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Ariel Syndicate 6117

Syndicate Annual Report and Accounts

31 December 2015

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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

D Kirby

Registered Auditors

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

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 calendar year 2015 is a profit of £6.20m (2014 profit: £2.97m). 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 FRS102, 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 FRS102 was 1 January 2014. In accordance with FRS102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS103. Further details are given in note 13 to the annual accounts.

Principal activity and review of the business

The Syndicate was established in 2014 as a 'sidecar' Special Purpose Syndicate, writing a 25 percent whole account quota share of Syndicate 1910 for the 2014 year of account and 20 percent for 2015. In 2015, Syndicate 1910 wrote an inwards reinsurance contract comprising predominately personal lines and some limited small commercial lines. This business was not reinsured by Syndicate 6117. Both syndicates are managed by Asta Managing Agency Ltd. The syndicate is charged an overriding commission on all gross premium written as well as its share of all Lloyd's levies, subscriptions and costs. A profit commission is payable to Syndicate 1910 based on the profit earned under the contract. The Syndicate will take a 30% share of Syndicate 1910's business for 2016.

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

	2015 £'000	2014 £'000
Gross written premiums	24,237	32,843
Profit for the financial year	4,818	3,290
Total comprehensive income	6,198	2,966
Combined ratio	79%	85%

The combined ratio is made up of the claims and expense ratio.

The forecast return on capacity for the two open years of account at 31 December 2015 is shown below.

	2014 YOA Open	2015 YOA Open
Capacity (£'000)	58,000	40,115
Forecast return (£'000)	15,169	10,105
Return on capacity (%)	26.2%	25.2%

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:

Credit Risk

Syndicate 6117 writes a whole account quota share of the net account of Syndicate 1910, on a cash withheld basis. The key aspect of credit risk for the Syndicate is the risk of default by Syndicate 1910. The Syndicate does not purchase reinsurance.

Market Risk

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 its share of transactions by Syndicate 1910 in Euro, GB Pounds and Canadian dollars. Syndicate 1910 seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

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 write a whole account quota share of Syndicate 1910. This will increase to 30% for the 2016 year of account, from 20% for 2015. 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 £51,915k (2015 year of account £40,115k)

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.

Research and development

The syndicate has not participated in any research and development activity during the period.

Directors

Details of the Directors of the Managing Agent that served both 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 auditors

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 Auditors, 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.

Auditors

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

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members before 25 April 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 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;
- Make judgements and estimates that are reasonable and prudent subject to changes arising on the adoption of new accounting standards in the year.
- 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 members of Syndicate 6117

We have audited the syndicate annual accounts of syndicate 6117 ('the syndicate') for the year ended 31 December 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 14. 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'.

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

Respective responsibilities of the managing agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 6, the managing agent is responsible for the preparation of syndicate annual accounts which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate annual accounts

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

Opinion on syndicate annual accounts

In our opinion the syndicate annual accounts:

- 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, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'; 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 syndicate annual accounts are prepared is consistent with the syndicate annual accounts.

Matters on which we are required to report by exception

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

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

Andrew R. Blackmore

Andrew R. Blackmore (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
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	24,237	32,843
Outward reinsurance premiums		-	-
Net written premiums		24,237	32,843
Change in the provision for unearned premiums			
• Gross amount		433	(13,307)
• Reinsurers' share		-	-
Change in the net provision for unearned premiums	4	433	(13,307)
Earned premiums, net of reinsurance		24,670	19,536
Claims paid			
• Gross amount		(2,380)	(2,775)
• Reinsurers' share		-	-
		(2,380)	(2,775)
Changes in claims outstanding			
• Gross amount		(6,870)	(1,882)
• Reinsurers' share		-	-
Change in the net provision for claims	4	(6,870)	(1,882)
Claims incurred, net of reinsurance		(9,250)	(4,657)
Net operating expenses	5	(10,241)	(11,589)
Balance on technical account – general business		5,179	3,290

Income statement continued

Non-technical account - General business

For the year ended 31 December 2015

	2015	2014
	£'000	£'000
Balance on technical account – general business	5,179	3,290
Foreign exchange gains and losses	(361)	-
Profit for the financial year	4,818	3,290

Statement of comprehensive income

For the year ended 31 December 2015

	2015	2014
	£'000	£'000
Profit for the financial year	4,818	3,290
OCI – Currency translation differences	1,380	(324)
Total comprehensive income for the year	6,198	2,966

Statement of changes in members' balances

For the year ended 31 December 2015

	2015 £'000	2014 £'000
At 1 January	2,399	-
Profit for the financial year	6,198	2,966
Members' agent's fees	(454)	(567)
At 31 December	8,143	2,399

Statement of financial position

As at 31 December 2015

	Notes	2015 £'000	2014 £'000
ASSETS			
Debtors			
Debtors arising out of reinsurance operations		31,062	18,710
		31,062	18,710
Prepayments and accrued income			
Deferred acquisition costs	4	2,110	-
Total assets		33,172	18,710
MEMBERS' BALANCE AND LIABILITIES			
Capital and reserves			
Members' balances		8,143	2,399
Liabilities			
Technical provisions			
Provision for unearned premiums	4	15,266	13,666
Claims outstanding	4	9,513	2,395
		24,779	16,061
Accruals and deferred income		250	250
Total liabilities		25,029	16,311
Total members' balances and liabilities		33,172	18,710

The financial statements on pages 8 to 24 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	4,818	3,290
Increase in gross technical provisions	8,718	16,061
(Increase) in debtors	(12,352)	(18,710)
Increase in creditors	-	250
Movement in other asset/liabilities/foreign exchange	(1,184)	(891)
Net cash flows from Operating activities	-	-
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

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 sterling which is the presentational currency of the Syndicate and rounded to the nearest £'000. The Syndicate's functional currency is US dollars.

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 14.

2. Accounting Policies

Gross Premiums

Gross written premiums comprise the Syndicate's share of the total premiums receivable by Syndicate 1910 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. Syndicate 1910 recognises premium on the date on which the policy commences. Syndicate 1910 states gross written premium gross of brokerage payable and excludes taxes and duties levied on them.

Syndicate 1910 makes estimates for pipeline premiums, representing amounts due to the Syndicate not yet notified, as well as adjustments made in the year to premiums written in prior accounting periods.

Claims Incurred

Claims incurred comprise the Syndicate's share of claims and settlement expenses (both internal and external) paid by Syndicate 1910 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 in Syndicate 1910 comprises amounts set aside for claims notified and claims incurred, but not yet reported (IBNR).

Accounting policies continued

The amount included in respect of IBNR in Syndicate 1910 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 in Syndicate 1910 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 in Syndicate 1910 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. Syndicate 1910 uses a number of statistical techniques to assist in making these estimates.

Accordingly, the two most critical assumptions as regards claims provisions in Syndicate 1910 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 Syndicate 6117's share of the provisions for gross claims and related reinsurance recoveries in Syndicate 1910 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.

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.

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.

Accounting policies continued

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

Deferred acquisition costs

Acquisition costs comprise the Syndicate's share of costs arising from the conclusion of insurance contracts in Syndicate 1910. Syndicate 1910 includes 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.

Foreign currencies

The Syndicate's functional currency is $USD and presentational currency is £GBP.

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.

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

	2015	2014
	Year End	Year End
USD	1.48	1.56
CAD	2.05	1.81
EUR	1.35	1.28
YEN	178.19	186.24
AUD	2.02	1.90
NZD	2.16	1.99

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 ceding Syndicate 1910 at a rate of 17.5% of profit on a year of account basis. The Syndicate also incurs its share of the profit commission charged by the managing agent to Syndicate 1910 based on the profit on a year of account basis.

Profit commission does not become payable until the appropriate year of account closes, normally at 36 months.

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. The Syndicate incurs its share of the operating expenses of Syndicate 1910.

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	24,237	24,670	(9,250)	(10,241)	-	5,179

2014	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Reinsurance	32,843	19,536	(4,657)	(11,589)	-	3,290

All premiums 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			2014		
	Gross provisions £'000	Reinsurance assets £'000	Net £'000	Gross provisions £'000	Reinsurance assets £'000	Net £'000
Claims outstanding						
Balance at 1 January	2,395	-	2,395	-	-	-
Change in claims outstanding	6,870	-	6,870	1,882	-	1,882
Effect of FX and other movements	248	-	248	513	-	513
Balance at 31 December	**9,513**	**-**	**9,513**	**2,395**	**-**	**2,395**
Claims notified	2,109	-	2,109	531	-	531
Claims incurred but not reported	7,404	-	7,404	1,864	-	1,864
Balance at 31 December	**9,513**	**-**	**9,513**	**2,395**	**-**	**2,395**
Unearned premiums						
Balance at 1 January	13,666	-	13,666	-	-	-
Change in unearned premiums	(433)	-	(433)	13,307	-	13,307
Re-classification of deferred acquisition costs	2,110	-	2,110	-	-	-
Effect of movements in exchange rates	(77)	-	(77)	359	-	359
Balance at 31 December	**15,266**	**-**	**15,266**	**13,666**	**-**	**13,666**
Deferred acquisition costs						
Balance at 1 January	-	-	-	-	-	-
Re-classification of deferred acquisition costs	2,110	-	2,110	-	-	-
Balance at 31 December	**2,110**	**-**	**2,110**	**-**	**-**	**-**

4. Technical Provisions (continued)

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 taken advantage of the transitional rules of FRS 103 that permit only five years of information to be disclosed upon adoption. The claims development information disclosed is being increased from five years to ten years over the period 2016-2020.

Underwriting year	**2014**	**2015**
	£'000	**£'000**
Estimate of cumulative gross claims incurred:		
At end of first underwriting year	5,469	7,749
One year later	7,368	-
Less cumulative gross paid	(5,399)	(205)
Liability for gross outstanding claims	1,969	7,544
Total liabilities for gross outstanding claims (all years)		9,513

Underwriting year	**2014**	**2015**
	£'000	**£'000**
Estimate of cumulative net claims incurred:		
At end of first underwriting year	5,469	7,749
One year later	7,368	-
Less cumulative net paid	(5,399)	(205)
Liability for net outstanding claims	1,969	7,544
Total liabilities for net outstanding claims (all years)		9,513

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. In 2015, there has been an overall surplus of £1.8 million on prior year reserves. This has been primarily generated by better than expected claims experience on the property reinsurance class of business.

5. Net Operating Expenses

	2015	**2014**
	£'000	**£'000**
Acquisition costs	1,950	397
Administration expenses	8,291	11,192
Net operating expenses	10,241	11,589

Members' standard personal expenses amounted to nil (2014: nil).

6. Auditor's remuneration

	2015	2014
	£'000	£'000
Audit of the Syndicate annual accounts	15	15
Other services pursuant to regulations and Lloyd's byelaws	41	35
	56	50

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

The 2015 amounts relate to Ernst & Young LLP, whereas the 2014 amounts relate to PricewaterhouseCoopers LLP

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 6117, and are not separately identifiable from the fee charged by Asta to the Syndicate.

No other compensation was payable to key management personnel.

8. Related parties

Ariel and Asta established Special Purpose Syndicate 6117, backed by individual names advised by the member's agent Hampden, which has written a 20% whole account quota share of the net premiums, claims and expenses of Syndicate 1910 2015 Underwriting Year (2014: 25%). The net amount of premium ceded from Syndicate 1910 under the whole account quota share was £24.2m (2014: £32.8m), with overriding and profit commission earned coming to £0.3m (2014: £1m). As this quota share reinsurance is placed on a funds withheld basis, the net amount due as at 31 December 2015 of £31.1m (2014: £18.7m) will not become payable until the relevant underwriting year closes after 36 months.

9. 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 another managing agency.

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).

10. 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 members' FAL to meet liquidity requirements or to settle losses. Refer to note 12 for further details.

11. Off-balance sheet items

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

12. 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 Syndicate 6117 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 10, represent resources available to meet members' and Lloyd's capital requirements.

c) Financial risk

1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to honour their obligation to the Syndicate. The Syndicate's net exposure and credit risk is the risk of default by Syndicate 1910.

2015	**£'000**	
	Neither past due or impaired	**Total**
Debtors arising out of reinsurance insurance operations	31,062	31,062
Total	31,062	31,062

2014	**£'000**	
	Neither past due or impaired	**Total**
Debtors arising out of reinsurance insurance operations	18,710	18,710
Total	18,710	18,710

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	**Total**
Debtors arising out of reinsurance insurance operations	31,062	31,062
Total	31,062	31,062

2014	**£'000**	
	AAA	**Total**
Debtors arising out of reinsurance insurance operations	18,710	18,710
Total	18,710	18,710

2) Market Risk

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 its share of transactions by Syndicate 1910 in Euro, GB Pounds and Canadian dollars. Syndicate 1910 seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

The table below summarises the exposure of the Syndicate's share of the financial assets and liabilities of Syndicate 1910 to foreign currency exchange risk at the reporting date, as follows:

2015	£'000							
	GBP	USD	EUR	CAD	AUD	JPY	OTH	Total
Total Assets	961	27,474	713	1,076	660	1,459	829	33,172
Total Liabilities	(4,382)	(17,945)	(336)	(241)	(1,929)	(423)	227	(25,029)
Net Assets	(3,421)	9,529	377	835	(1,269)	1,036	1,056	8,143

2014	£'000							
	GBP	USD	EUR	CAD	AUD	JPY	OTH	Total
Total Assets	(1,169)	15,556	1,060	529	1,450	857	427	18,710
Total Liabilities	(929)	(13,664)	(236)	(126)	(753)	(322)	(281)	(16,311)
Net Assets	(2,098)	1,892	824	403	697	535	146	2,399

The host Syndicate, Syndicate 1910, matches its currency position so holds net assets across a number of currencies. Syndicate 1910 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 Syndicate 1910, against variation in foreign exchange rates. The net assets of Syndicate 6117 are held by Syndicate 1910 on a funds withheld basis and are due to Syndicate 6117 after 3 years.

13. 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. US dollars have been adopted as the Syndicate's functional currency, which is consistent with Syndicate 1910.

The syndicate's profit and loss account is now translated using transactional rates of exchange as opposed to a blanket average rate of exchange for the period. However there was no change to the members balances as the syndicate held no financial instruments that required revaluation and the balance sheet was already valued at monetary rates of exchange. All translation differences within the income statement on a line by line basis were purely FX related and were transferred to the non technical account and OCI.

14. Post Balance Sheet Events

During 2016, the following amounts are proposed to be distributed to members.

	2015 £'000
2014 Year of Account	7,254