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Skuld Syndicate 1897

Annual Report and Accounts
31 December 2014

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Directors and Administration

MANAGING AGENT:

Managing Agent

Asta Managing Agency Ltd

Directors

T A Riddell (Chairman)*

Y A Bouman

G M J Erulin*

L Harfitt

A J Hubbard*

D J G Hunt

D F C Murphy*

S P A Norton

J W Ramage*

J M Tighe

Non Executive Director*

Company Secretary

C Chow

Managing Agent's Registered Office

5th Floor

Camomile Court

23 Camomile Street

London

EC3A 7LL

Managing Agent's Registered Number

1918744

SYNDICATE:

Active Underwriter

M W Bennett

Bankers

Barclays Plc

Citibank N.A,

RBC Dexia

Registered Auditors

Ernst & Young LLP

London

Report of the Directors of the Managing Agent

The Directors of Asta Managing Agency Ltd ("Asta") present their report in respect of Syndicate 1897 for the year ended 31 December 2014.

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

Results

The result for calendar year 2014 is a loss of £6,601m (2013 loss: £5,865m).

Principal activity and review of the business

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

The Syndicate writes predominantly marine and energy insurance primarily in the United Kingdom.

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

	2014 £'000	2013 £'000
Builders / Special Risks	2,350	4,786
Cargo	7,365	3,268
Energy Upstream Onshore	3,447	232
Loss of Hire	9,185	8,201
Marine Hull	32,080	29,895
Marine Liability	9,412	4,901
Marine War Risks	995	1,102
Offshore Energy Excluding Gulf of Mexico Wind	20,522	18,864
Ports and Terminals	3,298	2,652
Yachts	802	1,399
Increased Value	1,635	-
Political Risks	25	-
	<u>91,116</u>	<u>75,300</u>

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

	2014 £'000	2013 £'000
Gross written premiums	91,116	75,300
Loss for the financial year	(6,601)	(5,865)
Total recognised gains and losses relating to the financial period	(6,096)	(5,638)
Claims ratio	63.7%	70.6%
Expenses ratio	46.1%	40.0%
Combined ratio	109.8%	110.6%

Report of the Directors of the Managing Agent

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

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

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

	2012 YOA Closed	2013 YOA Open	2014 YOA Open
Capacity (£'000)	60,000	70,000	85,000
Result/forecast (£'000)	(8,210)	(2,826)	5
Return on capacity (%)	(13.7%)	(4.0%)	0.0%

Investment Policy

The investment objective is to invest the Premium Trust Funds to maximise return within agreed constraints and risk appetite whilst ensuring the liquidity needs of the Agency can be met.

Principal Risks and Uncertainties

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

Insurance Risk

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

Credit Risk

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

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

Market Risk

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

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

Liquidity Risk

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

Operational Risk

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

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulatory Authority (PRA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. The Agency has a director responsible for compliance who monitors regulatory developments and assesses the impact on agency policy.

Group / Strategic

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

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

Solvency II

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

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

Future Developments

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

The capacity for the 2015 year of account is £90m (2014 year of account £85m).

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

Report of the Directors of the Managing Agent

Directors serving in the year

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

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

Disclosure of Information to the Auditors

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

Auditors

The Managing Agency intends to reappoint Ernst & Young LLP as the Syndicate's auditors.

Syndicate Annual General Meeting

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

On behalf of the Board



C Chow
Company Secretary

17 March 2015

Statement of Managing Agent's Responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare the Syndicate annual accounts at 31 December each year in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice). The annual accounts are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

In preparing the Syndicate annual accounts, the Managing Agent is required to:

- select suitable accounting policies and then apply them consistently, subject to changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
- prepare the annual accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

The Managing Agent is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

To the members of Syndicate 1897

We have audited the syndicate annual accounts of Syndicate 1897 for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the managing agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 7, the managing agent is responsible for the preparation of syndicate annual accounts which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate annual accounts

An audit involves obtaining evidence about the amounts and disclosures in the annual accounts sufficient to give reasonable assurance that the annual accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the syndicate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the managing agent; and the overall presentation of the annual accounts. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited syndicate annual accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditor's report

Opinion on syndicate annual accounts

In our opinion the annual accounts:

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

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

In our opinion the information given in the Report of the Directors of the Managing Agent for the financial year in which the annual accounts are prepared is consistent with the annual accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP,

Andrew R. Blackmore (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
17 March 2015

Profit and loss account: Technical account – General business

For the period ended 31 December 2014

	Notes	2014 £'000	£'000	2013 £'000	£'000
Earned premiums, net of reinsurance					
Gross premiums written	3	91,116		75,300	
Outward reinsurance premiums		<u>(14,380)</u>		<u>(7,496)</u>	
Net premiums written			76,736		67,804
Change in the provision for unearned premiums					
Gross amount	14	(9,653)		(12,583)	
Reinsurers' share	14	<u>2,126</u>		<u>-</u>	
Change in net provision for unearned premiums			<u>(7,527)</u>		<u>(12,583)</u>
Earned premiums, net of reinsurance					
			69,209		55,221
Allocated investment return transferred from the non-technical account					
	9		195		12
Claims incurred, net of reinsurance					
Claims paid - Gross amount		(24,725)		(16,292)	
- Reinsurers' share		<u>(121)</u>		<u>331</u>	
Net claims paid		<u>(24,846)</u>		<u>(15,961)</u>	
Change in the provision for claims					
Gross amount	14	(26,485)		(24,497)	
Reinsurers' share	14	<u>7,220</u>		<u>1,448</u>	
Change in net provision for claims		<u>(19,265)</u>		<u>(23,049)</u>	
Claims incurred, net of reinsurance					
	4		(44,111)		(39,010)
Net operating expenses					
	5		(31,894)		(22,088)
Balance on the technical account					
			<u>(6,601)</u>		<u>(5,865)</u>

All operations are continuing.

The notes on pages 15 to 27 form part of these financial statements.

Profit and loss account: Non-technical account

For the period ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Balance on the technical account – general business		(6,601)	(5,865)
Investment Income	9	195	12
Allocated investment return transferred to general business technical account		(195)	(12)
Profit for the financial year		<u>(6,601)</u>	<u>(5,865)</u>

Statement of total recognised gains and losses

For the period ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Profit for the financial year		(6,601)	(5,865)
Foreign exchange movement on members' funds	17	505	227
Total recognised gains and losses since last annual report		<u>(6,096)</u>	<u>(5,638)</u>

All operations are continuing.

The notes on pages 15 to 27 form part of these financial statements.

Balance sheet – Assets

At 31 December 2014

	Notes	2014		2013	
		£'000	£'000	£'000	£'000
ASSETS					
Investments					
Other financial investments	10		29,575		13,441
Reinsurers' share of technical provisions					
Provision for unearned premiums	14	2,239		-	
Claims outstanding	14	<u>10,468</u>		<u>2,700</u>	
			12,707		2,700
Debtors					
Due within one year					
Debtors arising out of direct insurance operations	11	33,845		37,130	
Debtors arising out of reinsurance operations	12	12,196		299	
Other debtors		<u>716</u>		<u>266</u>	
			46,757		37,695
Due after one year					
Debtors arising out of direct insurance operations	11	143		-	
Debtors arising out of reinsurance operations	12	<u>63</u>		<u>-</u>	
			206		-
Other Assets					
Cash at bank and in hand	19	9,651		4,779	
Overseas deposits	19	<u>2,797</u>		<u>1,071</u>	
			12,448		5,850
Prepayments and accrued income					
Deferred acquisition costs		11,348		8,314	
Other prepayments and accrued income		<u>302</u>		<u>352</u>	
			11,650		8,666
TOTAL ASSETS			<u>113,343</u>		<u>68,352</u>

The notes on pages 15 to 27 form part of these financial statements.

Balance sheet – Liabilities

At 31 December 2014

	Notes	2014		2013	
		£'000	£'000	£'000	£'000
LIABILITIES					
Capital and reserves					
Members' balances	13		(19,375)		(19,396)
Technical provisions					
Provision for unearned premiums	14	51,953		40,424	
Claims outstanding	14	<u>71,636</u>		<u>42,677</u>	
			123,589		83,101
Creditors					
Due within one year					
Creditors arising out of direct insurance operations	15	1,345		2,564	
Creditors arising out of reinsurance operations	16	7,163		964	
Other creditors including taxation and social security		<u>-</u>		<u>1</u>	
			8,508		3,529
Due after one year					
Creditors arising out of direct insurance operations	15	4		-	
Creditors arising out of reinsurance operations	16	<u>1</u>		<u>-</u>	
			5		-
Accruals and deferred income			616		1,118
TOTAL LIABILITIES			<u>113,343</u>		<u>68,352</u>

The notes on pages 15 to 27 form an integral part of these annual accounts.

The annual accounts on pages 10 to 27 were approved by the Board of Asta Managing Agency Ltd on 9 March 2015 and were signed on its behalf by



D J G Hunt
Director
17th March 2015

Statement of cash flows

For the period ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow from operating activities	17	15,705	17,359
Transfer from members in respect of underwriting participations		6,247	-
Net cash inflow		<u>21,952</u>	<u>17,359</u>
Cash flows were invested as follows:			
Increase in cash holdings	19	4,896	2,764
Increase in deposit	19	1,728	731
Increase in net portfolio investment	19	15,328	13,864
Net investment of cash flows		<u>21,952</u>	<u>17,359</u>

Notes to the Financial Statements

At 31 December 2014

1. Basis of Preparation

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

2. Accounting Policies

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

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

a. Premiums Written

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

b. Unearned Premiums

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

c. Reinsurance Premium Ceded

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

d. Claims Incurred

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

2. Accounting Policies (Continued)

e. Claims Provisions and Related Recoveries

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

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

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

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

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

f. Unexpired Risks Provision

A provision for unexpired risks is made where claims, related expenses and deferred acquisition costs, likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return.

g. Deferred Acquisition Costs

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

2. Accounting Policies (Continued)

h. Foreign Currencies

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

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

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

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

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

	2014		2013	
	Year End	Average	Year End	Average
USD	1.56	1.65	1.66	1.56
CAD	1.81	1.82	1.76	1.61
EUR	1.29	1.24	1.20	1.18

i. Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at bid-market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they were traded on the balance sheet date or the last trading day before that date.

j. Investment Return

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

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

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

2. Accounting Policies (Continued)

k. Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax (currently at 20%) deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any other overseas tax payable by members on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

l. Pension Costs

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

m. Profit Commission

Profit commission is charged by the Managing Agent at a rate of 5% of profit subject to the operation of a two year deficit clause. Such commission does not become payable until after the appropriate year of account closes normally at 36 months.

n. Syndicate Operating Expenses

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

Notes to the Financial Statements

3. Segmental Analysis

2014	Gross Premiums Written £'000	Gross Premiums Earned £'000	Gross Claims Incurred £'000	Net Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Insurance:						
Marine aviation and transport	64,950	59,351	(33,778)	(24,497)	(4,897)	(3,821)
Fire and other damage to property	5,397	3,152	(4,214)	(1,186)	184	(2,064)
Third party liability	-	-	-	-	-	-
Pecuniary loss	25	5	(1)	(2)	(1)	1
	<u>70,372</u>	<u>62,508</u>	<u>(37,993)</u>	<u>(25,685)</u>	<u>(4,714)</u>	<u>(5,884)</u>
Reinsurance	20,744	18,955	(13,217)	(6,209)	(441)	(912)
Total	<u>91,116</u>	<u>81,463</u>	<u>(51,210)</u>	<u>(31,894)</u>	<u>(5,155)</u>	<u>(6,796)</u>
2013	Gross Premiums Written £'000	Gross Premiums Earned £'000	Gross Claims Incurred £'000	Net Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Insurance:						
Marine aviation and transport	75,068	62,457	(40,712)	(22,030)	(5,627)	(5,912)
Fire and other damage to property	232	260	(77)	(58)	(90)	35
Third party liability	-	-	-	-	-	-
Pecuniary loss	-	-	-	-	-	-
	<u>75,300</u>	<u>62,717</u>	<u>(40,789)</u>	<u>(22,088)</u>	<u>(5,717)</u>	<u>(5,877)</u>
Reinsurance	-	-	-	-	-	-
Total	<u>75,300</u>	<u>62,717</u>	<u>(40,789)</u>	<u>(22,088)</u>	<u>(5,717)</u>	<u>(5,877)</u>

Commissions on direct insurance gross premiums earned during 2014 were £19.5m (2013: £9.9m).

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

4. Claims

Gross claims paid in 2014 amounted to £24.5m. Gross claims outstanding at the year end amounted to £42.1m (2013: £22m).

The Syndicate was impacted by Hurricane Odile which occurred in September 2014 and damaged a port in Mexico. The current gross outstanding is £3.2m. The remaining outstanding movement is primarily made up of smaller attritional claims that fall below the reinsurance recovery threshold.

Notes to the Financial Statements

5. Net Operating Expenses

	2014 £'000	2013 £'000
Brokerage and commission	(20,666)	(12,648)
Members standard personal expenses	(825)	(2,339)
Administration expenses	(9,213)	(7,101)
Loss on exchange	(1,190)	-
	<u>(31,894)</u>	<u>(22,088)</u>

Administration expenses include:

Auditor's remuneration		
Fees payable to the Syndicate's auditor for the audit of these financial Statements	30	64
Fees payable to the Syndicate's auditor and its associates in respect of:		
Other services pursuant to legislation	78	19
Valuation of actuarial service	40	-
Total auditor's remuneration	<u>148</u>	<u>83</u>

The fees in respect of the 2013 year relate to PKF Littlejohn LLP, who were the previous auditors. There are also fees of £18k included in the 2014 year that relate to PKF Littlejohn LLP.

6. Staff Numbers and Costs

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

	2014 £'000	2013 £'000
Wages and salaries	2,113	4,125
Social security costs	257	510
Other pension costs	184	357
	<u>2,554</u>	<u>4,992</u>

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

	2014 Number	2013 Number
Administration and finance	10	16
Underwriting	11	15
Claims	2	3
	<u>23</u>	<u>34</u>

7. Emoluments of The Directors of Asta Managing Agency Ltd

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

8. Active Underwriter's Emoluments

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

	2014 £'000	2013 £'000
Active Underwriter's emoluments	317	329
	<u>317</u>	<u>329</u>

9. Investment Income

	2014 £'000	2013 £'000
Income from investments	94	12
Gains on the realisation of investments	101	-
	<u>195</u>	<u>12</u>

10. Other Financial Investments

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

	2014		2013	
	Market Value £'000	Cost £'000	Market Value £'000	Cost £'000
Shares and other variable yield securities	29,575	29,575	12,568	12,578
Debt securities and other fixed income securities	-	-	873	872
	<u>29,575</u>	<u>29,575</u>	<u>13,441</u>	<u>13,450</u>

Notes to the Financial Statements

11. Debtors Arising out of Direct Insurance Operations

	2014	2013
	£'000	£'000
Due within one year		
-intermediaries	33,845	37,130
Due after on year		
-intermediaries	143	-
	<u>33,988</u>	<u>37,130</u>

12. Debtors Arising out of Reinsurance Operations

Due within one year		
-intermediaries	12,196	299
Due after one year		
-intermediaries	63	-
	<u>12,259</u>	<u>299</u>

13. Reconciliation of Members' Balances

	2014	2013
	£'000	£'000
Members' balances brought forward at 1 January	(19,396)	(13,758)
Loss for the financial year	(6,601)	(5,865)
Exchange movement	505	227
Collection from members	6,247	-
Exchange movement on balance due to members	(130)	-
Balance carried forward at 31 December	<u>(19,375)</u>	<u>(19,396)</u>

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

Notes to the Financial Statements

14. Technical Provisions

	Gross provisions £'000	2014 Reinsurance assets £'000	Net £'000	Gross provisions £'000	2013 Reinsurance assets £'000	Net £'000
Claims outstanding						
Balance at 1 January	42,677	(2,700)	39,977	19,560	(1,379)	18,181
Change in claims outstanding	26,485	(7,220)	19,265	24,497	(1,448)	23,049
Effect of FX and other movements	2,474	(548)	1,926	(1,380)	127	(1,253)
Balance at 31 December	71,636	(10,468)	61,168	42,677	(2,700)	39,977
Claims notified	43,489	(4,501)	38,988	22,934	(814)	22,120
Claims incurred but not reported	28,147	(5,967)	22,180	19,743	(1,886)	17,857
Balance at 31 December	71,636	(10,468)	61,168	42,677	(2,700)	39,977
Unearned premiums						
Balance at 1 January	40,424	-	40,424	28,817	-	28,817
Change in unearned premiums	9,653	(2,126)	7,527	12,583	-	12,583
Effect of movements in exchange rates	1,876	(113)	1,763	(976)	-	(976)
Balance at 31 December	51,953	(2,239)	49,714	40,424	-	40,424

15. Creditors Arising out of Direct Insurance Operations

	2014 £'000	2013 £'000
Due within one year		
-intermediaries	1,345	2,564
Due after on year		
-intermediaries	4	-
	<u>1,349</u>	<u>2,564</u>

Notes to the Financial Statements

16. Creditors Arising out of Reinsurance Operations

	2014 £'000	2013 £'000
Due within one year		
- intermediaries	7,163	964
Due after on year		
- intermediaries	1	-
	<u>7,164</u>	<u>964</u>

17. Reconciliation of operating profit to net cash inflow from operating activities

	Notes	2014 £'000	2013 £'000
Operating loss on ordinary activities		(6,601)	(5,865)
Realised and unrealised investment (gains)/losses including foreign exchange		(780)	1,087
Increase in net technical provisions		30,481	33,372
(Increase) in debtors		(12,252)	(8,447)
Increase/(decrease) in creditors		4,482	(3,015)
Foreign exchange movements on balance due to members		(130)	-
Other movements		505	227
Net cash inflow from operating activities		<u>15,705</u>	<u>17,359</u>

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

	2014 £'000	2013 £'000
Net cash inflow from the year	4,896	2,764
Cash flow – portfolio investments	17,056	14,595
Movement arising from cash flows	<u>21,952</u>	<u>17,359</u>
Changes in market value and exchange rates	780	(1,087)
Total movement in portfolio investments net of financing	<u>22,732</u>	<u>16,272</u>
Balance brought forward at 1 January	19,291	3,019
Balance carried forward at 31 December	<u>42,023</u>	<u>19,291</u>

Notes to the Financial Statements

19. Movement in Cash and Portfolio Investments

	At 1 January 2014 £'000	Cash Flow £'000	Changes to Market Value and Currencies £'000	At 31 December 2014 £'000
Cash at bank and in hand	4,779	4,896	(24)	9,651
Shares and other variable yield securities	12,568	16,201	806	29,575
Debt securities and other fixed income securities	-	-	-	-
Participation in investment pools	873	(873)	-	-
Overseas deposits	1,071	1,728	(2)	2,797
	<u>19,291</u>	<u>21,952</u>	<u>780</u>	<u>42,023</u>

20. Net Cash Inflow/(Outflow) on Portfolio Investments

	2014 £'000	2013 £'000
Purchase of shares and other variable yield securities	16,201	13,174
(Decrease)/Increase in investment pool	(873)	690
Increase in overseas deposits	1,728	731
Net cash inflow on portfolio investments	<u>17,056</u>	<u>14,595</u>

21. Funds at Lloyd's

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

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's and based on FCA and PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these annual accounts by way of such capital resources. However, the Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

22. Disclosure of Interests

Managing Agent's interest

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

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

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

23. Related Parties

Asta provides services and support to Syndicate 1897 in its capacity as Managing Agent. Asta's remuneration for the year was:

	2014
Managing Agent's Fees	£0.6m
Service Fees	£1.8m
	<u>£2.4m</u>
Amount outstanding at 31 December 2014	£0.12m

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

R&Q Managing Agency Limited provided services to Syndicate 1897 between January and March 2014 and R&Q Broker Services Ltd provided Binding Authority between the months of January to December 2014. Their fees were as follows:

	2014
R&Q Managing Agency Limited	£0.46m
R&Q Broker Services Limited	£0.41m
	<u>£0.87m</u>
Amount outstanding at 31 December 2014	£0.06m

Skuld Services Limited provided support to the syndicate throughout 2014. These fees were as follows:

	2014
Skuld Service Limited	£4.65m
	<u>£4.65m</u>
Amount outstanding at 31 December 2014	£0.35m

Notes to the Financial Statements

24. Post Balance Sheet Event

The 2012 underwriting year result, less members' agent's fees, of (£8.2m) will be called from members during 2014. This will be collected in USD LDTF.