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Beat Special Purpose Arrangement 6123

Financial Statements
For the 36 Months ended 31 December 2019
2017 Closing Year Report and Accounts

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Directors and administration

Managing Agent

Asta Managing Agency Ltd

Directors

P A Jardine (Chairman)*

R P Barke

C V Barley

K A Green*

C N Griffiths

L Harfitt

A J Hubbard*

D J G Hunt

M D Mohn*

S P A Norton

K Shah*

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

A J T Milligan

Claims Administrator

Boulder Claims LLC

Bankers

Citibank NA

Barclays Bank Plc

Lloyds Bank

RBC Dexia

Directors and administration (continued)

Investment Managers

New England Asset Management (NEAM)

Registered Auditors

KPMG LLP

Signing Actuary

S Shah, KPMG LLP

Managing Agent's report for the 2017 closing year of account

For the 36 months ended 31 December 2019

The Directors of Asta Managing Agency Ltd ("Asta") present their report at 31 December 2019 for the 2017 closed year of account.

This report is prepared in accordance with the Lloyd's Syndicate Bylaw (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 \$11,930,202 after standard personal expenses on gross written premiums of \$17,707,735 for the 2017 underwriting year.

Principle activities and review of the business

The SPA was established in May 2015 to underwrite a variable quota share of Syndicate 4242 ("The Host").

All policies reinsured by the SPA are underwritten by Syndicate 4242 in association with ICAT Managers (LLC). ICAT Managers underwrites through a network of relationships with surplus line wholesale brokers and licensed retail agents. It specialises in underwriting property insurance located in areas of the United States (U.S.) that are prone to hurricanes and earthquakes. Coverage includes natural catastrophe perils, All Other Perils ("AOP"), general liability, equipment breakdown and limited flood coverage.

The portfolio comprises small commercial properties underwritten by Syndicate 4242. The cession to SPA 6123 is determined by the characteristics and location of the risks. The parameters for such cession being determined in accordance with the targeted delivery of the SPA's business plan. The portfolio is derived from the regions of the U.S. below:

- i. Eastern Seaboard
- ii. Florida
- iii. Gulf Coast
- iv. Hawaii
- v. Earthquake (primarily California, the U.S. Pacific Northwest, the U.S. Intermountain West, Alaska, the New Madrid area of the U.S., and Hawaii)

Beat Capital Partners Ltd ("Beat"), a long-term venture capital fund focused on the insurance industry, became the corporate sponsor of Syndicate 4242 and the SPA during 2019 through a transaction to acquire Paraline UK (Group) Ltd, a company that holds certain capital and operational rights in respect to the Syndicate and SPA.

Boulder Claims provides claims administration services to Syndicate 4242 in respect to the SPA subject portfolio.

Managing Agent's report for the 2017 closing year of account continued

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

	2017 \$'000
Gross written premiums:	
Eastern Seaboard	2,123
Florida	3,802
Gulf Coast	1,628
Hawaii (includes direct and inward reinsurance premiums)	4
Earthquake	4,990
Fire and any other peril	5,161
Total gross written premiums	17,708
Loss for the closed year of account	(11,930)
Loss ratio	174.4%
Combined ratio (financial basis)	235.4%

Outward reinsurance arrangements

Catastrophe Coverage – The SPA has extensive catastrophe reinsurance to protect against the adverse accumulation of losses from multiple policies as a result of large catastrophic event.

All Other Peril Coverage – The SPA has per risk reinsurance to protect against the occurrence of losses from other perils such as large fires that impact upon the portfolio underwritten.

Directors

Details of the Directors of the Managing Agent that served during the year and up to the date of signing of the financial statements are provided on page 1. Changes to the directors were as follows:

T A Riddell	Resigned 31 March 2019
J W Ramage	Resigned 31 March 2019
R A Stevenson	Resigned 09 July 2019
C N Griffiths	Appointed 01 January 2020
K A Green	Appointed 01 February 2020
C Chow**	Resigned 28 February 2019
N J Burdett**	Appointed 01 March 2019

Company Secretary**

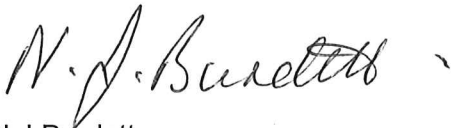
Managing Agent's report for the 2017 closing year of account continued

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 Syndicate'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 Syndicate's risk and capital management.

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



N J Burdett
Company Secretary
05 March 2019

Statement of Managing Agent's responsibilities

The directors are responsible for preparing the Syndicate 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.

Regulations require the directors to prepare underwriting year accounts for each financial year. Under the relevant regulations they have elected to prepare the underwriting year accounts in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including 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 underwriting year accounts, the directors are required to:

- select suitable accounting policies and where there are items which affect more than one year of account, ensure a treatment which is equitable between the members of the syndicate affected is used and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the underwriting year accounts;
- assess the syndicate'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 are responsible for keeping adequate and proper accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the underwriting year accounts comply with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw. They are responsible for such internal control as they determine is necessary to enable the preparation of underwriting year 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 syndicate and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Syndicate's website. Legislation in the UK governing the preparation and dissemination of underwriting year accounts may differ from legislation in other jurisdictions.

Independent auditor's report to the Members of Syndicate 6123 2017 Closed Year of Account

Opinion

We have audited the Syndicate underwriting year accounts for the 2017 year of account of Syndicate 6123 for the three year period ended 31 December 2019 which comprise the Profit and Loss account: Technical account - General business, Profit and Loss account: Non-technical account, Balance Sheet, Statement of members' balances, Statement of Cash flows and related notes, including the accounting policies in note 2.

In our opinion the underwriting year accounts:

- give a true and fair view of the Syndicate's loss for the 2017 closed year; and
- have been properly prepared in accordance with the requirements of the Lloyd's Syndicate Accounting Byelaw.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Syndicate in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter – non-going concern basis of preparation

We draw attention that the disclosure made in note 1 to the underwriting year accounts which explains that the underwriting year accounts have not been prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

Report of the directors of the Managing Agent

The directors are responsible for the Report of the directors of the Managing Agent. Our opinion on the underwriting year accounts does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the Report of the directors of the Managing Agent and, in doing so, consider whether, based on our underwriting year accounts audit work, the information therein is materially misstated or inconsistent with the underwriting year accounts or our audit knowledge. Based solely on that work we have not identified material misstatements in the Report of the directors of the Managing Agent.

Matters on which we are required to report by exception

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 we are required to report to you if, in our opinion:

- adequate and proper accounting records have not been kept by the directors of the managing agent on behalf of the syndicate; or
- the underwriting year accounts are not in agreement with the accounting records; or

Independent auditor's report to the Members of Syndicate 6123 2017 Closed Year of continued

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

We have nothing to report in these respects.

Responsibilities of the directors of the managing agent

As explained more fully in their statement set out on page 6, the directors of the managing agent are responsible for: the preparation of the underwriting year accounts in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and for being satisfied that they give a true and fair view of the result of the underwriting year at closure; such internal control as they determine is necessary to enable the preparation of underwriting year accounts that are free from material misstatement, whether due to fraud or error; 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 they either intend cease trading, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the underwriting year accounts.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Syndicate's members, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw. 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.



Timothy Butchart
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
London
05 March 2020

Profit and loss account: Technical account – General business

For the 36 months ended 31 December 2019

	Notes	\$'000	\$'000
Earned premiums, net of reinsurance			
Gross premiums written	4	17,708	
Outward reinsurance premiums		<u>(8,892)</u>	
			8,816
Reinsurance to close premiums received, net of reinsurance			
			-
Allocated investment return transferred from the non-technical account			
			10
Claims incurred, net of reinsurance			
Claims paid - Gross amount		(34,241)	
- Reinsurers' share		<u>18,979</u>	
Net claims paid		(15,262)	
Reinsurance to close premium payable net of reinsurance	6	<u>(112)</u>	
			(15,374)
Net operating expenses			
	7		(5,382)
Balance on the technical account – general business			<u>(11,930)</u>

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

The notes on pages 14 to 22 form part of these financial statements.

Profit and loss account: Non-technical account

For the 36 months ended 31 December 2019

	Notes	\$'000
Balance on the technical account – general business	5	(11,930)
Investment Income	8	11
Unrealised gains on investments	8	1
Unrealised losses on investments	8	-
Investment expenses and charges	8	<u>(2)</u>
		10
Allocated investment return transferred to general business technical account		(10)
Exchange loss		-
Loss for the closed year of account		<u>(11,930)</u>

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 14 to 22 form part of these financial statements.

Balance sheet

As at 31 December 2019

	Notes	\$'000	\$'000
ASSETS			
Investments			-
Debtors			
Debtors arising out of reinsurance operations	9	1,379	
Other debtors, prepayments and accrued income		<u>301</u>	1,680
Reinsurance recoveries anticipated on gross reinsurance premiums payable to close the account	6		22,455
Other Assets			
Cash at bank and in hand			-
TOTAL ASSETS			<u>24,135</u>
LIABILITIES			
Amounts due from members			(1,603)
Reinsurance to close premiums payable to close the Account – gross amount	6		22,567
Creditors			
Creditors arising out of reinsurance operations	10	3,115	
Other creditors		56	
Accruals		<u>-</u>	3,171
TOTAL LIABILITIES			<u>24,135</u>

The notes on pages 14 to 22 form part of these financial statements.

The Syndicate underwriting year accounts were approved by the Board of Asta Managing Agency Ltd on 27 February 2020 and were signed on its behalf by



D J G Hunt
Director
05 March 2019

Statement of members' balances

For the 36 months ended 31 December 2019

	\$'000
Loss for the closed year of account	(11,930)
Members' agents' fees paid on behalf of members	(26)
Cash calls	10,250
Non-standard personal expenses	103
Members' balances carried forward at 31 December 2019	<u>(1,603)</u>

The notes on pages 14 to 22 form part of these financial statements.

Statement of cash flows

	\$'000
Cash flows from operating activities	
Loss for the year of account	(11,930)
(Increase) in debtors	(1,680)
Increase in creditors	3,171
RITC premium payable, net of reinsurance	112
Investment return	-
<i>Net cash (outflow) from operating activities</i>	<u>(10,327)</u>
Cash flows from investing activities	
Net purchase of portfolio investments	-
Investment income received	-
<i>Net cash inflow from investing activities</i>	<u>-</u>
Cash flows from financing activities	
Cash calls	10,250
Members' agents fees and non-standard personal expenses	77
<i>Net cash inflow from financing activities</i>	<u>10,327</u>
Net increase in cash and cash equivalents	<u>-</u>
Cash and cash equivalent at 1 January 2017	<u>-</u>
Cash and cash equivalent at end of the year of account	<u>-</u>

The notes on pages 14 to 22 form part of these financial statements.

Notes to the financial statements

For the 36 months ended 31 December 2019

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 financial statements are prepared in US Dollars which is the functional and presentational currency of the Syndicate 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 2017 year of account which has been closed by reinsurance to close at 31 December 2019. Consequently, the balance sheet represents the assets and liabilities of the 2017 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.

The 2017 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.

Accounting policies continued

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

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

Underwriting transactions

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

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Policies written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. 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 (and previous closed years reinsured therein) to the members of the successor year of account and gives them the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts.

Accounting policies continued

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 and the addition of a management margin is considered. 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.

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 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 SPA's investment strategy.

Accounting policies continued

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 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 Syndicate 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 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.

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.

Accounting policies continued

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

Where expenses are incurred jointly by the Managing Agent and the 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 Syndicate in respect of salaries and related costs include an element for pension costs. These pension costs are expensed in full in the period to which the recharge relates.

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

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 and presentational currency is US Dollars.

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

Exchange differences are recorded in the non-technical account.

3. Risk management

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

Effective from 31 December 2019, the RITC process means that Insurance, Financial, Credit, Liquidity, Market and Capital risks are transferred to the accepting 2018 Year of Account of the Host. 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 Syndicate.

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	Gross Operating Expenses \$'000	Reinsurance Balance \$'000	Total \$'000
Reinsurance accepted	17,708	(56,808)	(5,382)	32,542	(11,940)
Total	<u>17,708</u>	<u>(56,808)</u>	<u>(5,382)</u>	<u>32,542</u>	<u>(11,940)</u>

Included in the reinsurance balance are reinsurance commissions and profit participation of \$487,775.

5. Analysis of result by year of account

	2017 Pure Year \$'000	2017 Total \$'000
Technical account balance before allocated investment return and net operating expenses	(6,558)	(6,558)
Brokerage and commission on gross premium	<u>(4,669)</u>	<u>(4,669)</u>
	(11,227)	(11,227)
Net other expenses	(713)	(713)
Investment income	10	10
Balance on technical account	<u>(11,930)</u>	<u>(11,930)</u>

6. Reinsurance to close premium payable net of reinsurance

	Reported \$'000	IBNR \$'000	Total \$'000
Gross outstanding losses	(4,225)	(18,342)	(22,567)
Reinsurance recoveries anticipated	<u>4,010</u>	<u>18,445</u>	<u>22,455</u>
Net outstanding losses	<u>(215)</u>	<u>103</u>	<u>(112)</u>

7. Net operating expenses

Acquisition costs	(5,037)
Administration expenses	(713)
RI commissions and profit participations	368
	<u>(5,382)</u>

The closed year profit is stated after charging the following Auditor's remuneration:

Audit of the Syndicate underwriting year accounts	<u>(8)</u>
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8. Investment income

	\$'000
Income from investments	11
Net unrealised profit on investments	<u>1</u>
	12
Investment management expenses	(2)
Net realised gains on investments	<u>-</u>
	(2)
Net investment return	<u>10</u>

The SPA operates on a funds withheld basis with its host, Syndicate 4242. As such, a portion of Syndicate 4242's investment return is allocated to the SPA to reflect the return on the funds withheld.

9. Debtors Arising out of direct insurance operations

	\$'000
Due within one year – Intermediaries	<u>1,379</u>
	<u>1,379</u>

10. Creditors arising out of reinsurance operations

	\$'000
Due within one year	<u>(3,115)</u>
	<u>(3,115)</u>

11. Disclosure of interests

Managing Agent's interest

During 2019 Asta was the Managing Agent for ten Syndicates and four Special Purpose Arrangements. Syndicate 1729, 1897, 1980, 2357, 2525, 2689, 2786, 3268, 4242 and 5886 as well as Special Purpose Arrangements 1892, 6123, 6126, and 6131 were managed on behalf of third party capital providers.

On 01 July 2019, Asta took on management of Special Purpose Arrangement 1892.

On 11 October 2019, Syndicate 2357 migrated to Nephila Syndicate Management Ltd.

On 1 January 2020 Asta took on management of Syndicate 2288.

The agency also provides administrative services to Syndicates and Special Purpose Arrangements, also undertaking a number of ancillary roles for other 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 2017 year of account was charged Managing Agency fees of \$0.2 million. Asta also recharged \$0.3 million worth of service charges to the 2017 year of account. As at 31 December 2019, nothing was owed to Asta in respect of this service.

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

The table below details the percentage of total Syndicate capacity provided by members.

	2017 Underwriting Year \$'000
Taiping Re UK Ltd	15.00%
Labuan Re Underwriting Limited	20.00%
IAT CCM Limited	20.00%
ICAT CCM 9 Ltd	10.00%
Securis LCM Limited	15.00%
Nomina (No. 1253) Ltd	1.58%
Nomina (No. 1289) Ltd	1.49%
Nomina (No. 1290) Ltd	0.30%
Hampden	16.63%
Total	100.0%

The Managing Agent is owned by Asta Capital Limited, a company incorporated in the U.K. and registered in England and Wales. Paraline International, a wholly owned subsidiary of Paraline Group, owns 31.3% of Asta Capital Limited. Paraline Group Ltd (Paraline Group), a company registered in Bermuda, facilitated 10% of the Syndicate's insurance capacity on the 2017 underwriting year through its owned corporate member.

In October 2019, Paraline Group sold their interest in the corporate member (CCM 9 Ltd) to Beat Capital Partners Ltd (Beat) as part of a merger. Paraline Group is now a joint shareholder of Beat.

13. Post balance sheet event

The 2017 underwriting year result, less members' agents' fees and cash calls, of \$1.7m will be collected from members during 2020.

Summary of Closed Year Results – unaudited

as at 31 December 2019

Year of Account	2015	2016	2017
Syndicate allocated capacity (£'000)	8,000	15,000	15,000
Syndicate allocated capacity (\$'000)	10,800	19,050	19,050
Number of Underwriting members	6	7	9
Aggregate net premiums (\$'000)	1,276	3,528	3,779
Results for an illustrative share of £10,000			
Gross premiums	\$ 8,237	\$ 12,474	\$ 11,805
Net premiums	1,595	2,352	2,519
Reinsurance to close from an earlier account	-	-	-
Net claims	(985)	(4,404)	(10,175)
Reinsurance to close	(31)	(404)	(75)
Profit/(Loss) on exchange	23	(3)	-
Syndicate operating expenses	(758)	(62)	11
Balance on technical account	(156)	(2,521)	(7,720)
Investment income less investment expenses and charges and investment gains less losses	-	4	7
Profit on ordinary activities	(156)	(2,517)	(7,713)
Illustrative personal expenses			
Profit commission	-	-	-
Personal expenses	(59)	(100)	(190)
	(59)	(100)	(190)
Profit on ordinary activities after illustrative profit commission and personal expenses	(215)	(2,617)	(7,903)

Notes

1. The summary of closed year results has been prepared from the audited accounts of the Syndicate. This summary however is not audited.
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 Syndicate 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 2017 year of account, an illustrative share of £10,000 represents 0.067% of the respective allocated capacity.