Important information about Syndicate Reports and Accounts

Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The syndicate reports and accounts set forth in this section of the Lloyd's website, which have been filed with Lloyd's in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd's, and Lloyd's has no responsibility for their accuracy or content. Access to the syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd's or membership on any syndicate of Lloyd's, and no offer to join Lloyd's or any syndicate is being made hereby. Members of Lloyd's are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate's performance in any subsequent syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the syndicate reports and accounts. You also agree that you will not provide any person with a copy of any syndicate report and accounts without also providing them with a copy of this acknowledgment and agreement, by which they will also be bound.

Skuld Special Purpose Arrangement 6126

Financial Statements

For the 36 Months ended 31 December 2018

2016 Closing Year Report and Accounts

Contents

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

M S F Pritchard

Registered Auditors

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Managing Agent's report for the 2016 closing year of account

For the 36 months ended 31 December 2018

The Directors of Asta Managing Agency Ltd ("Asta") present their report at 31 December 2018 for the 2016 closed year of account.

This report is prepared in accordance with the Lloyd's Syndicate Byelaw (No 8 of 2005). It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Underwriting year results

The SPA generated losses of £7,008,138 after standard personal expenses on gross written premiums of £24,712,467 for the 2016 underwriting year. The Stamp Capacity for the 2016 underwriting year is £40.0m. The result as a % of Stamp Capacity, before Members' Agents fees, is a loss of 17.5%.

Principle activities and review of the business

The SPA Lloyd's vehicle was established in January 2016 as a whole account quota share of its host, Skuld Syndicate 1897. For the 2016 Year of account the SPA assumes 90% of the property book written through host Syndicate 1897.

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

	2016 Underwriting Year £'000
Property D&F	19,158
Property Binders	4,082
HGE Treaty	933
Property Treaty	539
	24,712

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 1. 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 Auditor

So far as each person who was a Director of the Managing Agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the Auditors in connection with their report, of which the Auditor is unaware. Having made enquiries of fellow Directors of the Agency and the SPA's Auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make he/she aware of any relevant audit information and to establish that the Auditors are aware of that information.

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

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

N J Burdett
Company Secretary
22 March 2019

Statement of Managing Agent's Responsibilities

The Directors of the Managing Agent are responsible for preparing the SPA underwriting year accounts in accordance with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw. They have elected to prepare the accounts in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 the Directors of the Managing Agent must not approve the underwriting year accounts unless they are satisfied that they give a true and fair view of the result of the underwriting year at closure. In preparing these accounts, the Directors of the Managing Agent are required to:

- select suitable accounting policies and then apply them consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable between the members of the SPA affected is used;
- 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 accounts;
- assess the SPA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so. As explained in note 1 the Directors of the Managing Agent do not believe that it is appropriate to prepare the underwriting year accounts on a going concern basis.

The Directors of the Managing Agent are responsible for keeping adequate and proper accounting records that are sufficient to show and explain the SPA's transactions and disclose with reasonable accuracy at any time the financial position of the SPA and enable them to ensure that the underwriting year accounts comply with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor’s Report to the Members of SPA 6126

2016 Closed Year of Account

We have audited the syndicate underwriting year accounts for the 2016 year of account of syndicate 6126 (‘the syndicate’) for the three years ended 31 December 2018 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Statement of Members’ Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 13, 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 FRS 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ and FRS 103 ‘Insurance Contracts’ (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate underwriting year accounts:

- give a true and fair view of the loss for the 2016 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd’s Syndicate Accounting Byelaw (no. 8 of 2005).

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 syndicate underwriting year accounts section of our report below. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other 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 basis of accounting

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 agent’s use of the going concern basis of accounting in the preparation of the syndicate underwriting accounts on the basis that the recorded assets and liabilities will be realised and discharged in the normal course of business is not appropriate; or
- the managing agent has not disclosed in the syndicate underwriting accounts any identified material uncertainties that may cast significant doubt on the ability of the syndicate to realise its assets and discharge its liabilities in the normal course of business.

Other information

The other information comprises the information included in the annual report, other than the syndicate underwriting year accounts and our auditor's report thereon. The managing agent is responsible for the other information.

Our opinion on the syndicate underwriting year accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the syndicate underwriting year accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate underwriting year accounts 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 syndicate underwriting year accounts 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- the managing agent in respect of the syndicate has not kept adequate accounting re cords; or
- the syndicate underwriting year accounts are not in agreement with the accounting records

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 4, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) 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 the syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting accounts, the managing agent is responsible for assessing the syndicate's ability to realise its assets and discharge its liabilities in the normal course of business, disclosing, as applicable, any matters that impact its ability to do so

Auditor's responsibilities for the audit of the syndicate underwriting year accounts

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts 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 syndicate underwriting year accounts.

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

Independent Auditor's Report to the Members of SPA6126 continued

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Bell (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
22 March 2019

Income Statement: Technical account – General business

For the 36 months ended 31 December 2018

	Notes	£'000	£'000
Earned premiums, net of reinsurance			
Gross premiums written	4	24,712	
Outward reinsurance premiums		(4,673)	
			20,039
Reinsurance to close premiums received, net of reinsurance			-
Allocated investment return transferred from the non-technical account			5
Claims incurred, net of reinsurance			
Claims paid - Gross amount		(23,402)	
- Reinsurers' share		4,954	
Net claims paid		(18,448)	
Reinsurance to close premium payable net of reinsurance	6	(4,290)	
			(22,738)
Net operating expenses	7		(4,314)
Balance on the technical account – general business			(7,008)

The underwriting year closed and therefore all items relate to discontinued operations.

The notes on pages 13 to 20 form part of these financial statements.

Income Statement: Non-technical account

For the 36 months ended 31 December 2018

	Notes	£'000
Balance on the technical account – general business	5	(7,008)
Investment Income	8	5
Unrealised gains on investments		-
Unrealised losses on investments		-
Investment expenses and charges		-
		(7,003)
Allocated investment return transferred to general business technical account		(5)
Exchange gains		-
Loss for the closed year of account		(7,008)

The underwriting year closed and therefore all items relate to discontinued operations.

There were no recognised gains or losses relating to the current or preceding year other than those included in the profit and loss. Therefore, no statement of other comprehensive income has been presented.

The notes on pages 13 to 20 form part of these financial statements.

Balance sheet

As at 31 December 2018

	Notes	£'000	£'000
Assets			
Debtors			
Debtors arising out of reinsurance operations	9	1,843	
			1,843
Reinsurance recoveries anticipated on gross reinsurance premiums payable to close the account	6		3,452
Total assets			5,295
Liabilities			
Amounts due from members			(2,876)
Reinsurance to close premiums payable to close the Account – gross amount	6		7,742
Creditors			
Creditors arising out of reinsurance operations	10	406	
Accruals		23	
			429
Total liabilities			5,295

The notes on pages 13 to 20 form part of these financial statements.

The SPA underwriting year accounts were approved by the Board of Asta Managing Agency Ltd on 19 March 2019 and were signed on its behalf by

D J G Hunt
Director
22 March 2019

Statement of members' balances

For the 36 months ended 31 December 2018

	£'000
Loss for the closed year of account	(7,008)
Members' agents' fees paid on behalf of members	(25)
Cash call on members	4,157
Members' balances carried forward at 31 December 2018	(2,876)

The notes on pages 13 to 20 form part of these financial statements.

Statement of cash flows

	Notes	£'000
Cash flows from operating activities		
Loss for the year of account		(7,008)
(Increase) in debtors		(1,843)
Increase in creditors		429
Non cash consideration received as part of RITC received		-
RITC premium payable, net of reinsurance		4,290
Investment return		(5)
Net cash outflow from operating activities		(4,137)
Cash flows from investing activities		
Investment income received		5
Net cash inflow from investing activities		5
Cash flows from financing activities		
Members' agents fees paid on behalf of members		(25)
Cash call received from members		4,157
Net cash inflow from financing activities		4,132
Net increase in cash and cash equivalents		-
Cash and cash equivalent at 1 January 2016		-
Cash and cash equivalent at end of the year of account		**-**

The notes on pages 13 to 20 form part of these financial statements.

Notes to the financial statements

For the 36 months ended 31 December 2018

1. Basis of preparation

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

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

The SPA's functional currency is USD. The financial statements are prepared in GBP which is the reporting and presentational currency of the SPA and rounded to the nearest $'000.

Members participate on a SPA by reference to a year of account and each SPA year of account is a separate annual venture. These accounts relate to the 2016 year of account which has been closed by reinsurance to close at 31 December 2018. Consequently, the balance sheet represents the assets and liabilities of the 2016 year of account at the date of closure and the profit and loss account reflects the transactions for that year of account during the 36 months period until closure. As each SPA year of account is a separate annual venture, there are no comparative figures.

The 2016 underwriting year has now closed. The Directors of the Managing Agent have prepared the underwriting year accounts on a non-going concern basis. There was no effect of this on the amounts reported in the accounts.

2. Accounting policies

Significant accounting estimates and judgements

In preparing these financial statements, the Directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the SPA'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 SPA.

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

Underwriting transactions

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

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Policies written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due, but not yet notified to the SPA year of account.

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

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

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

The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims and unearned premiums, net of deferred acquisition costs and unexpired risks) relating to the closed year and to all previous closed years reinsured therein. Although this estimate of net outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the premium so determined. The reinsurance to close premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year to the members of Syndicate 3268, 2018 year of account and gives them the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts.

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

Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics. The amount included in respect of IBNR is based on statistical techniques of estimation applied by the SPA's external consulting actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The provision for claims includes amounts in respect of internal and external claims handling costs.

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

Accounting policies continued

The SPA uses a number of statistical techniques to assist in making the above estimates. The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The methods used, and the estimates made, are reviewed regularly.

A provision for unexpired risks is created where claims, related expenses and deferred acquisition costs, likely to arise after the balance sheet date in respect of contracts relating to the closing year of account, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

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

Financial assets and liabilities

In applying FRS 102, the SPA 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 SPA’s investment strategy.

Financial instruments are recognised when the SPA becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the SPA‘s contractual rights to the cash flows from the financial assets expire or if the SPA 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 SPA 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 profit or loss. 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.

At each reporting date the SPA assesses whether there is objective evidence that financial assets not 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 SPA 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.

Accounting policies continued

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.

Investment return

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

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Interest income on financial assets measured at amortised cost is recognised using the effective interest method. For the purpose of separately presenting investment income and unrealised gains and losses for financial assets at fair value through profit or loss, interest income is recognised as it accrues on the next coupon payment.

For investments at fair value through profit or loss, realised gains and losses represent the difference between the net proceeds on disposal and the purchase price. For investments measured at amortised cost, realised gains and losses represents the difference between the net proceeds on disposal and the latest carrying value (or if acquired after the last reporting date, the purchase price).

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price. Movements in unrealised investment gains and losses comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period, or the valuation at the beginning of the year; as well as the reversal of previously recognised unrealised gains and losses in respect of investment disposed of in the current period.

Investment return is initially recorded in the non-technical account. The return is transferred in full to the general business technical account to reflect the investment return on funds supporting underwriting business.

SPA operating expenses & profit commission

Costs incurred by the Managing Agent in respect of the SPA are charged to the SPA and included within the relevant profit and loss account heading. Where expenses do not relate to any specific year of account they are apportioned between years of account on a basis which reflects the benefit obtained by each year of account from each type of expense.

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

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

- Accommodation Costs
  According to number of personnel.

- Other Costs
  As appropriate in each case.

- Profit Commission
  Profit commission is charged by the Managing Agent at a rate of 12.5% of profit subject to the operation of a deficit clause. Such commission does not become payable until after the appropriate year of account closes, normally at 36 months. Profit commission on naturally open years is accrued on the basis of earned profit to date.

Accounting policies continued

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

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

Taxation

Under Schedule 19 of the Finance Act 1993 Managing Agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic income tax deducted from SPA investment income is recoverable by Managing Agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax. It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue & Customs.

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

Foreign currencies

The SPA's functional currency is USD and the reporting and presentational currency is GBP.

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

Exchange differences are recorded in the non-technical account.

The same exchange rates have been used for the income statement and balance sheet, therefore there is no other comprehensive income.

3. Risk management

Investments are held on the SPA's behalf by the host Syndicate in accordance with the funds withheld arrangement.

Effective from 31 December 2018, the RITC process means that Insurance, Financial, Credit, Liquidity, Market and Capital risks are transferred to the accepting Year of Account of Syndicate 3268. Accordingly, these Underwriting Year accounts do not have any associated disclosures as required by section 34 of FRS 102 and FRS 103. Full disclosures relating to these risks are provided in the main Annual accounts of the SPA.

4. Particulars of business written

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

	Gross Premiums Written and Earned £'000	Gross Claims Incurred £'000	Net Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Reinsurance accepted	24,712	(31,145)	(4,314)	3,734	(7,013)
Total	24,712	(31,145)	(4,314)	3,734	(7,013)

5. Analysis of result by year of account

	2016 Pure Year £'000	2016 Total £'000
Technical account balance before allocated investment return and net operating expenses	(2,699)	(2,699)
Net other expenses	(4,314)	(4,314)
Investment income	5	5
Balance on technical account	(7,008)	(7,008)

6. Reinsurance to close premium payable net of reinsurance

	Reported £'000	IBNR £'000	Total £'000
Gross outstanding losses	(5,631)	(2,111)	(7,742)
Reinsurance recoveries anticipated	1,515	1,937	3,452
Net outstanding losses	(4,116)	(174)	(4,290)

7. Net operating expenses

	£'000
Standard personal expenses	(674)
Administration expenses	(3,640)
	(4,314)

	£'000
The closed year profit is stated after charging:	
Auditor's remuneration:	
Audit of the financial statements	(10)
Other services pursuant to Regulations and Lloyd's Byelaws	(39)
Other services relating to actuarial review	(11)
	(60)

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

8. Investment income

	£'000
Income from investments	5
	5

9. Debtors arising out of reinsurance operations

	£'000
Due within one year	1,843
	1,843

10. Creditors arising out of reinsurance operations

	£'000
Due within one year	(406)
	(406)

11. 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 1).

12. Related parties

Asta provides services and support to the SPA in its capacity as Managing Agent. The 2016 year of account was charged Managing Agency fees of £0.3m. Asta also recharged £1.1m worth of service charges to the 2016 year of account. As at 31 December 2018, nothing was owed to Asta in respect of this service.

From time to time, SPA's managed by Asta enter into (re)insurance contracts with one another. All such transactions are subject to Asta's internal controls which ensure that all are compliant with Lloyd's Related Party Bylaw provisions. All transactions are entered into on an arms length basis.

Agora provide underwriting services to the SPA. The 2016 year of account was charged £1.5m and are included within Administration expenses. As at 31 December 2018 nothing was owed to Agora in respect of services provided.

Skuld Services Limited provide support to the SPA. The 2016 year of account was charged fees of £0.2m and are included with Administration expenses.

13. Post balance sheet event

Subsequent to the balance sheet date, the 2016 underwriting year loss of £7.0m (US$ 8.9m) has been called as a consequence of this year closing. Of the above, £4.1m ($5.2m) was received during 2018 due to an early cash call on members. The remaining £2.9m ($3.6m) will be collected in USD during 2019 and transferred to the host.

Summary of Closed Year Results

as at 31 December 2018

	2016 **£'000**
SPA allocated capacity (£'000)	**40,000**
Number of Underwriting members	8
Aggregate net premiums (£'000)	20,039
Results for an illustrative share of £10,000	
	£
Gross premiums	6,178
Net premiums	5,010
Reinsurance to close from an earlier account	-
Net claims	(4,612)
Reinsurance to close	(1,072)
Profit/(Loss) on exchange	-
SPA operating expenses	(914)
Balance on technical account	(1,588)
Investment income	1
Profit on ordinary activities	(1,587)
Illustrative personal expenses	
Managing Agent's fee	(86)
Profit commission	-
Other personal expenses (excluding members' agents fees)	(79)
	(165)
Profit on ordinary activities after illustrative Managing Agent's fee and profit commission and illustrative personal expenses	(1,752)
Total of SPA operating expenses, Managing Agent's fee and profit commission	(1,079)

Notes

1. The summary of closed year results has been prepared from the audited accounts of the SPA.
2. Personal expenses have been stated at the amount which would be incurred pro rata by individual Names writing the illustrative premium income in the SPA irrespective of any minimum charge applicable. Corporate members may be charged at different rates. Foreign tax, which may be treated as a credit for personal tax purposes, has been excluded.
3. As regards the 2016 year of account, an illustrative share of £10,000 represents 0.025% of the respective allocated capacity.