**(212)**	**(106)**	**(165)**	**(172)**
Motor (other classes)	**38**	**40**	**(4)**	**(12)**	**(11)**	**13**
Third party liability	**305**	**191**	**(58)**	**(78)**	**(90)**	**(35)**
Transport	**9**	**6**	**-**	**(3)**	**(2)**	**1**
Pecuniary Loss	**7,791**	**6,990**	**(5,414)**	**(2,198)**	**260**	**(362)**
	42,842	**30,716**	**(27,207)**	**(10,367)**	**108**	**(6,750)**
Reinsurance	**105,156**	**100,656**	**(89,209)**	**(22,777)**	**1,064**	**(10,266)**
Total	**147,998**	**131,372**	**(116,416)**	**(33,144)**	**1,172**	**(17,016)**

	2017					
	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct Insurance;						
Accident & Health	-	-	-	-	-	-
Energy – Non Marine	22	14	(845)	(6)	422	(415)
Fire and other damage to Property	12,387	5,910	(19,976)	(3,334)	7,270	(10,130)
Aviation	-	-	-	-	-	-
Motor (other classes)	41	20	(3)	(12)	(5)	-
Third party liability	96	28	(4)	(39)	(20)	(35)
Transport	2	1	-	(1)	(1)	(1)
Pecuniary Loss	3,501	2,711	(1,416)	(985)	(287)	23
	16,049	8,684	(22,244)	(4,377)	7,379	(10,558)
Reinsurance	84,284	65,959	(97,571)	(15,264)	18,742	(28,134)
Total	100,333	74,643	(119,815)	(19,641)	26,121	(38,692)

Commissions on direct insurance gross premiums written during 2018 were £9.7 million. (2017 £3.3 million)

All premiums were concluded in the UK.

4. Technical provisions

	Gross provisions £'000	2018 Reinsurance assets £'000	Net Provisions £'000
Claims outstanding			
Balance at 1 January	**86,626**	**(47,922)**	**38,704**
Change in claims outstanding	**35,201**	**(4,419)**	**30,782**
Effect of movements in exchange rates	**4,284**	**(2,044)**	**2,240**
Balance at 31 December	**126,111**	**(54,385)**	**71,726**
Claims notified	**71,869**	**(23,631)**	**48,238**
Claims incurred but not reported	**54,242**	**(30,754)**	**23,488**
Balance at 31 December	**126,111**	**(54,385)**	**71,726**
Unearned premiums			
Balance at 1 January	**23,444**	**(2,107)**	**21,337**
Change in unearned premiums	**16,626**	**1,099**	**17,725**
Effect of movements in exchange rates	**2,599**	**(255)**	**2,344**
Balance at 31 December	**42,669**	**(1,263)**	**41,406**
Deferred acquisition costs			
Balance at 1 January	**3,965**	**-**	**3,965**
Change in deferred acquisition costs	**4,042**	**-**	**4,042**
Effect of movements in exchange rates	**427**	**-**	**427**
Balance at 31 December	**8,434**	**-**	**8,434**

	Gross provisions £'000	2017 Reinsurance assets £'000	Net Provisions £'000
Claims outstanding			
Balance at 1 January	-	-	-
Change in claims outstanding	90,993	(52,222)	38,771
Effect of movements in exchange rates	(4,367)	4,300	(67)
Balance at 31 December	86,626	(47,922)	38,704
Claims notified	39,317	(16,750)	22,567
Claims incurred but not reported	47,309	(31,172)	16,137
Balance at 31 December	86,626	(47,922)	38,704
Unearned premiums			
Balance at 1 January	-	-	-
Change in unearned premiums	25,690	(2,658)	23,032
Effect of movements in exchange rates	(2,246)	551	(1,695)
Balance at 31 December	23,444	(2,107)	21,337
Deferred acquisition costs			
Balance at 1 January	-	-	-
Change in deferred acquisition costs	4,282	-	4,282
Effect of movements in exchange rates	(317)	-	(317)
Balance at 31 December	3,965	-	3,965

5. Net operating expenses

	2018	2017
	£'000	£'000
Acquisition costs	24,163	14,348
Change in deferred acquisition costs	(4,042)	(4,282)
Administrative expenses	13,023	9,575
Net operating expenses	33,144	19,641

Members' standard personal expenses amounting to £2,553,000 (2017: £2,054,000) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, Managing Agent's fees and profit commission.

6. Staff costs and staff numbers

	2018	2017
	£'000	£'000
Wages and salaries	4,717	3,316
Social security costs	609	426
Pension costs	426	275
Other staff costs	321	177
	6,073	4,194

The average number of staff working for the Syndicate during the year is as follows:

	2018	2017
Underwriting and claims	18	12
Operations, finance and administration	22	11
	40	23

7. Auditor's remuneration

	2018	2017
	£'000	£'000
Audit of the Financial statements	75	68
Other services pursuant to Regulations and Lloyd's Byelaws	23	22
	98	90

Auditor's remuneration is included as part of the administrative expenses in Note 5 to the financial statements.

8. Emoluments of the Directors of Asta Managing Agency Ltd and the Active Underwriter

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, D.J.G. Hunt and L Harfitt. J.M. Tighe and S.P.A Norton's remuneration is disclosed in the financial statements of Asta Capital Ltd and the remuneration of D.J.G. Hunt and L Harfitt is disclosed in the financial statements of Asta Insurance Markets Ltd and were all charged in the accounts of Asta Managing Agency Ltd.

No emoluments of the Directors or staff of Asta Managing Agency Ltd were directly charged to the Syndicate. The emoluments of the Active Underwriter are borne by Blenheim and are separately recharged by Blenheim to the Syndicate as set out below:

	2018	2017
	£'000	£'000
Remuneration	**285**	291
Medical insurance	**9**	7
	294	298

9. Financial investments

	2018		2017	
	Carrying value	**Purchase price**	Carrying value	Purchase price
	£'000	**£'000**	£'000	£'000
Shares and other variable yield securities and units in unit trusts				
- Designated at fair value through profit or loss	**35,295**	**35,295**	20,389	20,389
Debt securities and other fixed income securities				
- Designated at fair value through profit or loss	**-**	**-**	-	-
	35,295	**35,295**	20,389	20,389

Amounts included within Shares and other variable securities include Collective Investment Schemes where funds are invested in a single vehicle which invests in investments.

There was no material change in fair value for financial instruments held at fair value attributable to own credit risk in the current period.

Financial investments continued

The following table shows financial investments recorded at fair value analysed between the three levels in the fair value hierarchy.

	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
31 December 2018				
Shares and other variable yield securities and units in unit trusts	**-**	**35,295**	**-**	**35,295**
Debt securities and other fixed income securities	**-**	**-**	**-**	**-**
Total	**-**	**35,295**	**-**	**35,295**

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
31 December 2017				
Shares and other variable yield securities and units in unit trusts	-	20,389	-	20,389
Debt securities and other fixed income securities	-	-	-	-
Total	-	20,389	-	20,389

Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry syndicate, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's own models whereby the significant inputs into the assumptions are market observable.

Included in the level 3 category, are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's own data.

Financial investments continued

The main asset classes in the level 3 category are unlisted equities, structured bond-type debt products and interest rate swaps.

- For unlisted equities, the non-observable inputs relate to assumptions regarding the price/equity ratio of the investee compared to those of comparable listed entities together with an illiquidity adjustment which typically ranges between 10-20%.
- For structured bond-type debt products, these are valued using an internally developed cash flow model using a discount rate with a non-observable illiquidity adjustment of between 5-10%.
- For interest rate swaps, these are valued from broker quotes which include non-observable discount rates based on the credit rating of the counterparty.

10. Debtors arising out of direct insurance operations

	2018	2017
	£'000	£'000
Due from intermediaries (within one year)	6,907	2,442
Due from intermediaries (after one year)	-	13
	6,907	2,455

11. Debtors arising out of reinsurance operations

	2018	2017
	£'000	£'000
Due from intermediaries (within one year)	35,507	25,020
Due from intermediaries (after one year)	29	375
	35,536	25,395

12. Creditors arising out of direct insurance operations

	2018	2017
	£'000	£'000
Direct Business - intermediaries (within one year)	263	411
	263	411

13. Creditors arising out of reinsurance operations

	2018	2017
	£'000	£'000
Reinsurance accepted (within one year)	821	560
Reinsurance ceded (within one year)	8,779	14,686
	9,600	15,246

14. Other creditors

	2018	2017
	£'000	£'000
Barclays Bank catastrophe cash facility (within one year)	-	14,810
Expenses due to Blenheim Underwriting Ltd (within one year)	5,584	5,633
Other (within one year)	419	143
	6,003	20,586

Details of the Barclays Bank catastrophe cash facility are set out in Note 20.

15. Cash and cash equivalents

	2018	2017
	£'000	£'000
Cash at bank and in hand	6,423	5,452
Holdings in collective investment schemes	35,295	20,389
	41,718	25,841

16. Other assets

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

17. Related parties

Asta provides services and support to Syndicate 5886 in its capacity as Managing Agent. During the year, managing agency fees of £1,350,000 (2017: £1,125,000) were charged to the Syndicate. Asta also recharged £1,608,994 (2017: £1,993,745) worth of service charges in the year, of which as at 31 December 2018 an amount of £413,100 (2017: £720,181) was accrued to Asta in respect of this service.

From time to time, Syndicates managed by Asta enter into (re)insurance contracts with one another and/or with Companies within a group with a Lloyd's Corporate Member that participates on an Asta managed Syndicate with an allocated Syndicate capacity greater than 10%. All such transactions are subject to Asta's internal controls which ensure that all are compliant with Lloyd’s Related Party Byelaw provisions. All transactions are entered into on an arm’s length basis.

18. Disclosure of interests

Managing Agent’s interest

During 2018 Asta was the Managing Agent for ten Syndicates and three Special Purpose Arrangements. Syndicates 1729, 1897, 1980, 2357, 2525, 2689, 2786, 3268, 4242 and 5886 as well as Special Purpose Arrangements 6123, 6126 and 6131 were managed on behalf of third party capital providers.

On 1 January 2018 Asta took on management of Syndicate 1980 and Syndicate 3268. Asta also took on management of Special Purpose Arrangement 6131.

The Agency provides administrative services to Syndicates and Special Purpose Arrangements, also undertaking 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 4).

19. Funds at Lloyd's

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

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on Prudential Regulatory Authority (“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 financial statements 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.

20. Bank facilities

At the start of the year, the Syndicate had the benefit of a $25 million letter of credit facility and a $30 million catastrophe cash facility with Barclays Bank Plc. In addition, it had a working capital overdraft facility of £7.5 million. In June 2018 the catastrophe cash facility was increased to $45 million. $20 million of the letter of credit facility and none of the catastrophe cash facility was utilised at 31 December 2018 (2017: $9 million of the letter of credit facility and $20 million of the catastrophe cash facility). The $45 million catastrophe cash facility expired at 31 December 2018 and was renewed on 22 January 2019 for the period to 31 December 2019.

21. Off-balance sheet items

As noted in Note 20, during the year, the Syndicate had the benefit of a $25 million letter of credit facility with Barclays Bank of which it utilised $20 million for the purposes of US gross funding at 31 December 2018. This arrangement is considered to be off-balance sheet as neither the asset or the liability are owned by the Syndicate.

22. Risk management

a) Governance framework

The Syndicate's risk and financial management framework aims to protect the Syndicate's members capital from events that might otherwise prevent the Syndicate from meeting its policyholder obligations, while maximising the returns to its members. The Directors recognise the critical importance of having efficient and effective risk management systems in place.

Asta maintains a risk management function for the Syndicate with clear terms of reference from the Syndicate Board, its committees and sub committees. Asta supplements this with a clear organisational structure with documented delegated authorities and responsibilities from the main Asta Managing Agency Board to the Syndicate who perform the underwriting activities. Lastly, the Syndicate policy framework sets its risk management and control and business conduct standards for operations. Asta reviews and monitors each policy to ensure compliance with the policy throughout the Syndicate.

The Syndicate Board 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. The Syndicate Board places significant emphasis on the assessment and documentation of risks and controls, including the articulation of the Syndicate's 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 PRA under the Financial Services and Markets Act 2000.

Within the supervisory framework, Lloyd's applies capital requirements at member level and centrally 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 Syndicate 5886 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. For the 2018 year of account the SCR was set using benchmark capital. For the 2019 year of account this was calculated using the Syndicate’s internal model.

Risk management continued

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 participates 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 2018 was 35% (2017: 35%) of the member's SCR 'to ultimate'. An additional 20% loading is also applied to new Syndicates for their first three years of underwriting.

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 18, represent resources available to meet members' and Lloyd's capital requirements.

c) Insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Syndicate purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed largely on a non-proportional basis. Non-proportional reinsurance is excess-of-loss reinsurance designed to mitigate the Syndicate's net exposure to large losses. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

Sub committees of the Syndicate Board oversee the management of reserving risk. The use of standardised and internal modelling techniques, as well as benchmarking and the review of claims development are key in mitigating reserving risk. The purpose of these underwriting, reinsurance and reserving strategies is to limit exposure to catastrophes or large losses based on the Syndicate's risk appetite as decided by the Syndicate Board.

The Syndicate uses both its own and commercially available risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an un-modelled event are greater than those arising from a modelled event.

Risk management continued

The Syndicate model's various loss scenarios and runs specific realistic disaster scenarios ("RDS") in accordance with Lloyd's franchise guidelines to enable it to monitor its exposures. Given the nature of the risks underwritten, the loss estimates may be materially different from those that arise depending on the size and nature of the event.

Based on the July 2018 Lloyd's RDS submission, the largest RDS was a North-East USA windstorm event with an industry loss estimate of $81 billion. This equates to a loss to the Syndicate of $179.0 million gross and $25.3 million net of reinsurance recoveries and reinstatement costs (2017: $153.7 million gross and $57.0 million net of reinsurance recoveries and reinstatement costs).

Key assumptions

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each underwriting year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming and economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on net liabilities, profit and members' balances. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions can be non-linear.

Gross	**2018 £'000**	2017 £'000
Five percent increase in claim liabilities	**(6,306)**	(4,331)
Five percent decrease in claim liabilities	**6,306**	4,331
Net		
Five percent increase in claim liabilities	**(3,586)**	(1,935)
Five percent decrease in claim liabilities	**3,586**	1,935

Risk management continued

Claims development table

The table below and on the following page 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 elected to translate estimated claims and claims payments at a consistent rate of exchange as determined by the balance sheet date.

	Underwriting Year	
	2017	**2018**
Estimate of cumulative GAAP gross claims incurred:	**£'000**	**£'000**
At end of first underwriting year	121,122	91,998
One year later	147,651	-
Less cumulative gross paid	(95,974)	(17,564)
Liability for gross outstanding claims	51,677	74,434
Total gross outstanding claims (all years)		**126,111**

	Underwriting Year	
	2017	**2018**
Estimate of cumulative GAAP gross net claims incurred:	**£'000**	**£'000**
At end of first underwriting year	66,356	63,082
One year later	81,617	-
Less cumulative net paid	(55,421)	(17,552)
Liability for net outstanding claims	26,196	45,530
Total net outstanding claims (all years)		**71,726**

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.

d) Financial risk

The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. Currently, the financial assets of the Syndicate are only held in cash and cash equivalents. In due course, the goal of the investment management process is to optimise the risk-adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

Risk management continued

1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss by failing to discharge an obligation.
The following policies and procedures are in place to mitigate the exposure to credit risk:

- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits. If the counterparty has no credit rating, then collateral is sought to mitigate any risk. This is monitored by the Reinsurance Security Committee, a subcommittee of the Syndicate Board.

The table below shows the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements.

31 December 2018	**£'000**			
	Neither past due or impaired	**Past due but not impaired**	**Impaired**	**Total**
Shares and other variable yield securities	**35,295**	**-**	**-**	**35,295**
Overseas Deposits	**2,530**	**-**	**-**	**2,530**
Reinsurers share of claims outstanding	**54,385**	**-**	**-**	**54,385**
Debtors arising out of direct insurance operations	**2,880**	**4,027**	**-**	**6,907**
Debtors arising out of reinsurance operations	**-**	**3,636**	**-**	**3,636**
Other assets	**44,888**	**-**	**-**	**44,888**
Cash at bank and in hand	**6,423**	**-**	**-**	**6,423**
Total	**146,401**	**7,663**	**-**	**154,064**

31 December 2017	£'000			
	Neither past due or impaired	Past due but not impaired	Impaired	Total
Shares and other variable yield securities	20,389	-	-	20,389
Overseas Deposits	1,217	-	-	1,217
Reinsurers share of claims outstanding	47,922	-	-	47,922
Debtors arising out of direct insurance operations	1,720	735	-	2,455
Debtors arising out of reinsurance operations	1,486	-	-	1,486
Other assets	31,540	-	-	31,540
Cash at bank and in hand	5,452	-	-	5,452
Total	109,726	735	-	110,461

Risk management continued

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2018 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 arising from reinsurance contracts ceded, have been excluded from the table as these are not rated.

31 December 2018				**£'000**			
	AAA	**AA**	**A**	**BBB**	**BB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	**-**	**-**	**35,295**	**-**	**-**	**-**	**35,295**
Debt Securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Overseas Deposits	**1,311**	**291**	**226**	**227**	**214**	**261**	**2,530**
Reinsurers share of claims outstanding	**-**	**8,097**	**22,478**	**-**	**-**	**23,810**	**54,385**
Debtors arising out of reinsurance contracts ceded	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cash at bank and in hand	**-**	**-**	**6,423**	**-**	**-**	**-**	**6,423**
Total	**1,311**	**8,388**	**64,422**	**227**	**214**	**24,071**	**98,633**

31 December 2017				£'000			
	AAA	AA	A	BBB	BB or less	Not Rated	Total
Shares and other variable yield securities	-	-	20,389	-	-	-	20,389
Debt Securities	-	-	-	-	-	-	-
Overseas Deposits	416	86	97	47	571	-	1,217
Reinsurers share of claims outstanding	-	6,493	32,814	-	-	8,615	47,922
Debtors arising out of reinsurance contracts ceded	-	141	567	-	-	778	1,486
Cash at bank and in hand	-	-	5,452	-	-	-	5,452
Total	416	6,720	59,319	47	571	9,393	76,466

Of the £24.1 million currently not rated at 31 December 2018, £17.8 million is fully collateralised, £0.3 million relates to overseas deposits with the remainder relating to general reinsurance IBNR. (2017: of the £9.4 million not rated, £8.9 million was fully collateralised with the remainder relating to general reinsurance IBNR).

Risk management continued

Maximum credit exposure

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business.

During the year, no credit exposure limits were exceeded.

2) Liquidity risk

Liquidity risk is the risk that the Syndicate may not have enough cash to pay insurance claims and other liabilities. The Syndicate tries to reduce this risk by reviewing its expected cash obligations on a quarterly basis and keeping adequate cash on deposit to meet those obligations and utilising available banking facilities.

The table below summarises the maturity profile of the Syndicate's financial liabilities based on remaining undiscounted contractual obligations, including interest payable and outstanding claim liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

2018			**£'000**			
	No stated maturity	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Creditors	**-**	**15,866**	**-**	**-**	**-**	**15,866**
Claims outstanding	**-**	**59,226**	**49,693**	**12,084**	**5,108**	**126,111**
Total	**-**	**75,092**	**49,693**	**12,084**	**5,108**	**141,977**

2017			£'000			
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Creditors	-	36,243	-	-	-	36,243
Claims outstanding	-	44,591	32,949	6,846	2,240	86,626
Total	-	80,834	32,949	6,846	2,240	122,869

3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risks.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Risk management continued

a) 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 transactions in Sterling, Euro, Japanese Yen, Canadian Dollars and Australian Dollars.

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

2018	**CNV £'000**						
	GBP	**USD**	**EUR**	**CAD**	**AUD**	**JPY**	**Total**
Total Assets	**9,469**	**123,346**	**4,221**	**8,020**	**4,370**	**4,638**	**154,064**
Total Liabilities	**(17,101)**	**(135,556)**	**(6,733)**	**(4,191)**	**(3,774)**	**(18,435)**	**(185,790)**
Net Assets/(Liabilities)	**(7,632)**	**(12,210)**	**(2,512)**	**3,829**	**596**	**(13,797)**	**(31,726)**

2017	CNV £'000						
	GBP	USD	EUR	CAD	AUD	JPY	Total
Total Assets	6,366	91,735	4,717	2,854	2,719	2,070	110,461
Total Liabilities	(14,151)	(127,506)	(2,726)	(756)	(1,689)	(763)	(147,591)
Net Assets/(Liabilities)	(7,785)	(35,771)	1,991	2,098	1,030	1,307	(37,130)

The Syndicate holds assets and liabilities in these six main currencies. The Syndicate for the most part aims to ensure its assets and liabilities match in currency as closely as possible to mitigate the currency risk. The large currency shortfall in Japanese Yen is partly driven by the gross claims for Typhoon Jebi being mainly in Japanese Yen but any recoveries being in US Dollars. However, it should be noted that there is a degree of currency mitigation because the reinsurance collections made on this loss are based on the gross loss in Japanese Yen being converted to sterling at the prevailing exchange rate to mitigate the currency risk.

Sensitivity to changes

The table below gives an indication of the impact on profit of a percentage change in the relative strength of Sterling against the value of the US Dollar, Canadian Dollar, Australian Dollar, Japanese Yen and Euro simultaneously. The analysis is based on the information as at 31st December 2018.

	Impact on profit and members' balance	
	2018	2017
	£'000	£'000
Sterling weakens		
10% against other currencies	**(2,409)**	(2,935)
20% against other currencies	**(4,819)**	(5,869)
Sterling strengthens		
10% against other currencies	**2,409**	2,935
20% against other currencies	**4,819**	5,869

Risk management continued

b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

The Syndicate has no significant concentration of interest rate risk. Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

	2018	2017
	£'000	£'000
Interest Rate Risk		
Impact of 50 basis point increase on result	-	-
Impact of 50 basis point decrease on result	-	-
Impact of 50 basis point increase on net assets	-	-
Impact of 50 basis point decrease on net assets	-	-

23. Post balance sheet events

The Syndicate has utilised the remaining balance of $5 million of the $25 million letter of credit facility with Barclays Bank since year end to assist in meeting US gross funding requirements. As detailed in Note 21, this arrangement is classed as off-balance sheet.

The Syndicate has also utilised $7.5 million of the $45 million revolving cash credit facility with Barclays Bank at year end to assist with the cash flow requirements of the Syndicate.

The $45 million catastrophe cash facility expired at 31 December 2018 and was renewed on 22 January 2019 to cover the period to 31 December 2019.