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Nephila Syndicate 2357

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 Directors*

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

Adam Beatty

Bankers

Citibank NA

Independent Auditor

Deloitte 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 2357 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 profit of \$7.9m (2013: \$2.5m) on a gross written premium of \$33.3m (2013: \$14.0m).

Principal activity and review of the business

The Syndicate's principal activity continues to be the underwriting of Property, Catastrophe reinsurance business via a County Weighted Indexed Product (CWIP).

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

	2014 \$'000	2013 \$'000
Property Catastrophe Reinsurance (CWIP)	<u>33,355</u>	<u>13,967</u>

Business performed within the general tolerance of our planning expectations. However, at the time of writing, material risk remains unexpired in all portfolios.

The Syndicate's Key Financial Performance indicators during the year were as follows:

	2014 \$'000	2013 \$'000
Gross Written Premium	33,355	13,967
Total recognised gains relating to the financial year	7,962	2,507
Claims ratio	0%	0%
Expense ratio	54%	34%
Combined ratio	54%	34%

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.

Investment Policy

The Syndicate's investment strategy is to preserve capital and minimise investment risk.

Report of the Directors of the Managing Agent

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 Risk and Capital Committee meets quarterly to oversee the risk management framework. The Syndicate Board review 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 approved reinsurers, supported by collateralisation where required.

The Agency Reinsurance Security Committee monitors reinsurer ratings and is required to approve all new reinsurers before business is placed with them.

Market Risk

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

Exposure to changes in interest rates comes from the Syndicate's investment portfolio. The Agency seeks to minimise this risk through investing in short duration US Government Securities.

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.

The Agency has made considerable investment in people and systems and 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 class of reinsurance business. If opportunities arise to write new classes of business, these will be investigated at the appropriate time.

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.

The capacity for the 2015 year of account is £72.5m (2014 year of account £72.5m).

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 4 July 2014
G M J Erulin	
L Harfitt	
A J Hubbard	Appointed 1 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 management intends to reappoint Deloitte 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 member before 25 April 2015.

On behalf of the Board



C Chow
Company Secretary
13 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 auditors' report

To the member of Syndicate 2357

We have audited the syndicate annual financial statements for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes 1 to 18. 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 member, as a body, in accordance with regulation 10 of 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 member 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's member 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, the managing agent is responsible for the preparation of syndicate annual financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate annual financial statements 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 financial statements

An audit involves obtaining evidence about the amounts and disclosures in the annual financial statements sufficient to give reasonable assurance that the annual financial statements 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 financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements 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 auditors' report

Opinion on syndicate annual financial statements

In our opinion the annual financial statements:

- give a true and fair view of the syndicate's affairs as at 31 December 2014 and of its profit 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 Managing Agent's Report for the financial year in which the annual financial statements are prepared is consistent with the annual financial statements.

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 financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.



Andrew Downes (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

13 March 2015

Profit and loss account: Technical account – General business

For the year ended 31 December 2014

	Notes	2014 \$'000	2013 \$'000
Earned premiums, net of reinsurance			
Gross premiums written	3	33,355	13,967
Outward reinsurance premiums		<u>(18,002)</u>	<u>(8,362)</u>
Net premiums written		<u>15,353</u>	<u>5,605</u>
Change in the provision for unearned premiums			
Gross amount		3,397	(4,412)
Reinsurers' share		<u>(2,089)</u>	<u>2,637</u>
Change in net provision for unearned premiums		<u>1,308</u>	<u>(1,775)</u>
Earned premiums, net of reinsurance		16,661	3,830
Allocated investment return transferred from the non-technical account		3	2
Claims incurred, net of reinsurance			
Claims paid - Gross amount		-	-
- Reinsurers' share		<u>-</u>	<u>-</u>
Net claims paid		<u>-</u>	<u>-</u>
Change in the provision for claims			
Gross amount		-	-
Reinsurers' share		<u>-</u>	<u>-</u>
Change in net provision for claims		<u>-</u>	<u>-</u>
Claims incurred, net of reinsurance		-	-
Net operating expenses	5	(8,702)	(1,325)
Total technical charges		<u>(8,702)</u>	<u>(1,325)</u>
Balance on the technical account		<u>7,962</u>	<u>2,507</u>

All operations are continuing.

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

Profit and loss account: Non-technical account

For the year ended 31 December 2014

	Notes	2014 \$'000	2013 \$'000
Balance on the technical account – general business		7,962	2,507
Investment Income	7	3	2
Allocated investment return transferred to general business technical account		(3)	(2)
Profit for the financial year		<u>7,962</u>	<u>2,507</u>

All operations are continuing.

Statement of total recognised gains and losses

For the year ended 31 December 2014

	Notes	2014 \$'000	2013 \$'000
Profit for the financial year		7,962	2,507
Total recognised gains since last annual report		<u>7,962</u>	<u>2,507</u>

All operations are continuing.

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

Balance sheet – Assets

At 31 December 2014

	Notes	2014		2013	
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Investments					
Financial investments	8		27,169		12,790
Reinsurers' share of technical provisions					
Provision for unearned premiums			548		2,637
Debtors					
Debtors arising out of reinsurance operations		127		-	
Other debtors		<u>174</u>		<u>108</u>	
			301		108
Other Assets					
Cash at bank and in hand			1,029		109
Prepayments and accrued income					
Deferred acquisition costs		101		17	
Other prepayments and accrued income		<u>2,197</u>		<u>-</u>	
			2,298		17
TOTAL ASSETS			<u>31,345</u>		<u>15,661</u>

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

Balance sheet – Liabilities

At 31 December 2014

	Notes	2014 \$'000	2013 \$'000
LIABILITIES			
Capital and reserves			
Members' balances	9	10,469	2,507
Technical provisions			
Provision for unearned premiums		1,015	4,412
Creditors			
Creditors arising out of reinsurance operations	10	18,732	8,362
Accruals and deferred income		1,129	380
TOTAL LIABILITIES		<u>31,345</u>	<u>15,661</u>

The notes on pages 14 to 22 form an integral part of these annual accounts.

The annual accounts on pages 9 to 22 were approved by the Board of Asta Managing Agency Ltd on 13 March 2015 and were signed on its behalf by



D J G Hunt
Director
13th March 2015

Statement of cash flows

For the year ended 31 December 2014

	Notes	2014 \$'000	2013 \$'000
Net cash inflow from operating activities	11	15,299	12,899
Transfer to members in respect of underwriting participations		-	-
Net cash inflow	11	<u>15,299</u>	<u>12,899</u>
Cash flows were invested as follows:			
Increase in cash holdings	12	920	109
Increase in portfolio investments	12	14,379	12,790
Net investment of cash flows		<u>15,299</u>	<u>12,899</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. Gross Premiums Written

Gross premiums written comprise premiums on contracts incepted 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

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from prior years.

The provision for claims outstanding is assessed on:

- An individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs; and
- The estimated cost of claims incurred but not reported ("IBNR") at the balance sheet date based on statistical methods.

The statistical methods generally involve projecting the development of claims over time to form a view of the likely ultimate claims. For more recent underwriting, adjustments are made for variations in the business accepted and the underlying terms and conditions. For the current year, estimates may also be based in part on output from rating models (AAR) of the business accepted and assessments of underwriting conditions.

The Syndicate's reserving methodology takes into account the characteristics of the lines of business underwritten. The CWIP Catastrophe account reserves for known events separately. Any known events are reserved on explicit exposure information combined with Market Loss estimates and explicit cedant information.

The reinsurers' share of provisions for claims is based on the 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. A number of statistical methods are used to assist in making these 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 directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provision established in prior years are reflected in the financial statements for the period for which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Notes to the Financial Statements

2. Accounting Policies (Continued)

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.

h. Foreign Currencies

The functional currency and reporting currency are US dollars.

Transactions in Sterling and Euros 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.

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	
	Year End	Average
GBP	0.641	0.606
EUR	0.827	0.751

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.

2. Accounting Policies (Continued)

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.

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 based on the profit on a year of account basis. 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

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

	Gross written premium \$'000	Gross premium earned \$'000	Gross claims incurred \$'000	Gross operating expenses \$'000	Reinsurance balance \$'000	Total \$'000
2014						
Reinsurance	33,355	36,752	-	(8,702)	(20,091)	7,962
	<u>33,355</u>	<u>36,752</u>	<u>-</u>	<u>(8,702)</u>	<u>(20,091)</u>	<u>7,962</u>
2013						
Reinsurance	13,967	9,555	-	(1,325)	(5,725)	2,507
	<u>13,967</u>	<u>9,555</u>	<u>-</u>	<u>(1,325)</u>	<u>(5,725)</u>	<u>2,507</u>

All Contracts were concluded in the UK.

Gross operating expenses are the same as net operating expenses shown in the profit and loss account, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses for 2014.

4. Claims Outstanding

There were no claims notified and there was no loss activity to reserve for during the year.

5. Net operating expenses

	2014 \$'000	2013 \$'000
Acquisition costs	(3,351)	(31)
Change in deferred acquisition costs	84	17
Administrative expenses	(5,443)	(1,303)
Loss on exchange	8	(8)
	<u>(8,702)</u>	<u>(1,325)</u>

Administrative expenses include:

	2014 \$'000	2013 \$'000
Audit fees		
Fees payable to the syndicate's auditor for the audit of these financial statements	(43)	(36)
Non audit fees		
Other services pursuant to legislation	(36)	(14)
Statement of actuarial opinion	(25)	(23)
	<u>(104)</u>	<u>(73)</u>

Notes to the Financial Statements

6. 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.

J. M. Tighe's remuneration is disclosed in the financial statements of Asta Insurance Markets Ltd and was charged in the accounts of Asta Managing Agency Ltd. No emoluments of the Directors or Asta Managing Agency Ltd staff were directly charged to the Syndicate. The emoluments of the active underwriter are borne by the Nephila Group.

7. Investment Return

	2014 \$'000	2013 \$'000
Investment income		
Income from investments	<u>3</u>	<u>2</u>
	<u>3</u>	<u>2</u>

8. Financial Investments

	2014		2013	
	Market value \$'000	Cost \$'000	Market value \$'000	Cost \$'000
Shares and other variable securities and units in unit trusts	170	170	12,790	12,790
Debt and other fixed income securities	<u>26,999</u>	<u>26,999</u>	<u>-</u>	<u>-</u>
	<u>27,169</u>	<u>27,169</u>	<u>12,790</u>	<u>12,790</u>

All "shares and other variable yield securities and units in unit trusts" and "debt and other fixed income securities" are listed. These comprise 100% of the total market value of investments.

9. Reconciliation of Member's Balances

	2014 \$'000	2013 \$'000
Net balance at 1 January	2,507	-
Profit for the year	7,962	2,507
Net balance at 31 December	<u>10,469</u>	<u>2,507</u>

Notes to the Financial Statements

10. Creditors Arising Out of Reinsurance Operations

	2014 \$'000	2013 \$'000
Due within one year	<u>18,732</u>	<u>8,362</u>
	18,732	8,362

11. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2014 \$'000	2013 \$'000
Operating profit on ordinary activities	7,962	2,507
(Decrease)/Increase in net technical provision	(1,308)	1,775
Increase in debtors and prepayments	(2,474)	(125)
Increase in creditors and accruals	<u>11,119</u>	<u>8,742</u>
Total inflow	<u>15,299</u>	<u>12,899</u>

12. Movement in Portfolio Investments Net of Financing

	2014 \$'000	2013 \$'000
Net cash inflow for the year	926	109
Cash flow		
Increase in portfolio investments	<u>14,379</u>	<u>12,790</u>
Movement arising from cash flows	15,305	12,899
Changes in market value and exchange rates	<u>(6)</u>	<u>-</u>
Total movement in portfolio investments	15,299	12,899
Portfolio at 1 January	12,899	-
Portfolio at 31 December	<u>28,198</u>	<u>12,899</u>

Notes to the Financial Statements

13. Movement in Cash, Portfolio Investments and Financing

	At 1 January 2014 \$'000	Cash Flow \$'000	Changes to market value and currencies \$'000	At 31 December 2014 \$'000
Cash at bank	109	926	(6)	1,029
<i>Portfolio investments:</i>				
Shares and other variable yield securities and units in unit trusts	12,790	(12,620)	-	170
Debt and other fixed income securities	-	26,999	-	26,999
Total portfolio investments	<u>12,899</u>	<u>14,379</u>	<u>-</u>	<u>27,169</u>
Total cash portfolio investments and financing	<u>12,899</u>	<u>15,305</u>	<u>(6)</u>	<u>28,198</u>

14. Net Cash inflow/outflow on Portfolio Investments

	2014 \$'000	2013 \$'000
Purchase of shares and other variable yield securities and units in unit trusts	-	(12,790)
Purchase of debt and other fixed income securities	(26,999)	-
Sale of shares and other variable yield securities and units in unit trusts	12,620	-
Net cash outflow on portfolio investments	<u>(14,379)</u>	<u>(12,790)</u>

15. 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 member's underwriting liabilities.

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

16. 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).

17. Related Parties

Asta provides service and support to Syndicate 2357 in its capacity as Managing Agent. Managing agent's fees of \$2.06m and service charges of \$1.93m were recharged by Asta to the Syndicate during 2014. As at 31 December 2014 an amount of \$0.15m was owed to Asta in respect of services provided.

Syndicate 2357's dedicated capital provider is Nephila 2357 Limited, whose ultimate parent is Nephila Syndicate Holdings Limited, a company based in Bermuda. The Syndicate has paid \$0.13m expenses on behalf of Nephila 2357 Limited and \$0.23m is due at 31 December 2014 (2013: \$0.1m).

Syndicate 2357 benefits from collateralised reinsurance provided by Poseidon Re. The Syndicate purchased stop loss reinsurance costing \$18.73m (2013: \$8.36m) from Poseidon Re, a class III Bermuda reinsurer. Both Nephila Syndicate Holdings and Poseidon Re are managed by Nephila Capital Limited, a company based in Bermuda. The amount outstanding to Poseidon Re at 31 December 2014 was \$18.73m (2013: \$8.36m).

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.

18. Post Balance Sheet Events

There have been no material post balance sheet events.