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Nephila Syndicate 2357

Syndicate Annual Report and Accounts

31 December 2015

Contents

Directors and Administration

Managing Agent

Asta Managing Agency Ltd

Directors

T A Riddell (Chairman)*
G M J Erulin*
L Harfitt
A J Hubbard*
D J G Hunt
D F C Murphy*
S P A Norton
J W Ramage*
J M Tighe

Non Executive Directors*

Company Secretary

C Chow

Managing Agent's Registered Office

5th Floor
Camomile Court
23 Camomile Street
London
EC3A 7LL

Managing Agent's Registered Number

1918744

Active Underwriter

Adam Beatty

Bankers

Citibank NA

Registered Auditor

Deloitte LLP

Managing agent's report

The Syndicate's Managing Agent is a company registered in England and Wales. The directors of the Managing Agent present their report for the year ended 31 December 2015.

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").

Results

The total recognised income for the calendar year 2015 is a profit of $16.7m (2014: $7.9m). Profits will be distributed by reference to the results of individual underwriting years.

This is the first year that the Syndicate has presented its results under FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. In accordance with FRS 102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS 103. Further details are given in note 1 to the annual accounts.

Principal activity and review of the business

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

The Syndicate writes predominately property reinsurance business primarily in the United States.

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

	2015	2014
	$'000	$'000
Property Catastrophe Reinsurance	26,627	33,355
Reinsurance	46,146	-
Weather	325	-
	73,098	33,355

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

	2015 $'000	2014 $'000	Change %
Gross written premiums	73,098	33,355	119%
Profit for the financial year	16,703	7,962	110%
Total comprehensive income	16,703	7,962	110%
Combined ratio	31%	54%	(23%)

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

The return on capacity for the 2013 closed year of account at 31 December 2015 is shown below together with forecasts for the two open years of account.

	2013 YOA Closed	**2014 YOA Open**	**2015 YOA Open**
Capacity ($'000)	13,230	106,575	106,575
Result/forecast ($'000)	3,773	7,080	16,488
Return on capacity (%)	28.5%	6.6%	15.5%

Principal risks and uncertainties

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

Insurance Risk

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

Credit Risk

The key aspect of credit risk is the risk of default by one or more of the Syndicate's reinsurers and intermediaries. The Syndicate Board's policy is that the Syndicate will only reinsure with approved reinsurers, supported by collateralisation, where required. The Agency Reinsurance Security Committee monitors reinsurer ratings and is required to approve all new reinsurers before business is placed with them.

Market Risk

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

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

The Syndicate Board ensures that the Syndicate's investments are held in high quality instruments.

Liquidity Risk

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

Operational Risk

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

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulatory Authority (PRA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. The Agency has a compliance officer who manages a team of three that monitor business activity and regulatory developments and assesses any effects on the Agency.

The syndicate has no appetite for failing to treat customers fairly. The syndicate manages and monitors its conduct risk through a suite of risk indicators and reporting metrics as part of its documented conduct risk framework.

Group / Strategic

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

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

Future Developments

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

The capacity for the 2016 year of account is $178.9m (2015 year of account $106.6m).

Effective 1 January 2016, Lloyd's is subject to the Solvency II capital regime and the Solvency 1 figures are no longer applicable from that date. Although the capital regime has changed, this has not significantly impacted the SCR of the Syndicate, since this has been previously calculated based on Solvency II principles.

Directors

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

Y A Lancaster (nee Bouman) Resigned 12 February 2016

Disclosure of information to the auditor

So far as each person who was a director of the Managing Agent at the date of approving the report is aware, there is no relevant audit information, being information needed by the Syndicate auditor in connection with the auditor's report, of which the auditor is unaware. Having made enquiries of fellow directors of the Agency and the Syndicate's auditor, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Auditor

The Managing Agent intends to reappoint Deloitte LLP as the Syndicate's auditor.

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditor for a further 12 months can be made by Syndicate members before 25 April 2016.

On behalf of the Board

C Chow
Company Secretary
15 March 2016

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) including FRS 102 and FRS 103. The Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 subject to changes arising on the adoption of new accounting standards in the year;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the notes to the Syndicate accounts; and
- Prepare the Syndicate 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 adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Independent auditor's report

Independent auditor's report to the member of Nephila Syndicate 2357

We have audited the syndicate annual financial statements for the year ended 31 December 2015 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Member's balances, the Statement of Cash Flows and the related notes 1 to 19. 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 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 matter prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

In our opinion the information given in the Managing Agent's Report for the financial year in which the annual financial statements are prepared is consistent with the annual financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (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.

Alexander Arterton, BSc, ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
15 March 2016

Income Statement

Technical account - General business

For the year ended 31 December 2015

	Notes	2015 $'000	2014 $'000
Gross premiums written	3	73,098	33,355
Outward reinsurance premiums		(39,550)	(18,002)
Net written premiums		33,548	15,353
Change in the provision for unearned premiums			
• Gross amount		(6,786)	3,397
• Reinsurers' share		3,655	(2,089)
Change in the net provision for unearned premiums	4	(3,131)	1,308
Earned premiums, net of reinsurance		30,417	16,661
Allocated investment return transferred from the non-technical account		6	3
Claims paid			
• Gross amount		-	-
• Reinsurers' share		-	-
		-	-
Changes in claims outstanding			
• Gross amount		(17)	-
• Reinsurers' share		-	-
Change in the net provision for claims	4	(17)	-
Claims incurred, net of reinsurance		(17)	-
Net operating expenses	5	(13,686)	(8,707)
Balance on technical account – general business		16,720	7,957

Income statement continued

Non-technical account - General business

For the year ended 31 December 2015

	Notes	2015	2014
		$'000	$'000
Balance on technical account – general business		16,720	7,957
Investment income	8	6	3
Allocated investment return transferred to the general business technical account		(6)	(3)
Exchange gains and losses		(17)	5
Profit for the financial year		**16,703**	**7,962**

All the amounts above are in respect of continuing operations. The notes on pages 14 to 36 form part of these financial statements.

Statement of comprehensive income

Syndicate 2357 had no recognised gains and losses this year or last year other than those included in the Profit and Loss Account. Therefore, the directors of the Managing Agent have not presented a Statement of Comprehensive Income.

Statement of changes in member's balances

For the year ended 31 December 2015

	2015 $'000	2014 $'000
At 1 January	10,469	2,507
Profit for the financial year	16,703	7,962
Payments of profit to member's personal reserve fund	(3,709)	-
At 31 December	23,463	10,469

Statement of financial position

As at 31 December 2015

	Notes	2015 $'000	2014 $'000
ASSETS			
Investments			
Financial investments	9	26,669	27,169
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	4,197	548
Debtors			
Debtors arising out of reinsurance operations	10	14,519	127
Other debtors		2,456	174
		16,975	301
Cash and other assets			
Cash at bank and in hand	12	6,794	1,029
Prepayments and accrued income			
Deferred acquisition costs	4	794	101
Other prepayments and accrued income		792	2,197
		1,586	2,298
Total assets		56,221	31,345

The notes on pages 14 to 36 form part of these annual accounts.

Statement of financial position continued

As at 31 December 2015

	Notes	2015 $'000	2014 $'000
MEMBER'S BALANCE AND LIABILITIES			
Capital and reserves			
Member's balances		23,463	10,469
Liabilities			
Technical provisions			
Provision for unearned premiums	4	7,789	1,015
Claims outstanding	4	17	-
		7,806	1,015
Creditors			
Creditors arising out of reinsurance operations	11	22,739	18,732
Accruals and deferred income		2,213	1,129
Total liabilities		32,758	20,876
Total member's balances and liabilities		56,221	31,345

The notes on pages 14 to 36 form part of these annual accounts.

The financial statements on pages 9 to 36 were approved by board of directors on 8 March 2016 and were signed on its behalf by:

D J G Hunt
Director
15 March 2016

Statement of cash flows

For the year ended 31 December 2015

	2015 $'000	2014 $'000
Cash flows from Operating activities		
Profit on ordinary activities	16,703	7,962
Increase/(decrease) in gross technical provisions	6,791	(3,397)
(Increase)/decrease in reinsurers' share of gross technical provisions	(3,649)	2,089
(Increase) in debtors	(16,674)	(193)
Increase in creditors	4,007	10,370
Movement in other asset/liabilities/foreign exchange	1,796	(1,532)
Investment Return	(6)	(3)
Net cash inflows from operating activities	8,968	15,296
Cash flows from Investing activities		
Purchase of financial investments	(77,794)	(54,498)
Sale of financial investments	78,394	27,499
Investment income received	6	3
Net cash inflows/(outflows) from investing activities	606	(26,996)
Cash flows from Financing activities		
Payments of profit to member's personal reserve fund	(3,709)	-
Net cash (outflows) from financing activities	(3,709)	-
Net increase/(decrease) in cash and cash equivalents	5,865	(11,700)
Cash and cash equivalents at beginning of year	1,199	12,899
Cash and cash equivalents at end of year	7,064	1,199

Notes to the financial statements

For the year ended 31 December 2015

1. Basis of preparation

Statement of compliance

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value. The financial statements are prepared in US dollars which is the functional and presentational currency of the Syndicate and rounded to the nearest $'000.

The Syndicate transitioned from previously extant UK GAAP to FRS 102 and FRS 103 as at 1 January 2014. An explanation of how transition to FRS 102 and FRS 103 has affected the reported financial position and financial performance is given in Note 18.

2. Accounting Policies

Use of estimates

The preparation of the financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the accounts, and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates. Significant items subject to such estimates and assumptions include:

(i) provision for claims outstanding;

(ii) estimates of future premiums;

(iii) accruals for contingent commissions under reinsurance contracts.

Significant Accounting Policies

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

Gross Premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

Accounting policies continued

The main assumption underlying future premium, is that past premium development can be used to project future premium development.

Reinsurance Premiums

Reinsurance written premiums comprise the total premiums payable for the whole cover provided by contracts entered into the period, including portfolio premiums payable, 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.

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.

Claims Incurred

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

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

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

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

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

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

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

Accounting policies continued

Provisions for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. In respect of general insurance business, written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Unexpired risks

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

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

At 31 December 2015 and 31 December 2014 the Syndicate did not have an unexpired risks provision.

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as the advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies.

Deferred acquisition costs are costs arising from conclusion of insurance contracts that are incurred during the reporting period but which relate to a subsequent reporting period and which are carried forward to subsequent reporting periods.

Deferred acquisition costs are amortised over the period in which the related premiums are earned.

Reinsurance assets

The Syndicate cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Accounting policies continued

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Syndicate may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2015 or 2014.

Ceded reinsurance arrangements do not relieve the Syndicate from its obligations to policyholders.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are not recognised when the derecognition criteria for financial assets have been met.

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Foreign currencies

The Syndicate's functional currency and presentational currency is US dollars.

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

Exchange differences are recorded in the non-technical account.

Accounting policies continued

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

	2015 Year End	2014 Year End
GBP	0.680	0.641
EUR	0.925	0.827
YEN	120.598	119.839
NZD	1.462	1.282

Financial liabilities

The Syndicate's financial liabilities include trade and other payables, borrowings and insurance payables, where applicable. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

A financial liability is derecognised when the obligation under the liability is discharged or expires.

Financial Investments

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

In applying FRS 102, the Syndicate has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).

Amounts included within Shares and other variable securities include CIS/Unit Trusts where funds are invested in a single entity which invests in investments. These are treated as cash instruments with the carrying value and purchase price being the same.

Financial instruments that are classified as fair value through the profit or loss account are assigned a level using a fair value hierarchy that reflects the significance of the inputs used in these measurements.

Level 1 financial instruments comprise government bonds that are regularly traded, deposits with credit institutions and collective investment schemes which comprise Money Market Funds.

- Bonds have been valued at fair value using quoted prices in an active market
- Deposits with credit institutions are included at cost plus accrued income

- Money Market Funds are valued on a stable net asset value (NAV) basis. Money Market Funds are readily convertible into cash, 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.

Level 2 financial instruments are less regularly traded government and agency bonds, supranational bonds, corporate bonds, currency derivatives, bond futures, and fund investments.

- Bonds are included in the balance sheet at bid price using prices supplied by the custodian or by the investment managers, who obtain market data from numerous independent pricing services. The prices used are reconciled against a common market pricing source

- Currency derivatives and bond futures are included at market price

- Investments in regulated collective investment schemes are valued on the NAVs of each of the individual funds as published publicly by the managers

- Investments in pooled investments in unregulated investment schemes (hedge funds) are valued based on the underlying NAVs of each of the individual funds. Hedge fund NAVs are provided by the administrators of the schemes

- Investments in investment pools are valued on the valuations supplied by the investment manager (Lloyd's).

Level 3 financial instruments have a fair value derived from inputs that are not based on observable market data. The Syndicate does not currently hold any level 3 financial instruments.

Investment Return

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

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

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

Accounting policies continued

Taxation

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

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

Profit commission

Profit commission is charged by the Managing Agent on the profit on a Year of Account basis. Such commission does not become payable until after the appropriate year of account closes normally at 36 months.

Pension costs

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

Syndicate Operating Expenses

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

3. Segmental analysis

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

2015	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	$000	$000	$000	$000	$000	$000
Reinsurance	73,098	66,312	(17)	(13,686)	(35,895)	16,714
	73,098	66,312	(17)	(13,686)	(35,895)	16,714

2014	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	$000	$000	$000	$000	$000	$000
Reinsurance	33,355	36,752	-	(8,707)	(20,091)	7,954
	33,355	36,752	-	(8,707)	(20,091)	7,954

The Gross Written Premium received from two customers were individually greater than 10 per cent of the total Gross Written Premium.

All contracts were concluded in the UK.

Gross operating expenses are the same as net operating expenses shown in the income statement, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses for 2015.

4. Technical Provisions

	2015 Gross provisions $'000	2015 Reinsurance assets $'000	2015 Net $'000	2014 Gross provisions $'000	2014 Reinsurance assets $'000	2014 Net $'000
Claims outstanding						
Balance at 1 January	-	-	-	-	-	-
Change in claims outstanding	17	-	17	-	-	-
Effect of FX and other movements	-	-	-	-	-	-
Balance at 31 December	**17**	**-**	**17**	**-**	**-**	**-**
Claims notified	-	-	-	-	-	-
Claims incurred but not reported	17	-	17	-	-	-
Balance at 31 December	**17**	**-**	**17**	**-**	**-**	**-**
Unearned premiums						
Balance at 1 January	1,015	(548)	467	4,412	(2,637)	1,775
Change in unearned premiums	6,786	(3,655)	3,131	(3,397)	(2,089)	(1,308)
Effect of movements in exchange rates	(12)	6	(6)	-	-	-
Balance at 31 December	**7,789**	**(4,197)**	**3,592**	**1,015**	**(548)**	**467**
Deferred acquisition costs						
Balance at 1 January	101	-	101	17	-	17
Change in DAC	694	-	694	84	-	84
Effect of movements in exchange rates	(1)	-	(1)	-	-	-
Balance at 31 December	**794**	**-**	**794**	**101**	**-**	**101**

5. Net Operating Expenses

	2015	2014
	$'000	$'000
Acquisition costs	(7,181)	(3,352)
Change in deferred acquisition costs	694	84
Administration expenses	(7,199)	(5,439)
Net operating expenses	(13,686)	(8,707)

Member's standard personal expenses amounting to $3.8m (2014: $2.8m) are included in administrative expenses. Member's standard personal expenses include Lloyd's subscriptions, new central fund contributions, managing agent's fees and profit commission.

6. Auditor's remuneration

	2015	2014
	$'000	$'000
Audit of the Syndicate annual accounts	(60)	(43)
Other services pursuant to Regulations and Lloyd's Byelaws	(49)	(61)
	(109)	(104)

Auditor's remuneration is included as part of the administrative expenses in note 5 to the financial statements.

7. Emoluments of the directors of Asta Managing Agency Ltd

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

No emoluments of the Directors or staff of Asta Managing Agency Ltd were directly charged to the Syndicate. The emoluments of the active underwriter are borne by Nephila Group.

No other compensation was payable to key management personnel.

8. Investment return

	2015	2014
	$'000	$'000
Income from other financial investments	6	3
Total investment return	6	3

9. Financial investments

	2015	
	Carrying value	Purchase price
	$'000	$'000
Shares and other variable yield securities and units in unit trusts		
- Designated at fair value through profit or loss	270	270
Debt securities and other fixed income securities		
- Designated at fair value through profit or loss	26,399	26,399
	26,669	26,669

	2014	
	Carrying value	Purchase price
	$'000	$'000
Shares and other variable yield securities and units in unit trusts		
- Designated at fair value through profit or loss	170	170
Debt securities and other fixed income securities		
- Designated at fair value through profit or loss	26,999	26,999
	27,169	27,169

The following table shows financial investments recorded at fair value analysed between the three levels in the fair value hierarchy.

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
31 December 2015				
Shares and other variable yield securities and units in unit trusts	-	270	-	270
Debt securities and other fixed income securities	-	26,399	-	26,399
Total	-	26,669	-	26,669

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
31 December 2014				
Shares and other variable yield securities and units in unit trusts	-	170	-	170
Debt securities and other fixed income securities	-	26,999	-	26,999
Total	-	27,169	-	27,169

Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's own models whereby the significant inputs into the assumptions are market observable.

10. Debtors arising out of Reinsurance Operations

	2015	2014
	$'000	$'000
Due within one year – intermediaries	14,519	127
	14,519	127

11. Creditors arising out of Reinsurance Operations

	2015	2014
	$'000	$'000
Due within one year	22,739	18,732
	22,739	18,732

12. Cash and cash equivalents

	2015	2014
	$'000	$'000
Cash at bank and in hand	6,794	1,029
Short-term deposits with financial institutions	270	170
	7,064	1,199

13. Related parties

Asta provides service and support to Syndicate 2357 in its capacity as Managing Agent. Managing agent's fees of $0.85m (2014: $0.55m) and service charges of $2.79m (2014: $1.83m) were recharged by Asta to the Syndicate during 2015. As at 31 December 2015 an amount of $0.48m (2014: $0.15m) was owed to Asta in respect of services provided.

Syndicate 2357 has recorded $1.32m (2014: $1.52m) for profit commission.

Syndicate 2357's dedicated capital provider is Nephila 2357 Limited, whose ultimate parent is Nephila Syndicate Holdings Limited, a company based in Bermuda. The syndicate has paid $0.12m expenses on behalf of Nephila 2537 Limited and $0.35m is due at 31 December 2015 (2014: $0.23m).

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

Syndicate 2357 benefits from collateralised reinsurance provided by Poseidon Re. The Syndicate purchased stop loss reinsurance costing $22.74m (2014: $18.73m) from Poseidon Re, a class III Bermuda reinsurer. Both Nephila Syndicate Holdings and Poseidon Re are managed by Nephila Capital Limited, a company based in Bermuda. The amount outstanding to Poseidon Re at 31 December 2015 was $22.74m (2014: $18.73m).

14. Disclosure of Interests

Managing Agent's interest

Asta is currently the Managing Agent for nine Lloyd's Syndicates. Syndicates 1686, 1729, 1897, 1910, 2357, 2525, 4242, 6123 and 6117 are managed on behalf of third party capital providers.

On 1 April 2015 Syndicate 2526 migrated to AmTrust at Lloyd's Limited. In 2016, Asta took on the management of Syndicate 2786 and Syndicate 6126.

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

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

15. Funds at Lloyd's

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

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

16. Off-balance sheet items

The Syndicate has not been party to an arrangement, which is not reflected in its statement of financial position, where material risks and benefits arise for the Syndicate.

17. Risk management

a) Governance framework

The Syndicate's risk and financial management framework aims to protect the Syndicate's members capital from events that might otherwise prevent the Syndicate from meeting its policyholder obligations, while maximising the returns to its members. The directors recognise the critical importance of having efficient and effective risk management systems in place.

Asta maintains a risk management function for the Syndicate with clear terms of reference from the Syndicate Board, its committees and sub committees. Asta supplements this with a clear organisational structure with documented delegated authorities and responsibilities from the main Asta managing agency board to the Syndicate who perform the underwriting activities. Lastly, the Syndicate policy framework sets its risk management and control and business conduct standards for operations. Asta reviews and monitors each policy to ensure compliance with the policy throughout the Syndicate.

The Syndicate board approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the Syndicate goals, and specify reporting requirements. The Syndicate board places significant emphasis on the assessment and documentation of risks and controls, including the articulation of the Syndicate's risk appetite.

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000.

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

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement 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 Nephila Syndicate 2357 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 Syndicate on which it participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but 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'.

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), held within 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, the ending members' balances reported on the statement of financial position on page 12, represent resources available to meet members' and Lloyd's capital requirements.

c) 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. Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Syndicate purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on a non-proportional basis. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Syndicate's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

Sub-committees of the Syndicate board oversee the management of reserving risk. The use of standardised and internal modelling techniques, as well as benchmarking and the review of claims development are key in mitigating reserving risk.

The purpose of these underwriting, reinsurance and reserving strategies is to limit exposure to catastrophes or large losses based on the Syndicate's risk appetite as decided by the Syndicate board.

The Syndicate uses both its own and commercially available risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

Key assumptions

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each underwriting year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit and members' balances.

2015	**Five Percent increase**	**Five Percent decrease**
	$'000	**$'000**
Gross	398	(398)
Net	184	(184)

2014	**Five Percent increase**	**Five Percent decrease**
	$'000	**$'000**
Gross	52	(52)
Net	24	(24)

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Claims development table

The tables below show the Syndicate's cumulative incurred claims development, including both claims notified and IBNR for each underwriting year, together with the cumulative payments to date on a gross and net of reinsurance basis at the balance sheet date.

The Syndicate has elected to translate estimated claims and claims payments at a consistent rate of exchange as determined at the balance sheet date.

The claims development information disclosed is being increased from five years to ten years over the period 2016-2020.

Underwriting year	**2013**	**2014**	**2015**
	$'000	**$'000**	**$'000**
Estimate of cumulative gross claims incurred:			
At end of underwriting year	-	-	17
One year later	-	-	-
Less cumulative gross paid	-	-	-
Liability for gross outstanding claims	-	-	17
Total gross outstanding claims			17

Underwriting year	2013	2014	2015
	$'000	$'000	$'000
Estimate of cumulative net claims incurred:			
At end of underwriting year	-	-	17
One year later	-	-	-
Less cumulative net paid	-	-	-
Liability for net outstanding claims	-	-	17
Total net outstanding claims			17

The uncertainty associated with the ultimate claims experience of an underwriting year is greatest when the underwriting year is at an early stage of development and the margin for future experience potentially being more adverse than assumed is at its highest. As claims develop, and the ultimate cost of the claims becomes more certain, the relative level of margin should decrease. Due, however, to the uncertainty inherent in the claims estimation process, initial reserves may not always be in a surplus.

d) Financial risk

1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the exposure to credit risk:

- Investment guidelines are established setting out the quality of investments to be included within the Syndicates portfolio. The policy is monitored by the Investment Committee and/or Syndicate Board.

- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits. If the counterparty is downgraded or does not have a good credit rating, then collateral is sought to mitigate any risk. This is monitored by the Reinsurance Security Committee, a sub committee of the Syndicate Board.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements.

2015

	$'000			
	Neither past due or impaired	**Past due**	**Impaired**	**Total**
Shares and other variable yield securities	270	-	-	270
Debt and fixed income	26,399	-	-	26,399
Overseas Deposits	-	-	-	-
Reinsurers share of claims outstanding	-	-	-	-
Debtors arising out of direct insurance operations	-	-	-	-
Debtors arising out of reinsurance insurance operations	14,519	-	-	14,519
Other debtors	2,456	-	-	2,456
Cash and cash equivalents	6,794	-	-	6,794
Total	50,438	-	-	50,438

2014

	$'000			
	Neither past due or impaired	**Past due**	**Impaired**	**Total**
Shares and other variable yield securities	170	-	-	170
Debt and fixed income	26,999	-	-	26,999
Overseas Deposits	-	-	-	-
Reinsurers share of claims outstanding	-	-	-	-
Debtors arising out of direct insurance operations	-	-	-	-
Debtors arising out of reinsurance insurance operations	127	-	-	127
Other debtors	174	-	-	174
Cash and cash equivalents	1,029	-	-	1,029
Total	28,499	-	-	28,499

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2015 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated, Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

2015			$'000				
	AAA	AA	A	BBB	BBB or less	Not Rated	Total
Shares and other variable yield securities	-	-	270	-	-	-	270
Debt and fixed income	26,399	-	-	-	-	-	26,399
Overseas Deposits	-	-	-	-	-	-	-
Reinsurers share of claims outstanding	-	-	-	-	-	-	-
Debtors arising out of reinsurance insurance operations	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	6,794	-	-	-	6,794
Total	26,399	-	7,064	-	-	-	33,463

2014			$'000				
	AAA	AA	A	BBB	BBB or less	Not Rated	Total
Shares and other variable yield securities	-	-	170	-	-	-	170
Debt and fixed income	26,999	-	-	-	-	-	26,999
Overseas Deposits	-	-	-	-	-	-	-
Reinsurers share of claims outstanding	-	-	-	-	-	-	-
Debtors arising out of reinsurance insurance operations	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	1,029	-	-	-	1,029
Total	26,999	-	1,199	-	-	-	28,198

Maximum credit exposure

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business.

During the year, no credit exposure limits were exceeded.

2) Liquidity risk

Liquidity risk is the risk that the Syndicate may not have enough cash to pay insurance claims and other liabilities. The Syndicate tries to reduce this risk by reviewing its expected cash obligations on a quarterly basis and keeping adequate cash on deposit to meet those obligations.

The table below summarises the maturity profile of the Syndicate's financial liabilities based on remaining undiscounted contractual obligations, including interest payable. Repayments which are subject to notice are treated as if notice were to be given immediately.

2015 **$'000**

	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Creditors	22,739	-	-	-	-	22,739
Total	22,739	-	-	-	-	22,739

2014 **$'000**

	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Creditors	18,732	-	-	-	-	18,732
Total	18,732	-	-	-	-	18,732

3) Market risk

a) 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's functional currency is US Dollars and its exposure to foreign exchange risk arises primarily with respect to transactions in Euro, Japanese Yen, GB Pounds and New Zealand Dollars. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency. Forward currency contracts are in place to eliminate the currency exposure on individual foreign transactions.

The table below summarises the exposure of the financial assets and liabilities to foreign currency exchange risk at the reporting date, as follows:

2015 **$'000**

	GBP	USD	EUR	JPY	OTH	Total
Total Assets	(9,400)	63,410	(1)	949	1,263	56,221
Total Liabilities	(2,212)	(28,800)	-	(707)	(1,039)	(32,758)
Net Assets	(11,612)	34,610	(1)	242	224	23,463

2014 **$'000**

	GBP	USD	EUR	JPY	OTH	Total
Total Assets	(4,692)	36,037	-	-	-	31,345
Total Liabilities	(1,122)	(19,754)	-	-	-	(20,876)
Net Assets	(5,814)	16,283	-	-	-	10,469

The Syndicate matches its currency position so holds net assets across a number of currencies. The Syndicate takes into consideration the underlying currency of the Syndicate's required capital and invests its assets proportionately across these currencies so as to protect the solvency of the Syndicate, against variation in foreign exchange rates.

Sensitivity to changes in foreign exchange rates

The table below gives an indication of the impact on profit of a percentage change in the relative strength of US Dollars against the value of Sterling, Canadian dollar and Euro simultaneously. The analysis is based on the information as at 31st December 2015.

	Impact on profit and member's balance	
	2015	**2014**
	$'000	**$'000**
US Dollar weakens		
10% against other currencies	(1,137)	(581)
20% against other currencies	(2,274)	(1,163)
US Dollar strengthens		
10% against other currencies	1,137	581
20% against other currencies	2,274	1,163

b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

The Syndicate has no significant concentration of interest rate risk.

Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

	2015	**2014**
	$'000	**$'000**
Interest Rate Risk		
Impact of 50 basis point increase on result	75	74
Impact of 50 basis point decrease on result	(75)	(74)
Impact of 50 basis point increase on net assets	75	72
Impact of 50 basis point decrease on net assets	(75)	(72)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

18. Transition to FRS 102 and FRS 103

The Syndicate transitioned to FRS 102 and FRS 103 from previously extant UK GAAP as at 1 January 2014. There was no change to members balances as the syndicate held no financial instruments that required revaluation and the balance sheet was valued at monetary rates of exchange.

19. Post Balance Events

During 2016, the following amounts are proposed to be transferred to the personal Reserve Fund of Nephila 2357 Ltd.

	$'000
2013 Year of account – Closing year surplus distribution	65
2014 Year of account – Early profit release	7,079