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DL Dale Syndicate 2525

Annual Report and Accounts

31 December 2014

Contents

Directors and Administration 1
Active Underwriter's Report 2
Report of the Directors of the Managing Agent 5
Statement of Managing Agent's Responsibilities 10
Independent auditor's report 11
Profit and loss account: Technical account – General business 13
Profit and loss account: Non-technical account 14
Statement of total recognised gains and losses 14
Balance sheet – Assets 15
Balance sheet – Liabilities 16
Statement of cash flows 17
Notes to the Financial Statements 18

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

D L Dale

Bankers

Barclays Plc.
Citibank N.A,
RBC Dexia

Investment Managers

Amundi (UK) Limited

Registered Auditors

KPMG LLP, London

Active Underwriter's Report

For the year ended 31 December 2014

2012 Year of Account	
Allocated Capacity	**£41.7m**
Capacity Utilisation	**70%**
Profit in 2014	**£14.0m**

I am pleased to report a calendar year profit of £14m, which comfortably exceeds the forecast at the third quarter last year. The loss development pattern continues to demonstrate the Syndicate's robust reserving policy which has been at the heart of its philosophy since the current team's involvement in 2003.

Stamp capacity remained unchanged and utilisation was the same as that achieved in 2011, whilst rate reductions on the renewal book (-0.94%) saw a slight improvement on 2011 (-1.12%).

Risk appetite remained constant with the account being similar in content to previous years, with the majority of risks coming from the small to medium brokers both in Lloyd's and the local markets; the high level business ratios have seen little change over the last decade in keeping with the 2525's mantra to underwrite within its knowledge and capabilities.

Terms and conditions remained sensible and excesses on the primary account continued at a realistic level; these have changed little since 2003.

The profit in the calendar year has largely come from reserve releases from 2012 and prior years. Please refer to the closing year statements where these improvements are aptly displayed in the table provided.

As referred to in last year's report the 2012 year of account registered the highest net loss ratio, including the highest net ULR, since 2003 and at close this position has prevailed. However, it is encouraging to note that the position improved during 2014. In addition, on a traditional Lloyd's three-year accounting basis, the above has not impacted too negatively on the closing year result, which is very encouraging.

2013 Year of Account	
Allocated Capacity	**£42.0m**
Capacity Utilisation	**75%**
Profit in 2014	**£0.3m**

Stamp capacity remained unchanged whilst the stamp utilisation (75%) has increased, following the Syndicate's intention to raise the premium expectation from £27.5m (estimated for both 2011 and 2012) to £32.3m as a result of positive figures achieved in the previous two years and the intended inclusion of a primary international account (see below). Signed income for the year, twelve months before closure, is already higher than the Syndicate has achieved since 2009.

Rating comparisons on the renewal account (+0.02%) are the first positive numbers achieved by the Syndicate since the heady days of the early part of the new millennium, albeit only small, but certainly worthy of mention.

As in previous years, terms and conditions continued to remain tightly aligned to realistic excesses on the primary account. Broker support continued to come from the independent specialist Lloyd's brokers, and their counterparts in the regions.

Active Underwriter's Report

The Syndicate's plan to add primary international as a new class of business did not come to fruition as a result of a number of factors, the most notable of which was the dire state of the Australian casualty market, which was to be the main focus for the Syndicate. On a positive note, the upshot of this was to raise premium expectations which were channelled into the more traditional 2525 account where a modicum of good sense still exists.

Although a small loss is predicted it is encouraging to note that the whole account net loss ratio is 10 percentage points better than that registered for 2012 as at the same point in its development.

2014 Year of Account

Stamp Capacity	**£42.0m**
Forecast Utilisation	**82%**
Loss in 2014	**£4.2m**

Stamp capacity remained constant whilst stamp utilisation has remained similar to 2013, thus maintaining momentum and increased income expectations (£32.6). Rating comparisons with 2013 are showing another positive number (+0.08%) and since 2009 the expected SBF rate movements are almost exactly as predicted though not necessarily distributed as envisaged(see table below).

Business ratios remained within the parameters set, whilst terms and conditions and primary excesses once again held up well during the year with both broker support and brokerage levels unchanged. As stated above 2014 did not include much business originally hall marked from a primary casualty prospective for much of the same reasons, although there was a slight uplift towards the end of the year.

The Syndicate's reinsurance projections for all the years above, and stretching back to 2005, have remained constant in terms of the markets that support it, the net amount that the Syndicate retains, and the broker that places the business. The Syndicate purchases reinsurance, as it would hope its clients buy insurance from the Syndicate, as a long term venture.

As reported last year, due to difficulties in projecting from immature data the long tail nature of the account, provisions made for unearned premiums and lack of investment income coupled with diminishing forecast returns, it is prudent to post a loss for 2014 at this early stage.

Active Underwriter's Report

Below is the renewal rate monitor which shows how premium rates have moved year on year and the effect this has had on the rating environment over time;

2004	-10.0%
2005	-9.5%
2006	-8.02%
2007	-5.8%
2008	-4.4%
2009	-0.2%
2010	-0.93%
2011	-1.12%
2012	-0.94%
2013	+0.02%
2014	+0.08%

The above table demonstrates how premium rates have levelled out during the more recent years and although there are positive, albeit small, movements in 2013 and 2014, the expectation of achieving increased pricing for clean business is still not materialising.

Finally, included is a table of gross income after brokers' commissions together with year on year reductions / increases in percentage terms:

Year of account	Premium (£m)	Change (%)
2005	42.3	
2006	39.0	-7.8
2007	36.3	-6.9
2008	34.5	-5.0
2009	30.1	-12.8
2010	30.0	-0.3
2011	29.0	-3.3
2012	28.9	0.3%
2013	32.3	+11.8 (expected)
2014	32.6	+0.9% (expected)

2015 Year of Account

The Syndicate has managed to gain some forward movement in terms of premium income over the last four years and has maintained this momentum into 2015 whilst maintaining sound underwriting discipline. This discipline has been achieved by observing the 'cause and effect' of our collective decision making over many years of underwriting the same business to primarily the same brokers for the same type of risks.

As the market registers another year of more capacity and an increasing number of entities that have the same risk appetite as 2525 the need to continue in the same vein is paramount.

D L Dale
Active Underwriter
17 March 2015

Report of the Directors of the Managing Agent

The Directors of Asta Managing Agency Ltd ("Asta") present their report in respect of Syndicate 2525 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").

Result

The result for calendar year 2014 is a profit of £10.14m (2013 profit: £11.26m).

Principal activity and review of the business

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

The Syndicate writes employers and public liability insurance primarily in the United Kingdom.

A full review is included in the Active Underwriter's report.

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

	2014 £'000	2013 £'000
Employers' liability	23,843	22,437
Public liability	18,400	16,558
	42,243	38,995

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

	2014 £'000	2013 £'000
Gross written premiums	42,243	38,995
Profit for the financial year	10,138	11,263
Total recognised gains and losses relating to the financial period	10,263	10,996
Claims ratio	27.5%	19.9%
Expenses ratio	45.5%	47.7%
Combined ratio	73.0%	67.6%

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)	41,655	42,000	42,000
Result/forecast (£'000)	9,448	(2,298)	(3,372)
Return on capacity (%)	22.7%	(5.5%)	(8.0%)

Investment Policy

The syndicate has a conservative approach to investing, with asset protection a higher priority than investment return.

The investment objective is to invest the Premiums Trust Funds to maximise return within agreed constraints and risk appetite, whilst ensuring the liquidity needs of the Agency can be met. Portfolios are invested in high-quality, short-term fixed income securities. Regular investment committee meetings and formal procedures are in place to monitor investments, their returns, and the economic outlook.

Investment Performance

During 2014, the investment portfolios showed steady positive performance despite negative yields in core Eurozone, and volatile performance of Gilts in the UK. The ECB's Quantitative Easing programme pushed yields of high rated European paper into negative territory. The UK bond market made a surprise turnaround; short dated Gilts had underperformed in the first half of the year but reversed all their losses in the second half of the year as oil prices, and consequently inflationary prospects, fell. At year-end the 10-year Gilt yield was 1.75%, close to its all-time low.

The Euro portfolio showed strong returns relative to core European bonds but trailed that of the benchmark as the portfolio did not benefit from the rally in Eurozone periphery bonds, which lie outside the mandate's conservative remit. Sterling returns continued to show resilience, avoiding the gyrations of the benchmark which had monthly losses as high as 28 basis points.

Returns were in line with expectations for both the Euro and Sterling portfolios. Syndicate 2525 returned 0.85% and 0.37% in GBP and EUR respectively. Performance was driven by corporate bond and ABS holdings which provided additional carry and benefitted from a narrowing of spreads during the year.

Outlook for 2015

Yields remain low and credit spreads are narrow leaving limited scope for generating excess returns. The portfolios remain positioned short duration, relative to benchmarks. Corporate bonds will continue to be used to enhance portfolio yields. The short dated nature of the portfolios and a buffer of government and sovereign-related bonds should provide good liquidity to meet potential cashflows.

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 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.

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.

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

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.

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 classes of general direct insurance 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 £42.2m (2014 year of account £42.0m).

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 KPMG 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 2525

We have audited the syndicate 2525 annual accounts for the year ended 31 December 2014, as set out on pages 13 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the members of the syndicate, 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 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 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 10, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the syndicate annual accounts

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 profit for the year then ended;
- have been properly prepared in accordance with UK 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 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 (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 require 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.

Mark Taylor (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
London
17 March 2015

Profit and loss account: Technical account – General business

For the year ended 31 December 2014

	Notes	2014 £'000	£'000	2013 £'000	£'000
Earned premiums, net of reinsurance					
Gross premiums written	3	42,243		38,995	
Outward reinsurance premiums		(6,492)		(7,785)	
Net premiums written			35,751		31,210
Change in the provision for unearned premiums					
Gross amount	16	(9)		(274)	
Reinsurers' share	16	(231)		1,952	
Change in net provision for unearned premiums			(240)		1,678
Earned premiums, net of reinsurance			35,511		32,888
Allocated investment return transferred from the non-technical account			571		595
Claims incurred, net of reinsurance					
Claims paid - Gross amount		(16,744)		(16,091)	
- Reinsurers' share		5,697		1,100	
Net claims paid		(11,047)		(14,991)	
Change in the provision for claims					
Gross amount	16	13,720		2,096	
Reinsurers' share	16	(12,446)		6,353	
Change in net provision for claims		1,274		8,449	
Claims incurred, net of reinsurance	4		(9,773)		(6,542)
Net operating expenses	5		(16,171)		(15,678)
Balance on the technical account – General business			**10,138**		**11,263**

All operations are continuing.

The notes on pages 18 to 29 form an integral 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		10,138	11,263
Investment Income	10	1,707	1,557
Unrealised gains on investments		47	32
Investment expenses and charges	11	(464)	(446)
Unrealised losses on investments		(719)	(548)
Allocated investment return transferred to general business technical account		(571)	(595)
Profit for the financial year	**15**	**10,138**	**11,263**

Statement of total recognised gains and losses

For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Profit for the financial year		10,138	11,263
Foreign exchange movement on members' funds	15	125	(267)
Total recognised gains and losses since last annual report		**10,263**	**10,996**

All operations are continuing.

The notes on pages 18 to 29 form an integral part of these financial statements.

Balance sheet – Assets

At 31 December 2014

	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
ASSETS					
Investments					
Other financial investments	12		82,342		80,939
Reinsurers' share of technical provisions					
Provision for unearned premiums	16	4,431		4,662	
Claims outstanding	16	29,049		41,561	
			33,480		46,223
Debtors					
Due within one year					
Debtors arising out of direct insurance operations	13	11,876		9,589	
Debtors arising out of reinsurance operations	14	13		164	
Other debtors		5		4	
			11,894		9,757
Other Assets					
Cash at bank and in hand	21	6,528		6,845	
Overseas deposits	21	740		5,285	
			7,268		12,130
Prepayments and accrued income					
Deferred acquisition costs		3,317		3,354	
Other prepayments and accrued income		593		649	
			3,910		4,003
TOTAL ASSETS			**138,894**		**153,052**

The notes on pages 18 to 29 form an integral part of these financial statements.

Balance sheet – Liabilities

At 31 December 2014

	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
LIABILITIES					
Capital and reserves					
Members' balances	15		2,180		2,550
Technical provisions					
Provision for unearned premiums	16	16,923		16,889	
Claims outstanding	16	116,166		130,318	
			133,089		147,207
Creditors					
Due within one year					
Creditors arising out of direct insurance operations	17	175		61	
Creditors arising out of reinsurance operations	18	273		290	
Other creditors including taxation and social security		2,019		2,254	
			2,467		2,605
Accruals and deferred income			1,158		690
TOTAL LIABILITIES			**138,894**		**153,052**

The notes on pages 18 to 29 form an integral part of these financial statements.

The annual accounts on pages 13 to 29 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
17 March 2015

Statement of cash flows

For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow from operating activities	19	8,144	550
Payment of Members Agents' fees		(311)	(311)
Transfer to members in respect of underwriting participations		(10,322)	(13,220)
Net cash outflow	20	**(2,489)**	**(12,981)**
Cash flows were (divested) / invested as follows:			
Decrease in cash holdings	21	(199)	(1,992)
Decrease in deposits	21	(4,543)	(1,515)
Net portfolio divestment	21	2,253	(9,474)
Net divestment of cash flows	20	**(2,489)**	**(12,981)**

The notes on pages 18 to 29 form an integral part of these financial statements.

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 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

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, Australian dollars 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.

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
AUD	1.91	1.83	1.85	1.62

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 in respect of 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 17.5% 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.

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.

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						
Third Party Liability	42,243	42,234	(3,024)	(16,171)	(13,472)	9,567
Total	**42,243**	**42,234**	**(3,024)**	**(16,171)**	**(13,472)**	**9,567**

2013	Gross Premiums Written £'000	Gross Premiums Earned £'000	Gross Claims Incurred £'000	Net Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Insurance						
Third Party Liability	38,995	38,721	(13,995)	(15,678)	1,620	10,668
Total	**38,995**	**38,721**	**(13,995)**	**(15,678)**	**1,620**	**10,668**

Commissions on direct insurance gross premiums earned during 2014 were £7.8 million (2013: £7.2 million).

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

4. Claims

There were favourable movements during the year of £24.8 million, (2013: £15.6 million), on prior year gross claims reserves, held at 31 December 2013.

5. Net Operating Expenses

	2014 £'000	2013 £'000
Brokerage and commissions	7,769	7,203
Other acquisition costs	755	726
Change in deferred acquisition costs	40	(232)
Administration expenses	7,358	7,107
Loss on exchange	249	874
	16,171	15,678
Administration expenses include:		
Auditor's remuneration		
Fees payable to the Syndicate's auditor for the audit of these financial statements	90	88
Fees payable to the Syndicate's auditor and its associates in respect of: other assurance services	63	61
Total auditor's remuneration	153	149

6. Staff Numbers and Costs

Syndicate staff are employed and paid by Asta Management Services Ltd a fellow subsidiary of the Managing Agent.

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

	2014 £'000	2013 £'000
Wages and salaries	1,273	1,232
Social security costs	152	152
Other pension costs	206	124
	1,631	1,508

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

	2014 Number	2013 Number
Administration and finance	3	3
Underwriting	6	7
Claims	8	8
	17	18

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
Emoluments	233	228
Contributions to pension scheme	-	-
	233	228

9. Highest Paid Director's Emoluments

No emoluments of the Directors or staff of Asta Managing Agency Ltd were directly charged to the Syndicate.

10. Investment Income

	2014 £'000	2013 £'000
Income from investments	1,705	1,555
Gains on the realisation of investments	2	2
	1,707	1,557

11. Investment Expenses and Charges

	2014 £'000	2013 £'000
Investment management expenses, including interest	75	83
Losses on realisation of investments	389	363
	464	446

12. Other Financial Investments

	2014		2013	
	Market Value £'000	Cost £'000	Market Value £'000	Cost £'000
Shares and other variable yield securities	6,253	6,253	10,015	10,015
Debt securities and other fixed income securities	76,089	76,747	70,924	71,341
	82,342	83,000	80,939	81,356

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

The following table analyses the credit rating by investment grade of financial investments and cash at bank and in hand.

	2014			2013		
	Total Investments £'000	Cash at Bank and in hand £'000	Total £'000	Total Investments £'000	Cash at Bank and in hand £'000	Total £'000
Gov	25,594	-	25,594	30,720	-	30,720
AAA	28,691	6,528	35,219	33,248	6,845	40,093
AA	24,281	-	24,281	15,054	-	15,054
A	3,776	-	3,776	1,917	-	1,917
Total	82,342	6,528	88,870	80,939	6,845	87,784

13. Debtors Arising out of Direct Insurance Operations

	2014 £'000	2013 £'000
Due within one year		
- intermediaries	11,876	9,589
	11,876	9,589

14. Debtors Arising out of Reinsurance Operations

	2014 £'000	2013 £'000
Due within one year		
- intermediaries	13	164
	13	164

15. Reconciliation of Members' Balances

	2014 £'000	2013 £'000
Members' balances brought forward at 1 January	2,550	5,085
Profit for the financial year	10,138	11,263
Exchange movement	125	(267)
Members' agents fee	(311)	(311)
Distribution to members	(10,322)	(13,220)
Balance carried forward at 31 December	2,180	2,550

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 the years on which they participate.

16. Technical Provisions

	2014			2013		
	Gross Provisions £'000	Reinsurance Assets £'000	Net £'000	Gross Provisions £'000	Reinsurance Assets £'000	Net £'000
Claims outstanding						
Balance at 1 January	130,318	(41,561)	88,757	132,161	(35,189)	96,972
Change in claims outstanding	(13,720)	12,446	(1,274)	(2,096)	(6,353)	(8,449)
Effect of movements in exchange rates	(432)	66	(366)	253	(19)	234
Balance at 31 December	116,166	(29,049)	87,117	130,318	(41,561)	88,757
Claims notified	93,096	(24,129)	68,967	101,973	(34,054)	67,919
Claims incurred but not reported	23,070	(4,920)	18,150	28,345	(7,507)	20,838
Balance at 31 December	116,166	(29,049)	87,117	130,318	(41,561)	88,757
Unearned premiums						
Balance at 1 January	16,889	(4,662)	12,227	16,669	(2,710)	13,959
Change in unearned premiums	9	231	240	274	(1,952)	(1,678)
Effect of movements in exchange rates	25	-	25	(54)	-	(54)
Balance at 31 December	16,923	(4,431)	12,492	16,889	(4,662)	12,227

17. Creditors Arising out of Direct Insurance Operations

	2014 £'000	2013 £'000
Due within one year		
- intermediaries	175	61
	175	61

18. Creditors Arising out of Reinsurance Operations

	2014 £'000	2013 £'000
Due within one year		
- intermediaries	273	290
	273	290

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

	Notes	2014 £'000	2013 £'000
Operating profit on ordinary activities		10,138	11,263
Realised and unrealised investment losses including foreign exchange		970	280
Decrease in net technical provisions		(1,375)	(9,947)
Decrease/(Increase) in debtors		(2,044)	698
Increase/(Decrease) in creditors		330	(1,477)
Foreign exchange movements on balance due to members		125	(267)
Net cash inflow from operating activities		**8,144**	**550**

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

	2014 £'000	2013 £'000
Net cash flow from the year	(199)	(1,992)
Cash flow – portfolio investments	(2,290)	(10,989)
Movement arising from cash flows	(2,489)	(12,981)
Changes in market value and exchange rates	(970)	(280)
Total movement in portfolio investments net of financing	(3,459)	(13,261)
Balance brought forward at 1 January	93,069	106,330
Balance carried forward at 31 December	89,610	93,069

21. 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	6,845	(199)	(118)	6,528
Debt securities and other fixed interest securities	70,924	6,304	(1,139)	76,089
Overseas deposits	5,285	(4,543)	(2)	740
Shares and other variable yield securities	10,015	(4,051)	289	6,253
	93,069	(2,489)	(970)	89,610

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

	2014 £'000	2013 £'000
Sale of overseas deposits	(4,543)	(1,515)
(Sale)/Purchase of shares and other variable yield securities	(4,051)	1,429
Purchase/(Sale) of debt securities and other fixed interest securities	6,304	(10,903)
Net cash inflow/(outflow) on portfolio investments	2,290	(10,989)

23. Funds at Lloyd's

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

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's, based on 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 financial statements by way of such capital resources. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

24. 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).

25. Related Parties

Asta provides services and support to Syndicate 2525 in its capacity as Managing Agent. During the year, managing agency fees of £420,000 (2013: £1,904,789) were charged to the syndicate. Asta also recharged £2,042,132 (2013: £1,904,789) worth of service charges in the year and as at 31 December 2014 an amount of £316,893 (2013: £176,756) was owed to Asta in respect of this service.

Syndicate 2525 has recorded £2,004,033 (2012: £2,253,960) for profit commission.

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.

26. Post Balance Sheet Event

The 2012 underwriting year result, less members' agent's fees, of £9.4 million will be distributed to members during 2015.