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SYNDICATE 1861

ANNUAL REPORT AND ACCOUNTS

For the year ended 31 December 2015

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Directors and Advisers

Managing Agent
ANV Syndicates Limited

Registered office
47 Mark Lane
London EC3R 7QQ

Managing Agent's registered No. 4434499

FCA Firm Registration No. 226696

Lloyd's Registration No. 2073D

Syndicate:
1861

Directors

J M P Taylor (Non-Executive Chairman)	
N C T Pawson (Non-executive Director)	
A P Hulse (Non-Executive Director)	
J G M Verhagen (Non-Executive Director)	Appointed 17 March 2015
S J Helson	Appointed 22 January 2016
R M Fairfield	Appointed 20 February 2015, Resigned 21 April 2015
B Gilman	
A S W Hall	Appointed 16 July 2015
J M Hamilton	
A C Barker	
L J Cross	
G M van Loon	

Active Underwriter
C Jarvis

Bankers
Lloyds Bank plc
City Office
Bailey Drive
Gillingham Business Park
Kent ME8 0LS

Investment Manager
Amundi Asset Management (UK)
41 Lothbury
London
EC2R 7HF

Statutory Auditor
Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Strategic Report

ANV Group
ANV's mission is to be a globally diversified specialty (re)insurance group recognised for its expertise, operational excellence and strong culture. Through its Lloyd's Managing Agency wholesale operations and Managing General Underwriter ('MGU') domestic distribution platform, ANV targets client segments that demand specialist insurance products, market know-how, specialist claims handling expertise and cutting edge information technology capability.

ANV Holdings BV, the parent company of the ANV Group, is a privately held and Dutch registered holding company and its lead investor is the Canadian pension fund, Ontario Teachers' Pension Plan ('OTPP').

ANV Syndicates
ANV's Lloyd's platform ('ANV Syndicates') is the cornerstone of the company's wholesale operations, allowing ANV to access profitable specialty business on a worldwide basis.

ANV Syndicates are managed by ANV Syndicates Limited ('ASL'), which operated as a single combined Managing Agency for the first full year in 2015, following completion of the programme to fully integrate the Flagstone and Jubilee Managing Agencies in 2014. Further significant investment was also made during 2015 to strengthen the infrastructure within which the business operates to provide a scalable platform on which to grow the business.

ASL manages Lloyd's Syndicates 1861, 5820 and 779; writing a globally diversified risk portfolio with twelve diverse and scalable lines of business, which have been selected based on ANV's strategic position and the market opportunity within Lloyd's, and the portfolio diversification and capital benefits these classes offer. ANV will continue to develop these existing core lines of business to critical mass and seek to position itself as a leading market participant in the segments it targets. In growing these classes, the Syndicate will continue to develop niche business through its relationship with ANV's MGU business.

The following lines of business have been identified as core to ASL:

- Accident & Health and Special Risks
- Aviation
- Consumer Products
- Cyber
- Energy
- Life
- Marine
- Non-Marine Liability
- Property
- Political Risks and Political Violence
- Professional Lines
- Specialty Reinsurance

ASL continued to act as the Managing Agency for Apollo Syndicate 1969 until 1 August 2015, at which point the syndicate management was novated to Apollo Syndicate Management Limited successfully concluding the turnkey arrangement started 5 years ago. ANV Central Bureau of Services Limited ('CBS'), a group company, continues to provide various IT and administrative services to Apollo.

2015 Overview
Syndicate 1861 has delivered 12.2% growth in top-line premium in 2015, which is a strong performance in the context of the current market conditions across the traditional specialty lines and the continued disciplined underwriting approach adopted across all classes.

The profit for the financial year has stayed consistent with 2014 at £11.4m, with the combined ratio for the year at 94.6%. A generally benign catastrophe season, combined with lower than expected attritional and large loss activity, has driven a significant improvement in the claims ratio in the year by 8.9% to 43.7%. This represents a 16.6% improvement since 2013 (claims ratio 60.3%), following the portfolio reengineering that has taken place over the last two years. Offsetting this, growth within the newer classes growing to critical mass, as part of this portfolio re-balancing exercise, has resulted in an increase to the acquisition cost ratio to 39.4% in the year; meanwhile continued investment in the Syndicate platform has driven an increase in the expense ratio in the year to 11.5% (from 9.1% in 2014).

1861 Underwriting Review

The underwriting strategy during 2015 has been to maintain focus on developing the core business lines, primarily by building out the new lines and products established in the Syndicate since 2012. In 2015 the Syndicate has successfully entered the US Non-Marine General Liability market, diversifying the overall business mix.

Portfolio and cycle management have been a key focus for the 1861 underwriting team in 2015. Towards the end of 2014 management identified certain segments of the account where the performance was becoming marginal due to poor market conditions, most notably Cargo and General Aviation. During 2015 the team have taken several corrective measures in both lines to improve performance and ensure the business is well placed to manage the current depressed market conditions.

Despite the challenging environment, 1861 has again achieved premium growth year on year. This is as a considerable achievement, given the continued disciplined underwriting exercised across all lines. The broader product offering, which now includes Cyber & Non-Marine Liability, has assisted in mitigating the declining income levels in some of the more traditional lines, such as Property and Upstream Energy.

The Syndicate has performed well during the 2015 calendar year, benefiting from a generally benign catastrophe season but, critically, combined with lower than expected attritional and large loss activity. This has been underpinned by the strong performance against plan to date for 2015 year of account, with continued favourable development of the 2013 & 2014 underwriting years. The earlier years continue to develop in line or better than expectations. Given the relative size of the Syndicate and short tail nature of the book in those years syndicate management remains cautiously confident this trend will be maintained.

Key Performance Indicators

The Syndicate's key financial performance indicators below relate to the results for the Syndicate on an annual accounting basis during the year and were as follows:

	2015	2014
	£m	£m
Gross premium written	222.0	197.8
Net premium written	167.7	155.0
Net premium earned	156.7	157.8
Profit for the financial year (before OCI[1])	11.4	11.8
Total comprehensive income	11.3	12.2
Cash, investments and overseas deposits	138.2	166.4
	%	%
Claims ratio (net)	43.7	52.6
Acquisition ratio (net)	39.4	32.0
Expense ratio[2] (net)	11.5	9.1
Combined ratio[3]	94.6	93.7

Notes:

1 OCI (other comprehensive income) represents foreign exchange gains and losses on translation from the Syndicate's US dollar functional currency to its Sterling presentational currency.

2 The 2014 comparative expense ratio has been restated following the change in treatment of movement of foreign exchange gains and losses to the non-technical account as required by FRS 102 adopted for the first time in 2015.

3The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned. The 2014 comparative ratio has been restated in line with the restatement of the expense ratio following changes to UK GAAP.

Gross Premium Written

Gross written premium has increased by £24.2m (12.2%) from the previous year to £222.0m for the 2015 calendar year. This is as a result of premium growth across a number of classes following the £10.0m increase in stamp capacity for the 2015 year of account to £185.0m, and the repositioning of the portfolio.

Net Premium Written

Net written premium has increased by £12.7m (8.2%) from 2014 reflecting both the experience on gross premiums and changes to the reinsurance programme from the previous year. Although the price of reinsurance protection in the market has been generally favourable during 2015, changes to the reinsurance programme including the purchase of additional quota share protection have resulted in an increase in the ceded ratio of 2.8%.

Net Premium Earned

Net earned premiums have reduced by £1.1m from the previous year. This 0.7% reduction is reflective of the premium growth being achieved in longer tailed classes such as Professional Lines and the purchase of additional quota share reinsurance premiums which earn in direct proportion to the gross business protected.

Claims Ratio

The claims ratio improved by 8.9% from 52.6% in 2014 to 43.7% in 2015, building on the improvement in the prior year of 7.7% – totalling 16.6% over the last two years. The improvement is driven by benign catastrophe experience, beneficial developments of £9.0m in prior year reserves and favourable loss ratios across the newly re-positioned portfolio. In addition, the resolution of certain legacy issues has had an appreciable favourable impact on incurred claims.

Combined Ratio

The combined ratio in 2015 is in line with the prior year having fallen below 100% in 2014 for the first time in two years reflecting the re-aligned portfolio and the implementation of ANV's strategic growth objectives. The improved claims ratio in 2015 is offset by a higher acquisition ratio as a result of business mix and a higher expense base as the Syndicate continues to invest in its systems and people.

Cash, investments and overseas deposits

Cash, investments and overseas deposits have reduced by £28.2m during the year driven by a reduction of £4.9m in funds deposited as collateral by certain of the Syndicate's reinsurers and the return of 'Funds in Syndicate' (FIS) to the Syndicate's capital provider. FIS of £33.8m was held at the 2014 year end before the collection of the closing loss on the 2012 year of account of £6.5m. Excluding funds held by way of collateral, FIS and the collection of the 2012 loss, the increase in cash, investments and overseas deposits was £10.6m during the year.

Investments and Investment Return

	2015	2014
	£m	£m
Average amount of syndicate funds available for investment during the year:		
Sterling	10.6	12.4
Euro	6.4	10.2
US Dollar	128.9	129.0
Canadian Dollar	4.6	3.9
Combined in sterling	150.5	155.5
Gross aggregate investment return for the calendar year in sterling	0.6	1.7
Gross calendar year investment return:	%	%
Sterling	(0.66)	1.20
Euro	0.00	0.06
US Dollar	0.49	1.17
Canadian Dollar	0.68	0.91
Combined in sterling	0.39	1.09

The above investment returns are calculated using average funds based on the monthly balances and investments revalued to month-end market prices including accrued interest.

It is the Managing Agency's policy to actively monitor the Syndicate's currency exposures, and where possible, it seeks to match the Syndicate's assets and liabilities to the extent that regulatory restrictions allow.

The investment returns of the Syndicate during the period, whilst disappointing, are reflective of the restrictions upon the investment opportunities available to the Syndicate and the wider market conditions. The Syndicate's investment portfolio is composed of debt instruments which are held at fair value through the profit and loss account. The investment return of 0.39% (2014: 1.09%) reflects the effects of unrealised losses following the effects of the Federal Reserve's interest rate increase on the Syndicate's debt portfolio.

Significant Events
On 21 April 2015, R. Matthew Fairfield stepped down as the Chief Executive Officer ('CEO') of ANV Group and ASL, at which point Andrew Hall was appointed as interim Managing Director of ASL.

On 19 October 2015 Janet Helson took on the role of CEO of ASL, with Andrew Hall becoming Deputy CEO. Janet brings to the role of CEO over 30 years' experience in the London insurance market, having held Director positions at Randall & Quilter, Chaucer, Kiln and Crowe. Also in October 2015, Gerard van Loon, who took on the role of ASL Director of Underwriting in 2014 during the integration of ANV and Jubilee, resumed his previous role of ANV Group Chief Underwriting Officer.

On 23 February 2016 Sheldon Lacy joined ASL as the Chief Risk Officer, subject to regulatory approval, bringing extensive experience to the role from his previous roles of Risk Director at Validus and Head of Group Financial Risk at RSA.

In March 2015, ASL was rated Red for Solvency II Pillar 2 compliance by Lloyd's, in respect of Governance and Risk Management, which ASL has worked with Lloyd's to resolve, aiming for resolution early in 2016. Consequently ASL's managed syndicates are affected at the time of writing by a 20% capital loading.

ANV Group has initiated a process to identify a strategic partner as part of its mission to be a globally diversified specialty (re)insurance group. This process is ongoing as of the date of this report.

Principal Risks and Uncertainties
For a detailed description of the principal risks and uncertainties facing the Syndicate, please refer to the report of the Directors of the Managing Agent.

Going Concern
After making enquiries, the Directors have a reasonable expectation that continued capital support will be in place such that the Syndicate will continue to write new business in future underwriting years of account. Accordingly, they continue to adopt the going concern basis in preparing the annual accounts.

Future Developments
For the 2016 year of account the Syndicate capacity has increased by £20.0m to £205.0m.

The work to date on the rebalancing of the portfolio has set the Syndicate on a clear positive trajectory, and 1861 is well placed to capitalize on this momentum in order to continue to deliver profitable growth in its core classes for 2016 and beyond.

Management recognises that the current business environment presents a number of challenges, as insurers margins are narrowed by reduced rating adequacy coupled with clients seeking broader coverage. Broker facilities and various other risk packaging / 'pay to play' initiatives continue to hamper the more traditional underwriting methods. The resultant reduction in subscription business requires that the Syndicate increasingly needs to be able to differentiate on either product, service, or the capability to lead business, in order to maintain market share in many lines.

The underwriting plan for 2016 sees the Syndicate continuing to build out its capabilities within the existing, core, lines. Additional underwriting talent has been secured to facilitate entry into both the US Professional Indemnity segment (within the Professional Lines team) and to launch a new Aviation Hull Deductible product (within the Aviation team).

The Syndicate's cycle management skills will be tested again; focus will remain on profitable underwriting.

Where possible, 1861 will continue to leverage relationships with other ANV Group entities and seek to realise synergies for both in terms of product distribution, access to expertise and expense management.

During 2016, management will continue to work with Lloyd's to address any residual concerns preventing our Solvency II rating moving to green.

Finally, this is an opportunity for syndicate management to thank all employees for their continued commitment and hard work during a demanding, but stimulating, year in the Agency.

S J Helson
Chief Executive Officer
ANV Syndicates Limited
15 March 2016

C Jarvis
Active Underwriter
ANV Syndicates Limited
15 March 2016

Report of the Directors of the Managing Agent

Year Ended 31 December 2015
The Syndicate's Managing Agent is a company registered in England and Wales. The Directors of the Managing Agent present their annual report for the year ended 31 December 2015. This report is in respect of Syndicate 1861.

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 ("Lloyd's Regulations 2008").

These Financial Statements and related notes have been prepared in accordance with the requirements of Financial Reporting Standard ('FRS') 100 ('Application of Financial Reporting Requirements'), FRS 102 ('The Financial Reporting Standard Applicable in the UK and Republic of Ireland') and FRS 103 ('Insurance Contracts') as promulgated by the Financial Reporting Council ('FRC') and mandated for accounting periods beginning on, or after, 1 January 2015.

As a consequence of adopting these reporting standards for the first time, comparative information for the 2014 year end has been restated on a consistent basis. There has been no overall impact on the results of the Syndicate however significant additional disclosures have been included within the notes to the Financial Statements on page 20 onwards. Please refer to note 26 for further information on the effects of implementing these new standards.

Principal activity
The Syndicate's principal activity continued to be the transaction of general insurance and reinsurance business.

The Syndicate capacity for the 2015 year of account was £185.0m; capacity increased by £20.0m for the 2016 year of account.

Results
The result for the 2015 calendar year is a profit of £11.3m (2014 profit of £12.2m) after currency translation. Profits/losses will be distributed or collected by reference to the results of individual underwriting years. An analysis of the results for the year has been included within the Strategic Report.

Future Developments
The expected significant future developments of the Syndicate are included in the Strategic Report.

Principal risks and uncertainties

The Syndicate's activities expose the Managing Agent to a number of key risks which have the potential to affect the Managing Agent's ability to achieve its and the Syndicate's objectives. The risk appetite is set annually as part of the Syndicate business planning and Syndicate capital requirement assessment process. The Managing Agent recognises that the Syndicate's business is to accept risk that is appropriate to enable it to meet its objectives and that it is neither realistic nor possible to eliminate risk entirely.

The principal risks and uncertainties facing the Syndicate are as follows:

- **Insurance risk** - Insurance risk refers to the risk of loss or adverse change in the value of insurance liabilities, due to inadequate pricing and reserving practices. These risks may be caused by fluctuations in timing, frequency and severity of insured events and claim settlements in comparison to the expectation at the time of underwriting. The Syndicate manages insurance risk by agreeing the appetite for these risks annually through the business plan, which sets out targets for volumes, pricing and retention by class of business and aggregate levels of exposure to catastrophe events. The Managing Agent monitors performance against the business plan throughout the year. Reinsurance is a key mitigation tool for insurance risk, and risks are considered on a gross and net basis (with default and dispute risks considered within Credit Risk). Reserve adequacy is monitored by the Syndicate's appointed actuary, Reserving & Claims Committee and by the Board of the Managing Agency.

- **Credit risk** - In addition to the insurance terms of trade offered as part of its normal business operation, the Syndicate is exposed to a certain amount of credit risk. Key aspects of credit risk are default by a reinsurer, the granting of risk transfer to brokers and coverholders for the collection of premiums and certain financial instruments within the investment portfolio that include an element of credit exposure to the issuers of the security. The Syndicate seeks to limit exposure by placing its reinsurance programme with reinsurers rated A or higher and through limiting exposure to reinsurers for single events. Broker and coverholder credit risk is mitigated through assimilation and attestation of credit information prior to contract inception and ensuring that appropriate terms of business arrangements are in place. Investment credit risk is mitigated through detailed investment guidelines which include minimum credit quality and counterparty limits that are monitored continuously.

- **Market risk** - The exposure to financial market risk arises from the investment decisions made in relation to the Syndicate funds and adverse movements in foreign exchange rates and interest rates. The Managing Agent sets the investment strategy. Exposure to foreign exchange movements is mitigated through currency matching of assets and liabilities to the extent possible given the regulatory restrictions under which the syndicate operates. Limits to the mean modified duration of invested assets are in place to limit the adverse effect of interest rate movements. Exposure to market risk is managed through the Managing Agent's Finance & Investment Committee which applies the 'Prudent Person Principle' criteria under Solvency II.

- **Liquidity risk** - This is the risk that a syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in liquid funds. To mitigate this risk, minimum levels of cash are maintained, all investments are readily marketable and cash flow is monitored.

  In the event of extreme adverse claims experience, it is possible that the Syndicate may not be able to settle claim liabilities out of its own funds. In that event, the capital structure underpinning a syndicate is such that any deficits can be called from the Syndicate's capital providers in accordance with Lloyd's rules. In the event of any member being unable to fulfil its share of such a call, Lloyd's Central Guarantee Fund may, at Lloyd's discretion, be called upon to make good any deficits for the benefit of policyholders. The Managing Agent monitors solvency requirements, to ensure the Syndicate maintains adequate capital.

- **Regulatory risk** - Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change.

  The Managing Agent is required to comply with the requirements of the Financial Conduct Authority (FCA), the Prudential Regulation Authority (PRA), the Council of Lloyd's and overseas authorities. Lloyd's requirements include those imposed on the Lloyd's Market by overseas regulators.

  Key regulatory developments worldwide in the last few years have centred on customer outcomes, including in the UK where the FCA has highlighted, inter alia delegated underwriting as a focus area. The Syndicate relies heavily on delegated distribution and will continue to respond to this increased focus during 2016.

  The Managing Agent has a Compliance Officer who monitors developments and assesses the impact on the Managing Agent's objectives and policies.

  Conduct Risk, as a subset of regulatory risk, is the risk that customers experience poor outcomes in their engagement with ASL. This risk applies to all of the Syndicate's business but is particularly focused where the Syndicate insures retail risks via delegated underwriting. This has been an area of particular emphasis by the FCA and by Lloyd's, with the introduction of new minimum standards in this area. ASL's Conduct Committee oversees its response to these requirements and operates a conduct framework designed to ensure that appropriate outcomes are delivered to customers.

- **Strategic risk** - This is the risk of loss arising from the Syndicate's market position, strategic direction and commercial interests and includes capital availability for future underwriting. Market position and strategic direction are reviewed at least annually as part of the business planning process. The Executive Committee monitors performance and market position. The Board meets at least quarterly each year to review results and opportunities.

- **Operational risk** - This is the risk of loss from inadequate or failed internal and outsourced processes, people and systems, or from external events. The Managing Agent seeks to manage this risk through policies and procedures and systems and controls, which are regularly reviewed and updated. Regular reviews of changes to the Syndicate's risk environment, limits of authority granted to employees, the recruitment and retention of experienced personnel, staff training assessment and plans are reported. The internal audit function reports on the effectiveness of operational controls, and the Audit & Compliance Committee reviews the findings from both internal and external audits and monitors key findings and associated actions.

Supplementing and informing the assessment of risk in the categories identified above, management receives regular risk reports highlighting the material areas of risk, uncertainty and comparison with risk appetite as well as risk events, near misses and emerging risks.

Corporate Governance
The ASL Board is chaired by Max Taylor, and supported by three further non-executive directors. R. Matthew Fairfield was the Chief Executive Officer until 21 April 2015, with Andrew Hall stepping in as interim Managing Director until Janet Helson joined as Chief Executive Officer on 19 October 2015. ASL has six further Executive Directors.

A defined operational and management structure is in place as are terms of reference for all Board committees.

The ASL Board meets at least four times a year and more frequently when business needs require. The Board has a schedule of matters reserved for its decision and has appointed an Executive Committee to manage the operations of the business. The Board and the Executive Committee are supported by an Audit & Compliance Committee and a Risk Committee. The Committee Framework includes a number of other Committees, including a dedicated Conduct Committee to manage conduct risk issues.

Staff matters
ASL considers its staff to be a key resource and the retention of staff is also fundamental to the success of the business. The strategy adopted by ASL is designed to ensure that the terms and conditions offered to employees, as part of their overall remuneration package, remain competitive with the rest of the London Market insurance industry.

The Managing Agent seeks to provide a good working environment for its staff that is safe and complies with appropriate legislation. During the year, there has been no significant injury to staff in the workplace or any significant actions taken by any regulatory bodies with regard to staff matters.

Directors and Directors' interests
The Directors who held office during the year are shown on page 2. Directors' interests are shown in note 27 as part of the related parties note to the accounts.

Annual General Meeting
The Directors do not propose to hold an Annual General Meeting for the Syndicate.

Disclosure of information to auditors
Each Director who held office at the date of the approval of this Report of the Directors of the Managing Agent confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Syndicate's auditor is unaware; and

- the Director has taken all the steps that one ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Auditor
Deloitte LLP has indicated its willingness to continue in office as the Syndicate's auditor.

Approved on behalf of the Board

Janet Helson

S J Helson
Chief Executive Officer
ANV Syndicates Limited
15 March 2016

Company number: 4434499

Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the syndicate annual 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 syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Syndicate 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;

- make judgements and estimates that are reasonable and prudent;

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the notes to the Syndicate annual accounts; and

- prepare the Syndicate 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 which 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 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 annual accounts may differ from legislation in other jurisdictions.

Report of the Auditors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1861

We have audited the Syndicate annual financial statements for the year ended 31 December 2015 which comprise the following primary financial statements; the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Members' Balances, the Statement of Cash Flows and the related notes 1 to 27. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Syndicate's members, 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 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, 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.

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 2015 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 matters prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

In our opinion the information given in the Strategic Report and the Report of the Directors of the Managing Agent 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 (Lloyds'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

Mark McQueen (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
15 March 2016

Profit and Loss Account: Technical Account – General Business

Year Ended 31 December 2015

	Note	2015 £'000	2015 £'000	Restated 2014 £'000	Restated 2014 £'000
Earned premiums, net of reinsurance					
Gross premiums written	5,6	221,964		197,768	
Outward reinsurance premiums		(54,216)		(42,723)	
Net premiums written			167,748		155,045
Change in the provision for unearned premiums					
Gross amount	7	(15,342)		(13,806)	
Reinsurers' share	7	4,329		16,527	
Change in the net provision for unearned premiums			(11,013)		2,721
Earned premiums, net of reinsurance			156,735		157,766
Allocated investment return transferred from the non-technical account			582		1,047
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(119,537)		(69,853)	
Reinsurers' share		24,014		13,424	
Net claims paid		(95,523)		(56,429)	
Change in the provision for claims					
Gross amount	7	28,133		(32,239)	
Reinsurers' share	7	(1,159)		5,617	
Change in the net provision for claims		26,974		(26,622)	
Claims incurred, net of reinsurance			(68,549)		(83,051)
Net operating expenses	8		(79,875)		(64,830)
Balance on the technical account for general business			8,893		10,932

Profit and Loss Account: Non-Technical Account

Year Ended 31 December 2015

	Note	2015 £'000	Restated 2014 £'000
Balance on the technical account – general business		8,893	10,932
Investment income		2,409	2,338
Investment expenses and charges		(561)	(253)
Unrealised gains on investments		29	431
Unrealised losses on investments		(919)	(891)
Allocated investment return transferred to technical account	11	(582)	(1,047)
Gain on foreign exchange		2,160	274
Profit for the financial year		11,429	11,784

All amounts arise from continuing activities. The accompanying notes form an integral part of the financial statements.

Statement of Comprehensive Income

Year Ended 31 December 2015

	2015 £'000	2014 £'000
Profit for the financial year	11,429	11,784
Other Comprehensive Income		
Exchange differences on translation to presentational currency	(106)	461
Total comprehensive income for the financial year	11,323	12,245

Balance Sheet - Assets

at 31 December 2015

Assets	Note	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Investments					
Other financial investments	12		119,575		137,365
Reinsurers' share of technical provisions					
Claims outstanding	7	49,329		48,510	
Provision for unearned premiums	7	31,802		26,245	
			81,131		74,755
Debtors					
Debtors arising out of direct insurance operations	13	94,793		130,735	
Debtors arising out of reinsurance operations	14	6,019		1,610	
Other debtors	16	2,264		170	
			103,076		132,515
Other assets					
Cash at bank and in hand	12	7,076		17,989	
Other	17	11,595		11,001	
			18,671		28,990
Prepayments and accrued income					
Deferred acquisition costs	15	36,384		33,038	
Other prepayments and accrued income		1,134		27	
			37,518		33,065
Total assets			359,971		406,690

Balance Sheet – Liabilities

at 31 December 2015

Liabilities	Note	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Capital and reserves					
Members' balances			(6,855)		10,616
Provision for unearned premiums	7	131,858		111,708	
Claims outstanding	7	205,441		224,779	
			337,299		336,487
Deposits received from reinsurers	18		3,282		8,147
Creditors					
Creditors arising out of direct insurance operations	19	645		29,249	
Creditors arising out of reinsurance operations	20	23,910		20,098	
Other creditors including taxation and social security	21	1,690		2,093	
			26,245		51,440
Total liabilities			359,971		406,690

The annual accounts on pages 14 to 46 were approved by the Board of ASL on 15 March 2016 and were signed on its behalf by:

J M Hamilton
Director

Statement of Changes in Members' Balances

Year Ended 31 December 2015

	Note	2015 £'000	2014 £'000
Members' balances brought forward at 1 January		10,616	83
Comprehensive income for the financial year		11,323	12,245
(Payments to) /amounts received from members' personal reserve fund.		6,489	(1,712)
Transfer Funds in Syndicate to Members		(35,283)	-
Members' balances carried forward at 31 December		(6,855)	10,616

Members participate on Syndicates by reference to years of account and the ultimate result therefrom. Assets and liabilities are determined by reference to policies incepting in that year of account in respect of their membership of a particular year.

Statement of Cash Flows

For the year ended 31 December 2015

	2015 £'000	Restated 2014 £'000
Cash flows from operating activities		
Profit for the year	11,429	11,784
Increase in gross technical provisions	812	59,198
Increase reinsurers' share of gross technical provisions	(6,376)	(25,338)
(Increase)/decrease in debtors	29,439	(46,826)
Increase/(decrease) in creditors	(25,195)	18,760
Decrease in other assets/liabilities	(4,082)	(6,752)
Investment return	(582)	(1,047)
Increase / (decrease) in deposits received from reinsurers	(4,865)	8,146
Net cash inflow / (outflow) from operating activities	580	17,925
Cash flows from investing activities		
Purchase of equity and debt instruments	(16,241)	(48,413)
Sale of equity and debt instruments	33,066	31,264
Investment income received	1,176	1,407
Increase/(decrease) in overseas deposits	(594)	(2,305)
Net cash inflow / (outflow) from investing activities	17,407	(18,047)
Cash flows from financing activities		
Transfer (to)/from members in respect of underwriting participations	6,287	(2,640)
Members' agents' fees paid on behalf of members	-	-
Transfer of funds in syndicate to member	(35,283)	-
Other	202	928
Net cash outflow from financing activities	(28,794)	(1,712)
Net decrease in cash and cash equivalents	(10,807)	(1,834)
Cash and cash equivalents at 1 January	17,989	19,362
Currency translation difference	(106)	461
Cash and cash equivalents at 31 December	7,076	17,989

Notes to the Financial Statements

1. Basis of preparation
The Syndicate comprises a group of members of the Society of Lloyds that underwrites insurance business in the London Market. The address of the Syndicate's managing agent is 47 Mark Lane, London, EC3R 7QQ.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014, and Financial Reporting Standard 103 Insurance Contracts ("FRS 103") as issued in March 2014.

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value.

The Syndicate's functional currency is US Dollars ("USD"). Gains and losses on the translation from functional currency to the GBP presentational currency have been recorded through the Statement of Other Comprehensive Income.

The financial statements are presented in Pound Sterling "GBP" for consistency with the Syndicate's other regulatory reporting requirements. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

After making enquiries, the directors have a reasonable expectation that continued capital support will be in place such that the Syndicate will continue to write new business in future underwriting years of account. Accordingly they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Change to accounting policies
These are the first set of financial statements prepared by the Syndicate in accordance with FRS 102. In its transition to FRS 102 from old UK GAAP, the Syndicate has restated certain balances following changes to the treatment of foreign exchange gains and losses. An explanation of how the transition to FRS 102 has affected the comparative information in these financial statements is included in note 26.

3. Use of judgements and estimates
In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which they are identified.

The Syndicate's principal estimates are for claims provisions and related recoveries, estimates of gross premiums written and earned, outwards reinsurance premium ceded and earned, acquisition costs and the valuation of investments. Management regularly reviews and revises these estimates as appropriate based on current information. Any adjustments made to these estimates are reflected in the period the estimates are revised.

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the Syndicate.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate Managing Agent's in-house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time to estimate the likely ultimate claims to be experienced and for more recent underwriting years, having regard to variations in 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 higher degree of uncertainty arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

In arriving at the level of claims provisions a margin may be applied over and above the actuarial best estimate in line with the Syndicate's Reserving Policy to address the risk of un-modelled claims development.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 5.

4. Significant accounting policies
The following principal accounting policies have been applied consistently in accounting for items which are considered material in relation to the Syndicate's financial statements.

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

Additional or return premiums are treated as a re-measurement of the initial premium.

Outwards reinsurance premiums
Written outwards reinsurance premiums comprise the total premiums payable for contracts entered into during the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Under some policies, reinsurance premiums payable are adjusted retrospectively in the light of claims experience. Where written premiums are subject to a re-measurement retrospectively, recognition of any potential increase is recognised as soon as there is an obligation to the reinsurer.

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

Technical provisions
Technical provisions comprise claims outstanding whether reported or not, provisions for unearned premiums and provisions for unexpired risk.

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 previous years. Incurred claims outstanding are reduced by anticipated salvage and other recoveries from third parties.

The provision for claims outstanding is assessed on an individual case by 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. The provision also includes the estimated cost of claims incurred but not reported ("IBNR") as well as claims incurred but not enough reported ("IBNER") at the balance sheet date based on statistical methods.

These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions.

For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on amounts of claims outstanding 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.

Accordingly the most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development, that the outstanding claims estimates are reasonable and that the rating and other models used for current business are based on fair reflections of the likely level of ultimate claims to be incurred. The level of uncertainty with regard to the estimations within these provisions generally decreases with the length of time elapsed since the underlying contracts were exposed to new risks.

The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses. 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 provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used, and the estimates made, are reviewed regularly.

Provisions for unearned premiums
Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written 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.

Unexpired risks provision
A provision for unexpired risks is made where claims and related expenses likely to arise after the end of the financial period in respect of contracts concluded before that date are expected, in the normal course of events, 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 regarded as managed together after taking into account relevant investment return.

Net operating expenses (including acquisition costs)
Net operating expenses include acquisition costs and amounts charged to members through the Syndicate.

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs such as brokerage and commission, and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies. Acquisition costs are deferred in line with the earning of the gross premiums to which they relate. The deferred acquisition cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the balance sheet date.

Certain contracts between the Syndicate and its producing agents and brokers include the requirement to pay overrider commissions based on the volume of business produced on the Syndicate's behalf. Amounts in relation to this and other commissions are accrued and earned in line with the premium to which they relate and classified as acquisition costs.

Consortium Income
The Syndicate is the leader of number of underwriting consortia. Under the terms of these consortia participants are required to pay fees to the Syndicate, as leader, in return for the business written on their behalf. The Syndicate accrues the consortium fee income in line with earning of the business written on each consortium, calculated in accordance with the individual contractual arrangements. In addition the consortium arrangements include provisions for the payment of profit commissions based on the performance of the business written by the consortium leader. The Syndicate accrues commissions in respect of these arrangements in accordance with the contractual terms based on the forecast performance of each consortium. Both the accrued consortium fees and accrued profit commissions are included as a credit to administrative expenses.

Consortium Expenses
The Syndicate is a member of a number of underwriting consortia. Under the terms of these consortia participants are required to pay fees to the consortium leader in return for the business written on their behalf. Fees are accrued by the Syndicate in line with earning of the business written on each consortium and are calculated in accordance with the individual contractual arrangements. In addition the consortium arrangements include provisions for the payment of profit commissions based on the performance of the business written. The Syndicate accrues commissions in respect of these arrangements in accordance with the contractual terms based on the forecast performance of each consortium. Both the accrued consortium fees and accrued profit commissions are included within administrative expenses.

Foreign currencies
Transactions in foreign currencies are translated to the functional currency using the exchange rates at the date of the transactions. The Syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

Differences arising on translation of foreign currency amounts relating to the insurance operations of the Syndicate are included in the non-technical account.

Any gains or losses arising on the retranslation from functional currency to presentational currency are recorded through the Statement of Other Comprehensive Income (OCI).

Financial Assets and Liabilities
The Syndicate has chosen to apply the provisions of Section 11 (Basic Financial Instruments) and Section 12 (Other Financial Instruments Issues) of FRS 102 for the treatment and disclosure of financial assets and liabilities.

The Syndicate's investments comprise debt investments and cash and cash equivalents. The Syndicate does not invest in derivative financial instruments.

Recognition:
Financial assets and liabilities are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of an undertaking after deducting all of its liabilities. The Syndicate does not hold any equity instruments.

Initial Measurement:
All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. The Syndicate was not party to any financing transactions during the period.

Subsequent measurement:
All debt instruments are measured at fair value through the profit and loss account.

Realised and unrealised gains and losses arising from changes in the fair value of investments are initially presented in the non-technical account in the period in which they arise. Dividend and interest income is recognised when earned. Investment management and other related expenses are recognised when incurred. The overall investment return is subsequently transferred to the Technical Account to reflect the investment return on funds supporting the underwriting business

Derecognition of financial assets and liabilities:
Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Syndicate transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Syndicate, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurement:
The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the company estimates the fair value by using a valuation technique.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, yield curves, credit spreads, liquidity statistics and other factors.

The use of different valuation techniques could lead to different estimates of fair value.

FRS 102 section 11.27 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical asset or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- Level 1 – Quoted prices for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.

- Level 2 – When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If it can be demonstrated that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

- Level 3 – If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Impairment of financial instruments measured at amortised cost or cost:
For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in profit and loss immediately.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short-term commitments.

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

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

Investment return is initially recorded in the Non-Technical Account and subsequently transferred to the Technical Account to reflect the investment return on funds supporting the underwriting business. Where capital to support underwriting is held within the Syndicate as Funds in Syndicate (FIS) the investment income on this capital remains in the Non-Technical Account and is not transferred to the Technical Account.

Deposits received from reinsurers
The Syndicate requires certain reinsurers to collateralise their potential exposure to the Syndicate through the depositing of funds under the control of the Syndicate. To the extent that the funds are not called upon as paid recoveries at the balance sheet date they are recorded as cash with a corresponding liability recorded as deposits received from reinsurers.

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 United States Federal Income Tax payable 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'.

No provision has been made for any other overseas tax payable by members on underwriting results.

Managing agent's profit commission
ASL has agreed contractual terms with the capital provider to the Syndicate for the payment of profit commissions based on the performance of the individual years of account of the Syndicate. Profit commissions are accrued in line with the contractual terms and the development of the result of the underlying years of account.

Amounts charged to the Syndicate do not become payable until after the appropriate year of account closes, normally at 36 months, although the Managing Agent may receive payments on account of anticipated profit commissions in line with interim profits released to members.

Pension costs
ASL operates a defined contribution scheme through a related company, ANV Central Bureau of Services Limited (CBS). Pension contributions relating to staff working on behalf of the syndicate are charged to the syndicate and included within net operating expenses.

5. Risk and capital management

Introduction and overview
This note presents information about the nature and extent of insurance and financial risks to which the Syndicate is exposed, the Managing Agent's objectives, policies and processes for measuring and managing insurance and financial risks, and for managing the Syndicate's capital. It should be read in conjunction with the principle risks and uncertainties disclosed in the managing agents' report.

Risk management framework
The primary objective of the Syndicate's risk and financial management framework is to protect the Syndicate's members from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. All staff providing services to the Syndicate are trained to recognise the critical importance of having efficient and effective risk management systems in place.

The Board of Directors of the Managing Agent has overall responsibility for the establishment and oversight of the Syndicate's risk management framework. The Board has established a Risk Committee to oversee the operation of the Syndicate's risk management framework and to review and monitor the management of the risks to which the Syndicate is exposed. Under the Risk Management Framework, the management of insurance risks is the responsibility of the Underwriting Management Committee, Reserving & Claims Committee and Reinsurance Review Group which are responsible for developing and monitoring insurance risk management policies; the management of aspects of financial risks is the responsibility of the Finance & Investment Committee, which is responsible for developing and monitoring financial risk management policies. In addition, the Syndicate is exposed to Conduct and Operational risks and the management of aspects of these risks is the responsibility of the Conduct Committee and Operations Committee respectively. The Risk Management Function and the Risk Committee are then the second line of defence above these committees.

The Risk Committee reports regularly to the Board of Directors on its activities. The Reserving & Claims Committee, Underwriting Management Committee, Reinsurance Review Group, Finance & Investment Committee, Conduct Committee and Operations Committee report regularly to the Executive Committee and provide regular reports on their activities to the Risk Management Function, Risk Committee and Board of Directors.

ASL has established a risk management function, together with terms of reference for the board of directors, its committees and the associated executive management committees which identify the risk management obligations of each. The function is supported by a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. The framework sets out the risk profiles for the Syndicate, including, controls and business conduct standards. The framework has been enhanced during 2015 but the core principles also apply to the 2014 comparative period.

Insurance Risk

Management of insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims.

A key component of the management of underwriting risk for the Syndicate is a disciplined underwriting strategy that is focused on writing quality business and not writing for volume. Product pricing is designed to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits on the Syndicate's total exposure to specific risks together with limits on geographical and industry exposures. The aim is to ensure a well-diversified book is maintained with no over exposure in any one geographical region or to any one event.

Contracts can contain a number of features which help to manage the underwriting risk such as the use of deductibles, or capping the maximum permitted loss, or number of claims (subject to local regulatory and legislative requirements).

The Syndicate makes use of reinsurance to mitigate the risk of incurring significant losses linked to one event, including excess of loss, stop loss and catastrophe reinsurance. Where an individual exposure is deemed surplus to the Syndicate's appetite, additional facultative reinsurance is purchased.

The Syndicate limits its exposure to catastrophic events based on the Syndicate's risk appetite as determined by management. The Syndicate uses both its own and commercially available proprietary risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models do not exactly model the actual losses that occur or that claims arising from an unmodelled event are greater than those anticipated.

The board sets limits to the syndicate's exposure to catastrophe events both on a gross and net of reinsurance basis and adherence to these limits is regularly monitored by the ASL exposure management team which reports monthly to the Underwriting Management Committee. The maximum limits set for the syndicate's highest realistic disaster scenario (RDS) for 2016 are the following percentages of the 2016 stamp: 42.3 % gross and 15.8% net.

The Syndicate's exposure to insurance risk is well diversified by class of business and geography. The diversification by class of business is set down in the business class analysis in note 6. The geographical breakdown of its written premiums for 2015 is:

Territory	2015 £'000	2014 £'000
United States of America	80,429	58,576
United Kingdom	89,722	81,549
European Union	25,959	24,900
Asia	6,118	9,393
Other Worldwide	19,736	23,350
Total	**221,964**	**197,768**

The Reserving & Claims Committee oversees the management of reserving risk. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the review of claims development are all instrumental in mitigating reserving risk.

The Syndicate Managing Agent's in-house actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters, claims and reinsurance technicians. The aim of this exercise is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims and claims on unearned premium. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The output of the reserving analysis is reviewed by external consulting actuaries in order for them to provide the Statement of Actuarial Opinion (SAO) on the year-end reserves.

The Reserving & Claims Committee performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review the Reserving & Claims Committee makes recommendations to the Managing Agent's Board of Directors of the claims provisions to be established.

In arriving at the level of claims provisions a margin may be applied over and above the actuarial best estimate.

Sensitivity to insurance risk
The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for attritional losses, large losses and catastrophes, or from changes in estimates of claims incurred but not reported (IBNR). A five per cent increase or decrease in the ultimate cost of settling claims arising is considered to be reasonably possible at the reporting date.

A five percent increase or decrease in total earned claims liabilities would have the following effect on profit or loss and equity. It is noted that on a net of reinsurance basis, the effects would be more complex depending on the nature of the loss and its interaction with other losses already incurred. The incidence of profit commission payable to intermediaries may also affect the gross and net impact on results and equity.

	2015 £'000		2014 £'000	
	Gross	Net	Gross	Net
5% increase in total claims liabilities	(10,154)	(7,668)	(11,798)	(8,670)
5% decrease in total claims liabilities	10,154	7,668	11,798	8,670

Financial risk
The focus of financial risk management for the Syndicate is ensuring that its financial assets are sufficient to fund the obligations arising from its insurance contracts as they fall due. The goal of the investment management process is to optimise the risk-adjusted total return whilst investing in accordance with the syndicate's risk appetite in a diversified portfolio of securities and ensuring that the assets and liabilities are managed on a cash flow and duration basis.

Credit risk
Credit risk is the risk of financial loss to the Syndicate if a counterparty fails to discharge a contractual obligation.

The Syndicate is exposed to credit risk in respect of the following:

- debt securities;
- reinsurers' share of insurance liabilities;
- amounts due from intermediaries;
- amounts due from reinsurers in respect of settled claims;
- failure of sub-contractors/outsource providers to honour their contractual obligations
- cash and cash equivalents; and
- other debtors and accrued interest.

Management of credit risk
The Syndicate's credit risk in respect of debt securities and reinsurers is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. Financial assets are graded according to current credit ratings issued by rating agencies. The Syndicate has a policy of investing mainly in government issued and government backed debts. The Syndicate does not currently invest in speculative grade assets (i.e. those rated below BBB).

The Syndicate limits the amount of cash and cash equivalents that can be deposited with a single counterparty, and maintains an authorised list of cash counterparty acceptance criteria.

The Syndicate's exposure to intermediaries and reinsurance counterparties is monitored as part of the credit control processes. On a quarterly basis the Finance & Investment Committee reviews the credit exposures.

All intermediaries must meet minimum requirements established by the Syndicate. The credit ratings and payment histories of intermediaries are monitored on a regular basis.

The Syndicate assesses the creditworthiness of all reinsurers by reviewing public rating information and by internal investigations. The impact of reinsurer default is regularly assessed and managed accordingly. Where reinsurance is transacted with unrated reinsurers the reinsurer is required to fully collateralise their exposure through depositing funds in trust for the Syndicate.

Exposure to credit risk
The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure in respect of known liabilities.

The following table analyses the credit rating by investment grade of financial investments, reinsurers' share of technical provisions, debtors arising out of direct insurance and reinsurance operations, cash at bank and in hand, and other debtors and accrued interest that are neither past due, nor impaired.

Debtors arising out of direct operations are comprised of pipeline premiums, balances relating to outstanding receipts from Lloyd's Central Accounting ('LCA') and amounts for business settled outside of Xchanging ('settled direct'). By their nature, it is not possible to classify these balances by credit rating. Debtors arising out of reinsurance operations relate to accrued recoveries on gross paid claims.

31 December 2015	AAA £'000	AA £'000	A £'000	BBB £'000	Not rated £'000	Total £'000
Financial investments						
Shares and other variable yield securities	20,595	-	-	-	-	20,595
Debt securities and other fixed income securities	27,674	33,359	26,652	11,295	-	98,980
Overseas deposit	11,595	-	-	-	-	11,595
Reinsurers' share of technical provisions	889	9,801	38,636	-	3	49,329
Debtors arising out of reinsurance operations	-	1,230	4,793	-	-	6,023
Debtors arising out of direct insurance operations	-	-	-	-	94,793	94,793
Cash at bank and in hand	-	-	7,076	-	-	7,076
Total	60,753	44,390	77,157	11,295	94,796	288,391

31 December 2014	AAA £'000	AA £'000	A £'000	BBB £'000	Not rated £'000	Total £'000
Financial investments						
Shares and other variable yield securities	24,786	-	-	-	-	24,786
Debt securities and other fixed income securities	48,142	19,383	38,922	6,132	-	112,579
Overseas deposit	11,001	-	-	-	-	11,001
Reinsurers' share of technical provisions	2,331	9,049	37,082	-	48	48,510
Debtors arising out of reinsurance operations	-	1,151	459	-	-	1,610
Debtors arising out of direct insurance operations	-	-	-	-	130,735	130,735
Cash at bank and in hand	-	-	17,989	-	-	17,989
Total	86,260	29,583	94,452	6,132	130,783	347,210

At 31 December 2015, the largest concentration in the Syndicate's debt security portfolio was in relation to governments and government agencies. The Syndicate's credit exposure to Eurozone governments, government agencies and financial institutions amounted to £48.2m. Although the credit risks of the underlying securities are diverse in nature, the Syndicate also considers impacts that may affect sub-categories of the underlying securities in its credit assessments. Exposure to peripheral Eurozone countries is monitored and as at the year-end, the largest exposure was in relation to Spain and amounted to £0.9m (2014: largest exposure was to the Republic of Ireland amounting to £0.5m). The investment portfolio was compliant with the Syndicate's Investment Policy throughout the period. The Policy sets limits on the concentrations of investment holdings by product type, counterparty, industry and credit rating.

Financial assets that are past due or impaired
The Syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. These debtors have been individually assessed for impairment by considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties. The Syndicate does not consider these debtors to be impaired on the basis of stage collection of amounts owed to the Syndicate.

An analysis of the carrying amounts of past due or impaired debtors is presented in the table below.

Debtors arising from direct insurance operations	2015 £'000	2014 £'000
Past due but not impaired financial assets:		
Past due by:		
1 to 90 days	111	97
91 to 180 days	198	173
More than 180 days	2,682	2,345
Past due but not impaired financial assets	**2,991**	**2,615**
Impaired financial assets	-	-
Neither past due nor impaired financial assets	**91,802**	**128,120**
Net carrying value	**94,793**	**130,735**

There are no impaired or past due debtors arising from reinsurance operations.

Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations arising from its insurance contracts and financial liabilities as they fall due. The Syndicate is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts and its ongoing expenses.

The nature of the Syndicate's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

Management of liquidity risk

The Syndicate's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Syndicate's reputation.

The Syndicate's approach to managing its liquidity risk is as follows:

- Forecasts are prepared and revised on a regular basis to predict cash outflows from insurance contracts and overheads over the short, medium and long term;
- The Syndicate purchases assets with durations not greater than its estimated insurance contract liabilities and expense outflows;
- Assets purchased by the Syndicate are required to satisfy specified marketability requirements;
- The Syndicate maintains cash and liquid assets to meet daily calls; and
- The Syndicate regularly updates its contingency funding plans to ensure that adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances.

The Syndicate holds funds in money market funds which offer daily liquidity. Holdings in money market funds are well diversified, very liquid and generally low risk. There is, however, a remote risk that the fund does not have sufficient liquidity to meet all redemption in extreme conditions.

The maturity analysis presented in the table below shows the remaining contractual maturities for the Syndicate's insurance contracts and financial instruments and excludes amounts due from members. For insurance contracts, the contractual maturity is the estimated date when the gross undiscounted contractually required cash flows will occur. For financial assets and liabilities it is the earliest date on which the gross undiscounted cash flows (including contractual interest payments) could be paid assuming conditions are consistent with those at the reporting date. The table below takes no credit for any income from investments or any potential profit or loss on unearned premium.

			Undiscounted net cash flows			
31 December 2015	**Carrying amount £'000**	**Total cash flows £'000**	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Financial investments						
Shares and other variable yield securities and units in unit trusts	20,595	20,595	20,595	-	-	-
Debt securities and other fixed income securities	98,980	98,980	22,662	39,955	34,468	1,895
Deposits with credit institutions	11,595	11,595	11,595	-	-	
Reinsurers share of technical provisions	81,131	81,131	21,396	18,291	29,377	12,067
Insurance and reinsurance receivables	100,813	100,813	81,208	14,783	4,354	468
Cash and cash equivalents	7,076	7,076	7,076	-	-	-
Other assets	39,781	39,781	39,781	-	-	-
Total assets	359,971	359,971	204,313	73,029	68,199	14,430
Technical provisions	337,299	337,299	112,844	78,798	104,405	41,252
Insurance and reinsurance payables	24,554	24,554	18,211	3,030	2,421	892
Other creditors	4,973	4,973	3,688	613	491	181
Total liabilities	366,826	366,826	134,743	82,441	107,317	42,325
Net assets	**(6,855)**	**(6,855)**	**69,570**	**(9,412)**	**(39,118)**	**(27,895)**

			Undiscounted net cash flows			
31 December 2014	**Carrying amount £'000**	**Total cash flows £'000**	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Financial investments						
Shares and other variable yield securities and units in unit trusts	24,786	24,786	24,786	-	-	-
Debt securities and other fixed income securities	112,579	112,579	17,229	34,305	55,289	5,756
Deposits with credit institutions	11,001	11,001	11,001	-	-	-
Reinsurers share of technical provisions	74,756	74,756	19,715	16,854	27,068	11,119
Insurance and reinsurance receivables	132,500	132,500	106,732	19,430	5,723	615
Cash and cash equivalents	17,989	17,989	17,989	-	-	-
Other assets	33,079	33,079	33,079	-	-	-
Total assets	406,690	406,690	230,531	70,589	88,080	17,490
Technical provisions	336,488	336,488	112,573	78,608	104,154	41,153
Insurance and reinsurance payables	49,830	49,830	36,957	6,149	4,913	1,811
Other creditors	9,756	9,756	7,236	1,204	962	354
Total liabilities	396,074	396,074	156,766	85,961	110,029	43,318
Net assets	**10,616**	**10,616**	**73,765**	**(15,372)**	**(21,949)**	**(25,828)**

In the above tables debt securities are presented according to their maturity dates. In practice cash could be realised through the sale of these investments which are actively traded. The disclosure does not take account of premiums received from new business written which can be used to pay claims arising.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices but excludes those that are caused by credit downgrades which are included under credit risk above. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk within the parameters set by the agency's investment policy. The nature of the Syndicate's exposures to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

Management of market risk

For each of the major components of market risk the Syndicate has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of market risk and the exposure of the Syndicate at the reporting date to each major component are addressed below.

Interest rate risk

Interest rate risk arises primarily from the Syndicate's financial investments, cash and overseas deposits. The risk of changes in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The Finance & Investment Committee monitors the duration of these assets relative to the duration of its liabilities on a regular basis.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Syndicate writes business primarily in Sterling, Euros, US dollars and Canadian dollars and is therefore exposed to currency risk arising from fluctuations in the exchange rates of its functional currency against these currencies.

The foreign exchange policy is to maintain assets in the currency in which the cash flows from liabilities are to be settled in order to hedge the currency risk inherent in these contracts so far is allowed by regulatory requirements and for any profit or loss to be reflected in the net assets of the functional currency US dollars.

The table below summarises the carrying value of the Syndicate's assets and liabilities, at the reporting date:

As at 31 December 2015	**Sterling £'000**	**Euro £'000**	**US Dollar £'000**	**Other £'000**	**Total £'000**
Total assets	70,541	5,593	276,893	6,944	359,971
Total liabilities	(59,324)	(21,480)	(280,690)	(5,332)	(366,826)
Net assets	11,217	(15,887)	(3,797)	1,612	(6,855)

As at 31 December 2014	**Sterling £'000**	**Euro £'000**	**US Dollar £'000**	**Other £'000**	**Total £'000**
Total assets	51,684	16,249	331,840	6,917	406,690
Total liabilities	(50,786)	(30,714)	(310,128)	(4,446)	(396,074)
Net assets	898	(14,465)	21,712	2,471	10,616

Equity price risk
The Syndicate does not hold any equity investments other than through its holding of money market funds. These money market funds are generally low risk investments with lower levels of volatility to market movements. There is a risk that future investments returns will be lower as a result of adverse changes to market conditions.

An analysis of the Syndicate's sensitivity to interest rate, currency and other price risk is presented in the table below. The table shows the effect on profit or loss of reasonably possible changes in the relevant risk variable, assuming that all other variables remain constant, and that change had occurred at the end of the reporting period and had been applied to the risk exposures as at that date. However, the occurrence of a change in a single market factor may lead to changes in other market factors as a result of correlations.

	2015 Profit or loss for the year £'000	**2014 Profit or loss for the year £'000**
Interest rate risk		
+ 50 basis points shift in yield curves	(791)	(737)
- 50 basis points shift in yield curves	791	737
Currency risk		
10 percent increase in GBP/Euro exchange rate	(1,444)	(1,315)
10 percent decrease in GBP/Euro exchange rate	1,765	1,607
10 percent increase in GBP/US dollar exchange rate	(345)	1,974
10 percent decrease in GBP/US dollar exchange rate	422	(2,412)

The impact of the reasonably possible changes in the risk variables on Members' balances would be the same, since the Syndicate recognises all changes in recognised assets and liabilities in profit or loss.

A 10% increase (or decrease) in exchange rates, a 50 basis point increase or decrease in yield curves have been selected on the basis that these are considered to be reasonably possible changes in these risk variables over the following year.

The sensitivity analyses do not take into consideration that the Syndicate's financial investments are actively managed. Additionally, the sensitivity analysis is based on the Syndicate's financial position at the reporting date and may vary at the time that any actual market movement occurs. As investment markets move past pre-determined trigger points, action would be taken which would alter the Syndicate's position.

Capital management

Capital framework at Lloyd's
The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to supervision by the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000, and in accordance with the Solvency II Framework.

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's would comply with the Solvency II requirements, and beyond that to meet its own financial strength, licence and ratings objectives.

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirements to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level, Accordingly, the capital requirement in respect of the Syndicate is not disclosed in these financial statements.

Lloyd's capital setting process
In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicates on which it is participating but not for other members' shares. Accordingly, the capital requirements that Lloyd's sets for each member operates on a similar basis. Each member's SCR is based on the member's share of the syndicate's SCR 'to ultimate'. Where a member participates on more than one syndicate, each syndicate's SCR is summed together but a credit for diversification is allowed to reflect the spread of risk consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2016 was 35% of the member's SCR 'to ultimate'.

Since Lloyd's has rated ASL as red for Solvency II, a loading of 20% has been added to the above figures. The Board is working towards the withdrawal of this loading for the mid-2016 readjustment of members' capital requirements.

Provision of capital by members
Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's), assets held and managed within a syndicate (Funds in Syndicate), or as the member's share of the members' balances on each syndicate on which it participates.

Accordingly all of the assets less liabilities of the syndicate, as represented in the members' balances reported on the balance sheet on pages 16 to 17, represent resources available to meet members' and Lloyd's capital requirements.

Until November 2015 the Syndicate was capitalised by its capital provider through both Funds at Lloyd's and Funds in Syndicate. In November 2015 the Funds in Syndicate were released and transferred to the corporate member's Funds at Lloyd's.

6. Business class analysis

An analysis of the technical account result by business class before investment return is set out below:

2015 Calendar Year	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct insurance						
Accident and health	18,389	17,993	(7,958)	(8,938)	(1,111)	(14)
Miscellaneous	89	166	(125)	(38)	(18)	(15)
Marine, Aviation and Transport	29,510	29,439	(12,763)	(10,042)	(4,506)	2,128
Fire and other damage to Property	37,737	40,999	(12,847)	(13,498)	(7,960)	6,694
Third party liability	58,004	40,853	(24,466)	(20,308)	(2,778)	(6,699)
Credit and Suretyship	18,650	14,866	(6,311)	(6,878)	(1,040)	637
Total direct	162,379	144,316	(64,470)	(59,702)	(17,413)	2,731
Reinsurance	59,585	62,306	(26,934)	(20,173)	(9,619)	5,580
Total	221,964	206,622	(91,404)	(79,875)	(27,032)	8,311

2014 Calendar Year - Restated	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct insurance						
Accident and health	16,701	15,763	(6,969)	(8,938)	(608)	(752)
Miscellaneous	307	223	(452)	(38)	(11)	(278)
Marine, Aviation and Transport	29,095	30,160	(19,771)	(10,042)	1,226	1,573
Fire and other damage to Property	41,618	39,328	(16,504)	(13,497)	(3,253)	6,074
Third party liability	33,095	16,033	(12,423)	(20,309)	600	(16,099)
Credit and Suretyship	13,696	7,525	(3,833)	(6,878)	(549)	(3,735)
Total direct	134,512	109,032	(59,952)	(59,702)	(2,595)	(13,217)
Reinsurance	63,256	74,930	(42,140)	(5,128)	(4,560)	23,102
Total	197,768	183,962	(102,092)	(64,830)	(7,155)	9,885

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 2015 and 2014.

Commissions on direct insurance gross premiums earned during 2015 were £46.8m (2014: £32.4m).

All premiums relate to contracts concluded in the UK.

The gross premiums written for direct insurance by business origin are presented in the table below:

	2015 £'000	2014 £'000
UK	57,388	51,411
Other EU countries	20,235	18,331
US	66,531	43,781
Other	18,225	20,989
Total	162,379	134,512

7. Technical Provisions

The Syndicate has applied a similar approach at current year end to that applied at the previous year end in establishing the technical provisions for claims outstanding reserves and reinsurers' share thereof. Included within net claims incurred of £68.5m (2014: £83.1m) is an improvement of £9.0m (2014: improvement of £6.4m) to claims reserves established at the prior year end principally due to beneficial developments in prior year reserves across the Marine and Transport classes.

	Unearned premiums £'000	Claims outstanding £'000	Total £'000
Gross			
At 1 January 2015	111,708	224,779	336,487
Movement in provision	15,342	(28,133)	(12,791)
Foreign exchange	4,808	8,795	13,603
At 31 December 2015	131,858	205,441	337,299
Reinsurance			
At 1 January 2015	26,245	48,510	74,755
Movement in provision	4,329	(1,159)	3,170
Foreign exchange	1,228	1,978	3,206
At 31 December 2015	31,802	49,329	81,131
Net technical provisions			
At 31 December 2015	100,056	156,112	256,168
At 31 December 2014	85,463	176,269	261,732

	Unearned premiums £'000	Claims outstanding £'000	Total £'000
Gross			
At 1 January 2014	93,969	183,321	277,290
Exchange adjustments	3,933	9,219	13,152
Movement in provision	13,806	32,239	46,045
At 31 December 2014	111,708	224,779	336,487
Reinsurance			
At 1 January 2014	8,509	40,909	49,418
Exchange adjustments	1,209	1,984	3,193
Movement in provision	16,527	5,617	22,144
At 31 December 2014	26,245	48,510	74,755
Net technical provisions			
At 31 December 2014	85,463	176,269	261,732
At 31 December 2013	85,460	142,412	227,872

8. Net operating expenses

	2015 £'000	Restated 2014 £'000
Brokerage and commissions	50,624	44,804
Other acquisition costs	13,520	10,615
Acquisition costs	64,144	55,419
Change in deferred acquisition costs	(2,340)	(4,968)
Administrative expenses	14,725	11,707
Members' standard personal expenses	3,346	2,672
	79,875	64,830

Administrative expenses include:		
Fees payable to the Syndicate's auditor for:		
· the audit of these financial statements	86	73
· other services pursuant to legislation (e.g. Returns to Lloyd's)	73	77
· other services relating to Statement of Actuarial Opinion	75	70
	234	220

Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, Managing Agent's fee and profit commission.

9. Key management personnel compensation

The Directors of ANV Syndicates Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2015 £'000	2014 £'000
Emoluments	1,161	1,079
Contributions to defined contribution pension schemes	24	27
	1,185	1,106

No other compensation was payable to key management personnel.

The active underwriter received the following aggregate remuneration charged as a syndicate expense:

	2015 £'000	2014 £'000
Emoluments	536	475
Contributions to defined contribution pension schemes	29	28
	565	503

10. Staff numbers and costs

All staff are employed by a related company, ANV Central Bureau of Services Limited (CBS). The average number of persons employed by CBS, but working for the Syndicate during the year, analysed by category, was as follows:

	2015	2014
Administration and finance	31	25
Underwriting	52	44
Claims	6	6
	89	75

The following amounts were recharged by CBS to the Syndicate in respect of payroll costs:

	2015 £'000	2014 £'000
Wages and salaries	11,874	9,296
Social security costs	1,467	1,068
Other pension costs	762	761
	14,103	11,125

11. Investment return

The investment return transferred from the technical account to the non-technical account comprises the following:

	2015 £'000	2014 £'000
Investment income:		
Interest and dividend income	1,764	1,550
Realised gains	99	31
Unrealised gains on investments	29	264
Investment expenses and charges:		
Investment management expenses, including interest	(209)	(53)
Losses on the realisation of investments	(321)	(121)
Unrealised losses on investments	(780)	(624)
Investment return transferred to the technical account from the non-technical account	**582**	**1,047**
Impairment losses on debtors recognised in administrative expenses in technical account	-	-
Total investment return	**582**	**1,047**

The total income, expenses, net gains or losses, including changes in fair value, recognised on all financial assets and financial liabilities comprises the following:

	2015 £'000	2014 £'000
Financial assets at fair value through profit or loss	873	975
Financial assets at amortised cost:		
Interest income	54	124
Impairment losses on debtors	-	-
Financial liabilities at amortised cost:		
Interest expense	-	-
Investment management expenses, excluding interest	(345)	(52)
Total investment return	582	1,047

12. Financial instruments

The carrying values of the Syndicate's financial assets and liabilities are summarised by category below:

	2015 £'000	2014 £'000
Financial assets		
Measured at fair value through profit and loss		
• Shares and other variable yield securities and units in unit trusts	20,595	24,786
• Debt securities and other fixed income securities	98,980	112,579
• Overseas deposits	11,595	11,001
	131,170	148,366
Measured at cost		
• Cash and cash equivalents	7,076	17,989
	7,076	17,989

Only deposits with credit institutions with maturities of three months or less that are used by the Syndicate in the management of its short-term commitments are included in cash and cash equivalents.

	2015 £'000	2014 £'000
Measured at undiscounted amount receivable		
• Other debtors (see note 16)	2,264	170
Total financial assets	140,510	166,525

During the period Funds in Syndicate ('FIS'), which were deposited by the Syndicate's capital provider in previous periods to support underwriting, were returned. At the time of the transfer these funds amounted to £28.8m (FIS of £33.8m was held at 31 December 2014). As a consequence there has been a material reduction in financial assets.

	2015 £'000	2014 £'000
Financial liabilities		
Measured at cost		
• Reinsurance collateral (see note 18)	3,282	8,147
Measured at undiscounted amount payable		
• Other creditors	1,690	2,093
Total financial liabilities	4,972	10,240

Shares and other variable yield securities and units in unit trusts and debt securities and other fixed income securities are all listed on recognised stock exchanges. The cost on acquisition of debt securities and other fixed income securities was £99.3m (2014: £112.4m). The cost on acquisition of other financial instruments is the same as the carrying value.

All investments are measured at fair value through profit or loss. The Syndicate did not hold any derivative financial instruments during the year (2014: none). The Syndicate does not enter into or trade financial instruments for speculative purposes.

The Syndicate classifies its financial instruments held at fair value in its balance sheet using a fair value hierarchy, as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Prices based on recent transactions in identical assets (either unadjusted or adjusted)
- Level 3 – Prices determined using a valuation technique

The table below analyses financial instruments held at fair value in the Syndicate's balance sheet at the reporting date by its level in the fair value hierarchy.

31 December 2015 **Financial assets**	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	562	20,033	-	20,595
Debt securities and other fixed income securities	12,206	86,774	-	98,980
Loans and deposits with credit institutions	-	11,595	-	11,595
	12,768	118,402	-	131,170

31 December 2014 **Financial assets**	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	-	24,786	-	24,786
Debt securities and other fixed income securities	-	112,579	-	112,579
Loans and deposits with credit institutions	-	11,001	-	11,001
	-	148,366	-	148,366

Information on the methods and assumptions used to determine fair values for each major category of financial instrument measured at fair value is provided below.

Shares and other variable yield securities and units in unit trusts represent the Syndicate's interest in money market funds. The categorisation of the fair value of these by level has been determined by looking through the funds to the underlying holdings within the collective investment schemes. Debt securities are generally valued using prices provided by external pricing vendors. Pricing vendors will often determine prices by consolidating prices of recent trades for identical or similar securities obtained from a panel of market makers into a composite price. The pricing service may make adjustments for the elapsed time from a trade date to the valuation date to take into account available market information. Lacking recently reported trades, pricing vendors will use modelling techniques to determine a security price.

Some government and supranational securities are listed on recognised exchanges and are generally classified as level 1 in the fair value hierarchy. Those that are not listed on a recognised exchange are generally based on composite prices of recent trades in the same instrument and are generally classified as level 2 in the fair value hierarchy.

Corporate bonds, including asset backed securities that are not listed on a recognised exchange or are traded in an established over-the-counter market are also mainly valued using composite prices. Where prices are based on multiple quotes and those quotes are based on actual recent transactions in the same instrument the securities are classified as level 2, otherwise they are classified as level 3 in the fair value hierarchy.

Management performs an analysis of the prices obtained from pricing vendors to ensure that they are reasonable and produce a reasonable estimate of fair value. Management considers both qualitative and quantitative factors as part of this analysis.

13. Debtors arising out of direct insurance operations

	2015 £'000	2014 £'000
Due within one year – intermediaries	94,793	130,735

There has been a material reduction in debtors due within one year, with a corresponding reduction in creditors due within one year, following the successful resolution of processing delays with regards to signings for settled direct business.

14. Debtors arising out of reinsurance operations

	2015 £'000	2014 £'000
Due within one year – intermediaries	6,019	1,610

15. Deferred acquisition costs

	2015 £'000	2014 £'000
At 1 January	33,038	27,129
Movement in provision	2,340	4,968
Exchange adjustments	1,006	941
At 31 December	36,384	33,038

16. Other debtors

	2015 £'000	2014 £'000
Balances with group companies	2,212	(69)
Other	52	239
	2,264	170

17. Other assets – other

	2015 £'000	2014 £'000
Other – Overseas Deposits	11,595	11,001

Other assets comprise overseas deposits which are advanced as a condition of conducting underwriting business in certain countries.

18. Deposits received from reinsurers

	2015 £'000	2014 £'000
Reinsurance collateral	3,282	8,147

Cash at bank and in hand includes £3.3m in relation to funds deposited by reinsurers to collateralise their potential exposure (2014: £8.1m). A corresponding creditor is recorded as deposits received from reinsurers.

19. Creditors arising out of direct insurance operations

	2015 £'000	2014 £'000
Due within one year – intermediaries	645	29,249

There has been a material reduction in creditors due within one year, with a corresponding reduction in debtors due within one year, following the successful resolution of processing delays with regards to signings for settled direct business.

20. Creditors arising out of reinsurance operations

	2015 £'000	2014 £'000
Due within one year – intermediaries	23,910	20,098

21. Other creditors

	2015 £'000	2014 £'000
Balances with group companies	1,690	1,610
Other	-	483
	1,690	2,093

22. Claims development

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. Balances have been translated at exchange rates prevailing at 31 December 2015 in all cases. All balances are presented are in respect of premiums earned to the balance sheet date and therefore reflect the pattern of earning and risk exposure over a number of calendar years. The entity chose not to disclose information about claims development that occurred earlier than five years before the end of the first financial year in which FRS 103 is applied in line with a transitional provision (FRS 103.6.3).

Gross basis as at 31 December 2015:

Pure underwriting year	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	Total £'000
Incurred gross claims						
At end of underwriting year	52,575	67,593	43,126	54,254	54,514	272,062
one year later	84,710	109,767	101,926	100,351	-	396,754
two years later	82,634	110,954	100,036	-	-	293,624
three years later	82,382	110,289	-	-	-	192,671
four years later	80,029	-	-	-	-	80,029
Gross ultimate claims on premium earned to date	80,029	110,289	100,036	100,351	54,514	445,219
Gross ultimate claims on premium earned to date for 2010 and prior years	12,895	-	-	-	-	12,895
Less gross claims paid	65,801	79,285	63,283	37,406	6,898	252,673
Gross claims reserves	27,123	31,004	36,753	62,945	47,616	205,441

Net basis as at 31 December 2015:

Pure underwriting year	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	Total £'000
Incurred net claims						
At end of underwriting year	50,537	57,169	38,336	43,650	42,274	231,966
one year later	65,817	87,277	90,369	76,255	-	319,718
two years later	63,300	85,890	86,737	-	-	235,927
three years later	61,921	87,007	-	-	-	148,928
four years later	60,191	-	-	-	-	60,191
Net ultimate claims on premium earned to date	60,191	87,007	86,737	76,255	42,274	352,464
Net ultimate claims on premium earned to date for 2010 and prior years	10,873	-	-	-	-	10,873
Less net claims paid	52,694	63,880	57,394	27,577	5,680	207,225
Net claims reserves	18,370	23,127	29,343	48,678	36,594	156,112

23.Year of account development

The table below presents the annual results for each year of account until the earlier of the current year end and closure of the year of account by reinsurance to close. Subsequent movements in results for closed years of account are reflected within the results for the year into which they closed.

Year of Account	2010 £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	Profit / (Loss) before members' agents fees £'000
2010	(12,948)	(4,782)	1,355				(16,375)
2011		(22,803)	16,289	8,227			1,713
2012			(21,243)	(2,948)	17,703		(6,488)
2013				(8,864)	1,687	11,730	4,553
2014					(9,524)	10,055	
2015						(11,939)	
FIS Income				(310)	2,379	1,477	
Calendar year result			(3,599)	(3,895)	12,245	11,323	

24. Cash calls

Following the closure of the 2012 year of account at a loss, cash collections of £6.5m were made from the Funds in Syndicate account and were transferred to the Syndicate premium trust funds during the year. A distribution of £4.6m will be made during 2016 following the closure of the 2013 year of account.

25.Retirement benefit schemes

ANV Central Bureau of Services Limited (CBS), a related party, operates defined contribution retirement benefit scheme for all qualifying employees. The funds of the scheme are administered by Aviva plc and are held separately. Contributions are paid by the group and Syndicate staff. The group also makes payments into certain other staff personal pension plans. The total expense charged to profit and loss for the year ended 31 December 2015 was £0.8m (2014 £0.8m).

26.Explanation of Transition to FRS 102 and 103

This is the first financial year that the Syndicate has presented its financial statements under Financial Reporting Standard 102 and 103 (FRS 102 & 103) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the financial year ended 31 December 2014. The comparatives in these financial statements have therefore been re-presented under FRS 102 & 103 on a consistent basis.

As a consequence of adopting FRS 102 & 103, the Syndicate has made an amendment to its foreign exchange accounting policy to ensure compliance with FRS 102 Section 30 'Foreign Currency Translation' with respect to the previously reported allocation of foreign exchange gains / losses between the profit & loss account and the Statement of Recognised Gains and Losses (STRGL). As a result, some foreign currency assets and liabilities no longer meet the definition of a foreign operation and exchange differences arising from the retranslation of these balances into functional currency have to be recognised in the profit and loss rather than recognised in the Statement of Comprehensive Income. The impact of this is to increase the profit by £0.3m in 2014 however this is offset by a loss of £0.3m for Other Comprehensive Income accordingly there is no net impact on either Total Comprehensive Income or members' balances.

In accordance with FRS 102 section 3.12, the applicable comparative figures in the primary statements and notes have been restated to reflect the uniform application of the new policy outlined above. The financial effect of restating the prior year amounts for the changes in accounting policy is as follows:

	2014 Restated £'000	2014 as previously stated £'000
Balance on technical account before operating expense	75,763	75,763
Operating expense	(64,830)	(65,348)
Balance on technical accounts	10,933	10,415
Non-technical account		
Non-technical account income/charges	578	578
Profit on foreign exchange	273	-
Profit for the financial year	11,784	10,993
Currency translation difference	461	1,252
Total comprehensive income for the financial year	12,245	12,245

	2014 Restated £'000	2014 as previously stated £'000
Member balance at 1 January 2014	83	83
Profit for the financial year	11,784	10,993
Currency Translation Differences	461	1,252
(Payments to) /amounts received from members' personal reserve fund	(1,712)	(1,712)
Members' balances carried forward at 31 December 2014	10,616	10,616

27. Related parties

Related Parties

ANV Holdings (UK) Limited (AHUK) holds 80% of the ordinary shares of ANV Syndicate Management Limited (ASML), with the remaining 20% held by Ryan Specialty Group, LLC (RSG). ASML is the immediate parent company of ANV Syndicates Limited (ASL) and was the Syndicate's managing agent until 1 April 2014 when ASL become the managing agent following the novation of the managing agency agreements. AHUK is a wholly owned subsidiary of ANV Risk BV and the ultimate holding company of the ANV Group is ANV Holdings BV, whose principal investor is the Ontario Teachers' Pension Plan. On 6 December 2013, Jubilee Managing Agency Limited (JMAL) was acquired by ASML, part of ANV Group. Jubilee Group Holdings Limited (JGHL) and its other subsidiaries were not acquired by ANV. Jubilee Managing Agency Limited was re-named ANV Syndicates Limited on 6 December 2013.

Transactions with Group Entities
Lloyd's market regulations require that a Managing Agent be responsible for engaging underwriting staff and managing the affairs of each syndicate at Lloyd's on behalf of the syndicate members.

Following a transfer of all employment and other service contracts to ANV Central Bureau Services Limited (CBS) at the end of 2014, intragroup service arrangements between ASL and CBS were updated to enable CBS to perform the recharge of all costs to the Syndicate from 1 January 2015. These recharges were performed by ASL during 2014. Profit-related remuneration for the Syndicate's underwriting staff is charged to the Syndicate.

ANV Corporate Name Limited provides 100% of the capacity for the 2013, 2014 and 2015 years of account for Syndicate 1861.

Syndicate 1969, a syndicate managed by ASL under a 'turnkey' arrangement until the successful launch of its own managing agency on 1 August 2015, purchased an Energy excess of loss reinsurance policy on which Syndicate 1861 participates. During 2015 reinsurance premiums amounted to £0.4m (2014: £0.2m).

The Syndicate acts a consortium leader, with ASL as the consortium manager, on a number of consortia on which Syndicate 1969 and Syndicate 5820, another syndicate managed by ASL and participated on by ANV Corporate Name Limited are members. During the period £3.1m was written by the Syndicate as consortium leader on behalf of Syndicate 1969 and £4.3m on behalf of Syndicate 5820. Fees are charged by ASL as the consortium manager on behalf of the Syndicate to the other consortium members. At 31 December 2015 the Syndicate had accrued income of £0.2m due from Syndicate 1969 and £0.3m due from Syndicate 5820 in this respect.

The Syndicate also participates as a member on a consortium agreement where Syndicate 1969 acts as the consortium leader and Apollo Syndicate Management Limited is the consortium manager. During the period £1.8m was written by Syndicate 1969 as consortium leader on behalf of the Syndicate. Fees charged by Apollo Syndicate Management Limited to the Syndicate amounted to £0.2m in 2015 (2014: nil). The Syndicate had accrued fees payable of £0.2m as of 31 December 2015.

A proportion of the business written by the Syndicate is sourced from companies within the ANV Group. These include:

- ANV Global Services Inc.;
- ANV Global Services Ltd; and
- ANV MGA HK Ltd.

Transactions with the above entities are as set out below (£m):

2015	ANV Global Services Inc.	ANV Global Services Ltd.	ANV MGA HK Ltd.
Gross premium written	2.5	13.0	-
Commission	0.3	1.9	-
Payable 31/12/15	0.2	4.6	-

2014	ANV Global Services Inc.	ANV Global Services Ltd.	ANV MGA HK Ltd.
Gross premium written	2.4	6.6	-
Commission	0.2	1.0	-
Payable 31/12/14	0.5	1.4	-

The Directors of ASL consider the commissions charged to the Syndicate by these companies within the ANV Group to be consistent with those payable to a third party for similar services.

At the balance sheet date, the Syndicate has amounts due to ANV CBS and ASL of £0.7m (2014 £2.6m), of which £0.2m related to profit commission payable (2014: £nil).

ASL and other group companies have charged the syndicate with the following expenses during the year:

	2015 £'000	2014 £'000
Managing agent fees	1,480	1,400
Group recharge from ANV group companies	26,018	18,564
Total	27,498	19,964

Recharges of £26.0m (2014 £18.6m) have been incurred by the Syndicate from CBS during 2015.

Profit commission is not actually paid until the year of account in respect of which it was earned closes after three years. Profit commission was not applicable for the 2011 to 2013 years of account. Management fees, which are charged on a cost basis, predominantly represent recharges of staff costs for employees working on syndicate business.

The Syndicate had the following amounts outstanding at the year-end, which are included in 'Other creditors' or 'Other debtors' on the balance sheet:

	2015 £'000	2014 £'000
Other Debtors		
ASL	-	-
ASML	-	236
ANV Group	1,092	407
	1,092	643
Other Creditors		
ASL	-	-
ANV Group	403	2,552
	403	2,552

Transactions with other entities
As part of the sale of JMAL to the ANV Group in 2013, Ryan Specialty Group, LLC (RSG) acquired a 20% shareholding in ASML, the immediate parent company of ASL.

Syndicate 1861 may source business from RSG on the open market through Lloyd's brokers. All risks are entered into on an arm's length basis and ASL has unfettered underwriting discretion for all opportunities. Business placed via RSG into the syndicate is capped at 20% of stamp capacity and in 2015 did not exceed 2% of gross net premium.

Prior to the commencement of underwriting on the 2015 year of account an agreement was entered into with Securis with respect to the period beginning on 1 January 2015 to support the Funds at Lloyd's of ANV Corporate Name Limited, an ANV group company and sole participant on the capacity of the Syndicate, through the provision of a letter of credit backed by an excess of loss reinsurance contract. The Syndicate also purchased reinsurance protection through Axe Insurance PCC Ltd, a Securis group company, on normal terms for such reinsurance.

Directors' interests
Members of the ASL Board are also directors of other ANV Group companies that transact with ASL and/or the Syndicate, as follows:

- R. Matthew Fairfield (resigned from ASL 21 April 2015) – ANV Global Services Limited (resigned 21 April 2015)
- Adam Barker – ANV Global Services Limited, ANV Global Services Inc., ANV Global Services US Inc. & ANV Corporate Name Limited
- Janice Hamilton – ANV Corporate Name Limited
- Gerard van Loon – ANV Global Services Limited
- Lynsey Cross – ANV Central Bureau of Services Limited

Neither the directors nor the active underwriter participate on the Syndicate.

Nicholas Pawson, a non-executive director of ASL is a non-executive director of Starr Managing Agents Limited (SMAL). SMAL is a member of the Starr group, which includes Starr Underwriting Agents Limited, a company which has delegated underwriting authority for specific classes of business for Syndicate 1861. There are a number of contracts between companies in the ASL group and companies in the SMAL group. All such contracts are negotiated on an arm's length basis. Both the boards of SMAL and ASL have been advised of the potential conflict of interest.

Tony Hulse, a non-executive director of ASL is a non-executive director of Apollo Syndicate Management Limited, the managing agency of Syndicate 1969 through which the Syndicate leads and participates on consortia arrangements with Syndicate 1969. The consortia agreements were negotiated on an arm's length basis. Both the boards of ASL and Apollo Syndicate Management Limited have been advised of the potential conflict of interest.

ANV