Important information about Syndicate Reports and Accounts

Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The syndicate reports and accounts set forth in this section of the Lloyd's website, which have been filed with Lloyd's in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd's, and Lloyd's has no responsibility for their accuracy or content. Access to the syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd's or membership on any syndicate of Lloyd's, and no offer to join Lloyd's or any syndicate is being made hereby. Members of Lloyd's are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate's performance in any subsequent syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the syndicate reports and accounts. You also agree that you will not provide any person with a copy of any syndicate report and accounts without also providing them with a copy of this acknowledgment and agreement, by which they will also be bound.

D L Dale Syndicate 2525

Financial Statements

For the 36 Months ended 31 December 2016
2014 Closing Year Report and Accounts

Contents

Directors and Administration

Managing Agent

Asta Managing Agency Ltd

Directors

T A Riddell (Chairman)*
C V Barley
L Harfitt
A J Hubbard*
D J G Hunt
M D Mohn*
D F C Murphy*
S P A Norton
J W Ramage*
K Shah*
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 L Dale

Bankers

Barclays Plc
Citibank N.A
RBC Dexia

Investment Managers

Amundi (UK) Limited

Registered Auditors

Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Underwriter's report for the 2014 closing year of account

For the 36 months ended 31 December 2016

2014 closing year comments

We are pleased to announce that the 2014 year of account on the traditional Lloyd's three-year accounting basis has closed with a profit before members' agents fees of **£4.5m** which equates to a return on capacity of 10.8%.

Stamp Allocated Capacity	**£42.0m**
Capacity Utilisation	**82%**
Result (as a percentage of capacity) before Members' Agents Fees	**10.8%**
Total Result	**£4.5m**

Underwriter's Commentary as follows:

The Syndicate has seen sensible and sustainable growth over the last four years and has maintained the increased stamp capacity for 2017. The growth in income has been achieved with underwriting discipline underpinned by the valued 2525 product together with addition of the primary international account which has made a positive impact since 2015. The Syndicate's regional strategy has also begun to take shape and has made a similar positive impact over the last two years.

The London insurance market is still suffering from overcapacity and a greater number of practitioners that have similar risk appetites to the Syndicate. The strain that this places on long-term profitability has resulted in two sizeable entities withdrawing from our market during 2016 which has provided opportunities for the Syndicate to accrete business from many of its supporting brokers. However, the underlying message is still one of caution and a market place that is too soft for its own good. The Syndicate does have the ability to take on this business with a more than just a hope that it charged the correct premium. The product that underlies the business is much more complex than that, though in truth, based mainly on sound logic and good old fashioned common sense and underwriting. Without this approach my reaction to the market would be one of greater concern but with it I believe that 2525 remains a reasonable proposition for a Lloyd's investor. As I stated in last year's report we are not manufacturers trying to sell more of our products; we are buying in other peoples' liabilities which you undersell at your peril. Our philosophy will be to continue to expect a realistic price for the liabilities we choose to buy and to underscore that with a product that is better and more likely to achieve a satisfactory and fair result for both our clients and us, their underwriters.

The Treating Customers Fairly initiative mirrors the 2525 philosophy to assist and advise our customer base not just with regard to the handling of claims on their behalf but also with general health and safety awareness which includes training and discussions with them face to face. Furthermore, if you want to be in business and have a measure of success your customer must be at the forefront of your strategy and at 2525 they take centre stage.

The Ogden Table Discount Rate announcement made just before the consolidation of the year-end figures has increased the potential outcome for future losses particularly for the more serious and long term injuries. The Syndicate's reserving has always erred on the side of caution which has provided 2525 with a sensible cushion between the close and the ultimate incurred position which has been the case since 2003. However, the increase in the cost of some claims that this decision will cause will narrow the margin held by the Syndicate at this point and could therefore effect the amount of profitability. The Syndicate has undertaken an actuarial assessment of the potential impact on its gross and net reserves which will be measured against the true picture when the exercise to review each of those claims that need re-assessing has been concluded. At this juncture it has been necessary to amend our original 2014 and prior close position by a marginal negative amount. The only logical outcome of the reduction in the discount rate should be a price correction to adjust for higher future loss elements and the Syndicate will therefore look to strengthen rating on the UK core account as result.

In summary, the Syndicate has now returned another positive result through hard work, a good product, a focus on service and the needs of our clients, in what is, at best, a difficult trading environment. We have done this whilst creating a larger and more diverse business but without losing sight of values that have always underpinned the 2525 approach.

D L Dale
Active Underwriter
21 March 2017

Managing Agent's report for the 2014 closing year of account

For the 36 months ended 31 December 2016

The Directors of Asta Managing Agency Ltd ("Asta") present their report at 31 December 2016 for the 2014 closed year of account.

This report is prepared in accordance with the Lloyd's Syndicate Bylaw (No 8 of 2005). It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Business review

A summary of the 2014 year of account performance is given in the accompanying Underwriter's Report on pages 2 - 3.

Directors

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

C V Barley	Appointed 27 April 2016
M D Mohn	Appointed 16 May 2016
K Shah	Appointed 1 October 2016
Y A Lancaster (nee Bouman)	Resigned 12 February 2016
G M J Erulin	Resigned 31 March 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 this report is aware, there is no relevant audit information, being information needed by the auditors in connection with their 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/she is obliged to take as a Director in order to make he/she aware of any relevant audit information and to establish that the auditors are aware of that information.

The board of directors of the Managing Agent has overall responsibility for the establishment and oversight of the Syndicate's risk and capital management.

Approved by the Board of Directors and signed on behalf of the Board.

C Chow
Company Secretary
21 March 2017

Statement of Managing Agent's Responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare Syndicate underwriting year accounts at 31 December in respect of any underwriting year which is being closed by reinsurance to close which give a true and fair view of the result of the underwriting year at closure. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005).

In preparing the Syndicate underwriting year accounts, the Managing Agent is required to:-

- select suitable accounting policies and apply them consistently throughout each underwriting year and from one underwriting year to the next, subject to changes from newly adopted accounting standards. Where items affect more than one underwriting year, the Managing Agent must ensure that the Syndicate treats the affected member equitably. In particular, the premium charged for reinsurance to close should be equitable between the reinsured and reinsuring members of the Syndicate;

- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;

- make judgements and estimates that are reasonable and prudent; and

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

The Managing Agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate underwriting year accounts comply with the Lloyd's Regulations and Syndicate Accounting Byelaw. 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 UK governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Syndicate 2525

2014 Closed Year of Account

We have audited the Syndicate underwriting year accounts for the 2014 year of account of Syndicate 2525 for the three years ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of members' balances, the Statement of cash flows, the related notes 1 to 17 and the Statement of Managing Agent's responsibilities. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 5, the Managing Agent is responsible for the preparation of the Syndicate's underwriting year accounts under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), which give a true and fair view.

Our responsibility is to audit, and express an opinion on the Syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the members on the 2014 year of account of the Syndicate, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members on the 2014 year of account of the syndicate as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the Syndicate underwriting year accounts

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

Opinion on Syndicate underwriting year accounts

In our opinion the Syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2014 closed year of account;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Independent Auditor's Report to the Members of the Syndicate 2525 continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) 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 underwriting year accounts are not in agreement with the accounting records; or

Steve Liddell

Steve Liddell (Senior Statutory Auditor)

for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Brigde House
St Katherine's Way
London
E1W 1DD
21 March 2017

Profit and loss account: Technical account – General business

For the 36 months ended 31 December 2016

	Notes	£'000	£'000
Earned premiums, net of reinsurance			
Gross premiums written	4	43,034	
Outward reinsurance premiums		(6,770)	
			36,264
Reinsurance to close premiums received, net of reinsurance			58,498
Allocated investment return transferred from the non-technical account			743
Claims incurred, net of reinsurance			
Claims paid - Gross amount		(14,750)	
- Reinsurers' share		188	
Net claims paid		(14,562)	
Reinsurance to close premium payable net of reinsurance	6	(61,498)	
			(76,060)
Net operating expenses	7		(15,072)
Balance on the technical account – general business	5		**4,373**

The underwriting year closed and therefore all items relate to discontinued operations.

The notes on pages 13 to 23 form part of these financial statements.

Profit and loss account: Non-technical account

For the 36 months ended 31 December 2016

	Notes	£'000
Balance on the technical account – general business		**4,373**
Investment Income	8	1,117
Unrealised gains on investments		99
Unrealised losses on investments		(175)
Investment expenses and charges	8	(298)
		5,116
Allocated investment return transferred to general business technical account		(743)
Exchange gains and losses		154
Profit for the closed year of account		**4,527**

The underwriting year closed and therefore all items relate to discontinued operations.

There were no recognised gains or losses relating to the current or preceding year other than those included in the profit and loss. Therefore no statement of other comprehensive income has been presented.

The notes on pages 13 to 23 form part of these financial statements.

Balance sheet

As at 31 December 2016

	Notes	£'000	£'000
ASSETS			
Investments	9		63,639
Debtors			
Debtors arising out of direct insurance operations	12	2	
Other debtors, prepayments and accrued income		217	
			219
Reinsurance recoveries anticipated on gross reinsurance premiums payable to close the account	6		35,950
Other Assets			
Cash at bank and in hand			4,038
TOTAL ASSETS			**103,846**
LIABILITIES			
Amounts due to members			4,215
Reinsurance to close premiums payable to close the Account – gross amount	6		97,448
Creditors			
Creditors arising out of direct business	13	596	
Creditors arising out of reinsurance operations	14	495	
Profit commission		960	
Accruals		132	
			2,183
TOTAL LIABILITIES			**103,846**

The notes on pages 13 to 23 form part of these financial statements.

The Syndicate underwriting year accounts were approved by the Board of Asta Managing Agency Ltd on 15 March 2017 and were signed on its behalf by

D J G Hunt
Director
21 March 2017

Statement of members' balances

For the 36 months ended 31 December 2016

	£'000
Profit for the closed year of account	4,527
Members' agents' fees paid on behalf of members	(312)
Members' balances carried forward at 31 December 2016	**4,215**

The notes on pages 13 to 23 form part of these financial statements.

Statement of cash flows

	Notes	£'000
Cash flows from operating activities		
Profit for the year of account		4,527
Net unrealised losses and foreign exchange		(653)
Increase in debtors		(45)
Decrease in creditors		(27)
Non cash consideration received as part of RITC received	10	(57,397)
RITC premium payable, net of reinsurance		61,498
Net cash inflow from operating activities		7,903
Cash flows from investing activities		
Net purchase of portfolio investments		(3,553)
Cash flows from financing activities		
Members' agents fees paid on behalf of members		(312)
Net increase in cash and cash equivalents		4,038
Cash and cash equivalent at 1 January 2014		-
Cash and cash equivalent at end of the year of account	11	**4,038**

The notes on pages 13 to 23 form part of these financial statements.

Notes to the financial statements

For the 36 months ended 31 December 2016

1. Basis of preparation

The Syndicate underwriting year accounts have been prepared under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Lloyd's Regulations") and in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, including relevant disclosures of Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK ("FRS 102") and Financial Reporting Standard 103 Insurance Contracts ("FRS 103").

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 GBP which is the functional and presentational currency of the Syndicate and rounded to the nearest £'000.

Members participate on a Syndicate by reference to a year of account and each Syndicate year of account is a separate annual venture. These accounts relate to the 2014 year of account which has been closed by reinsurance to close at 31 December 2016. Consequently the balance sheet represents the assets and liabilities of the 2014 year of account at the date of closure and the profit and loss account reflects the transactions for that year of account during the 36 months period until closure.

As each Syndicate year of account is a separate annual venture, there are no comparative figures.

2. Accounting policies

Significant accounting estimates and judgements

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

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

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

Accounting policies continued

The ultimate cost of outstanding claims is estimated using a range of techniques including actuarial and statistical projections, benchmarking, case by case review and judgement. Statistical techniques assume that past claims development experience can be used as a basis to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in the future. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims.

Whilst the Directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated based on the information currently available to them, the ultimate liability will vary as a result of subsequent information and events.

Underwriting transactions

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of that three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Policies written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due, but not yet notified to the Syndicate year of account.

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the balance of premiums written in the period to the balance sheet date that relate to unexpired risks of policies in force at that date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Outwards reinsurance premiums ceded are attributed to the same year as the original risk being produced.

Gross claims paid are allocated to the same year of account as that to which the corresponding premiums are allocated and include internal and external claims settlement expenses. Reinsurance recoveries are allocated to the year of account to which the claim was charged.

The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims and unearned premiums, net of deferred acquisition costs and unexpired risks) relating to the closed year and to all previous closed years reinsured therein. Although this estimate of net outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the premium so determined. The reinsurance to close premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year (and previous closed years reinsured therein) to the members of the successor year of account and gives them the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts.

Accounting policies continued

The outstanding claims comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR).

Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics. The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate's 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. 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 provision for claims includes amounts in respect of internal and external claims handling costs.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved.

The Syndicate uses a number of statistical techniques to assist in making the above estimates. The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The methods used, and the estimates made, are reviewed regularly.

A provision for unexpired risks is created where claims, related expenses and deferred acquisition costs, likely to arise after the balance sheet date in respect of contracts relating to the closing year of account, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

Acquisition costs, comprising commission and other internal and external costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums at the balance sheet date.

Financial assets and liabilities

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).

Financial assets and financial liabilities at fair value through profit and loss comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition. Investments in shares and other variable yield securities, units in unit trusts, and debt and other fixed income securities are designated as at fair value through profit or loss on initial recognition, as they are managed on a fair value basis in accordance with the Syndicate's investment strategy.

Accounting policies continued

Financial instruments are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Syndicate's contractual rights to the cash flows from the financial assets expire or if the Syndicate transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. A financial liability is derecognised when its contractual obligations are discharged, cancelled, or expire.

Regular way purchases and sales of financial assets are recognised and derecognised, as applicable, on the trade date, i.e. the date that the Syndicate commits itself to purchase or sell the asset.

A financial asset or financial liability is measured initially at fair value plus, for a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in profit or loss. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest and dividend income.

At each reporting date the Syndicate assesses whether there is objective evidence that financial assets not at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Syndicate about any significant financial difficulty of the issuer, or significant changes in the technological, market, economic or legal environment in which the issuer operates.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

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.

Accounting policies continued

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Interest income on financial assets measured at amortised cost is recognised using the effective interest method. For the purpose of separately presenting investment income and unrealised gains and losses for financial assets at fair value through profit or loss, interest income is recognised as it accrues on the next coupon payment.

For investments at fair value through profit or loss, realised gains and losses represent the difference between the net proceeds on disposal and the purchase price. For investments measured at amortised cost, realised gains and losses represents the difference between the net proceeds on disposal and the latest carrying value (or if acquired after the last reporting date, the purchase price).

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

Investment return is initially recorded in the non-technical account. The return is transferred in full to the general business technical account to reflect the investment return on funds supporting underwriting business.

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Interest income on financial assets measured at amortised cost is recognised using the effective interest method. For the purpose of separately presenting investment income and unrealised gains and losses for financial assets at fair value through profit or loss, interest income is recognised as it accrues on the next coupon payment.

For investments at fair value through profit or loss, realised gains and losses represent the difference between the net proceeds on disposal and the purchase price. For investments measured at amortised cost, realised gains and losses represents the difference between the net proceeds on disposal and the latest carrying value (or if acquired after the last reporting date, the purchase price).

Accounting policies continued

Syndicate operating expenses & profit commission

Costs incurred by the Managing Agent in respect of the Syndicate are charged to the Syndicate and included within the relevant profit and loss account heading. Where expenses do not relate to any specific year of account they are apportioned between years of account on a basis which reflects the benefit obtained by each year of account from each type of expense.

Where expenses are incurred jointly by the Managing Agent and the Syndicate, they are apportioned as follows:

- Salaries and Related Costs
  According to time of each individual spent on Syndicate matters.

- Accommodation Costs
  According to number of personnel.

- Other Costs
  As appropriate in each case.

- Profit Commission
  Profit commission is charged by the Managing Agent at a rate of 17.5% of profit subject to the operation of a deficit clause. Such commission does not become payable until after the appropriate year of account closes, normally at 36 months. Profit commission on naturally open years is accrued on the basis of earned profit to date.

- Pensions
  The Managing Agent operates a defined contribution pension scheme and its recharges to the Syndicate in respect of salaries and related costs include an element for pension costs. These pension costs are expensed in full in the period to which the recharge relates.

Amounts recharged by the Managing Agent include costs arising from the use of assets in the period. These rental costs are expensed in full in the period to which the recharge relates.

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 income tax 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. It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue & Customs.

Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

Accounting policies continued

Foreign currencies

The Syndicate's functional currency 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.

3. Risk management

Effective from 31 December 2016, the RITC process means that Insurance, Financial, Credit, Liquidity, Market and Capital risks are transferred to the accepting 2015 Year of Account of the Syndicate. Accordingly, these Underwriting Year accounts do not have any associated disclosures as required by section 34 of FRS 102 and FRS 103. Full disclosures relating to these risks are provided in the main Annual accounts of the Syndicate.

4. Particulars of business written

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

	Gross Premiums Written and Earned £'000	Gross Claims Incurred £'000	Net Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Insurance:					
Third Party Liability	43,034	(112,198)	(15,072)	87,866	3,630
Total	43,034	(112,198)	(15,072)	87,866	3,630

All business is written in the United Kingdom. Analysis by destination is not materially different from the analysis above.

Gross operating expenses are the same as net operating expenses.

5. Analysis of result by year of account

	2013 & prior years of account £'000	2014 Pure Year £'000	2014 Total £'000
Technical account balance before allocated investment return and net operating expenses	11,564	7,138	18,702
Brokerage and commission on gross premium	(119)	(7,857)	(7,976)
	11,445	(719)	10,726
Other acquisition costs	0	(778)	(778)
Net other expenses	342	(6,506)	(6,164)
Investment income	(2)	745	743
Balance on technical account	11,785	(7,258)	4,527

6. Reinsurance to close premium payable net of reinsurance

	Reported £000	IBNR £000	Total £000
Gross outstanding losses	(75,372)	(22,076)	(97,448)
Reinsurance recoveries anticipated	25,078	10,872	35,950
Net outstanding losses	(50,294)	(11,204)	(61,498)

7. Net operating expenses

	£'000
Acquisition costs	(8,754)
Standard personal expenses	(1,722)
Administration expenses	(4,596)
	(15,072)

	£'000
The closed year profit is stated after charging:	
Auditor's remuneration:	
Fees payable to the Syndicate's auditor for the audit of these financial statements	(101)
Fees payable to the Syndicate's auditor and its associates in respect of:	
Other services pursuant to legislation	(6)
	(107)

The auditor did not receive any other remuneration other than that stated above.

8. Investment income

	£'000
Income from investments	1,117
Net Unrealised losses on investments	(76)
	1,041

	£'000
Investment management expenses	(58)
Net Realised losses on investments	(240)
	(298)

9. Investments

	Fair Value £000's	Cost £000's
Holdings in collective investment schemes	4,287	4,287
Debt securities and other fixed income securities	59,352	59,454
	63,639	63,741

There was no material change in fair value for financial instruments held at fair value (other than derivatives) attributable to own credit risk in the current or comparative period.

Investments continued

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 2016				
Shares and other variable yield securities and units in unit trusts	-	3,253	-	3,253
Debt securities and other fixed income securities	1,004	58,348	-	59,352
Overseas deposits	484	550	-	1,034
Total	1,488	62,151	-	63,639

Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Syndicate, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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.

Included in the level 3 category, are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's own data. The Syndicate does not have any financial investments that meet level 3 criteria.

10. Non cash consideration received as part of RITC received

	£'000
Portfolio investments	59,433
Debtors	174
Creditors	(2,210)
Non cash consideration received	57,397

11. Movement in cash and portfolio investments net of financing

	At 1 January 2014	Received within RITC Premium	Cash flow	Unrealised losses & foreign exchange	At 31 December 2016
	£'000	£'000	£'000	£'000	£'000
Cash	-	8,632	(4,594)	-	4,038
Portfolio	-	-	-	-	-
Investments	-	59,433	3,553	653	63,639
	-	68,065	(1,041)	653	67,677

12. Debtors Arising out of direct insurance operations

	£'000
Due within one year – Intermediaries	2
	2

13. Creditors arising out of direct insurance operations

	£'000
Due within one year	(596)
	(596)

14. Creditors arising out of reinsurance operations

	£'000
Due within one year	(495)
	(495)

15. Disclosure of interests

Managing Agent's interest

During 2016 Asta was the managing agent for eight Syndicates and three Special Purpose Arrangements. Syndicate 1686, 1729, 1897, 1910, 2357, 2525, 2786 and 4242 as well as Special Purpose Arrangements 6117, 6123 and 6126 were managed on behalf of third party capital providers.

On 7 February 2017, Syndicate 1910 and Special Purpose Arrangement 6117 migrated to Argo Managing Agency Limited.

On 1 January 2017, Asta took on management of Syndicate 2689 and Syndicate 5886.

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

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

16. Related parties

Asta provides services and support to Syndicate 2525 in its capacity as Managing Agent. The 2014 year of account was charged managing agency fees of £420,000. Asta also recharged £2,047,296 worth of service charges to the 2014 year of account. As at 31 December 2016, nothing was owed to Asta in respect of this service.

There was no residual inter-company balance at the period end.

Syndicate 2525 has recorded £960,089 for profit commission.

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

17. Post balance sheet event

The 2014 underwriting year result, less members' agents' fees, of £4.2m will be distributed to members during 2017.

Summary of Closed Year Results

as at 31 December 2016

	2008 £'000	2009 £'000	2010 £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000
Syndicate allocated capacity	**41,848**	**41,982**	**41,956**	**41,983**	**41,655**	**41,987**	**42,000**
Number of Underwriting members	469	469	496	505	518	547	547
Aggregate net premiums	26,588	22,658	22,379	23,475	22,963	25,501	27,510
Results for an illustrative share of £10,000							
	£	£	£	£	£	£	£
Gross premiums	9,856	9,407	8,904	8,627	8,657	9,415	10,246
Net premiums	6,353	5,397	5,334	5,592	5,513	6,074	6,550
Reinsurance to close from an earlier account	20,672	20,242	18,452	16,665	14,718	13,656	13,928
Net claims	(4,100)	(3,535)	(3,033)	(3,499)	(2,651)	(2,446)	(3,467)
Reinsurance to close	(20,307)	(18,504)	(16,649)	(14,670)	(13,827)	(13,764)	(14,642)
Profit/(Loss) on exchange	123	5	(15)	(127)	(52)	(32)	37
Syndicate operating expenses	(87)	(288)	(418)	(933)	(938)	(959)	(1,095)
Balance on technical account	2,654	3,317	3,671	3,028	2,763	2,527	1,311
Investment income less investment expenses and charges and investment gains less losses	559	442	380	183	138	116	177
Profit on ordinary activities	3,213	3,759	4,051	3,211	2,901	2,643	1,488
Illustrative personal expenses							
Managing agent's fee	60	75	75	75	101	100	100
Profit commission	461	632	683	537	481	432	229
Other personal expenses (excluding members' agents fees)	81	71	71	68	51	75	81
	602	778	829	680	633	607	410
Profit on ordinary activities after illustrative managing agent's fee and profit commission and illustrative personal expenses	2,611	2,981	3,222	2,531	2,268	2,036	1,078
Total of Syndicate operating expenses, managing agent's fee and profit commission	608	995	1,176	1,545	1,520	1,491	1,423
Capacity utilised	83.7%	73.4%	72.6%	70.8%	70.1%	76.58%	83.5%
Net capacity utilised	63.5%	54.0%	53.3%	55.9%	55.1%	60.74%	65.5%
Underwriting profit ratio	26.9%	36.7%	41.2%	35.1%	31.9%	26.84%	12.8%

Notes

1. The summary of closed year results has been prepared from the audited accounts of the Syndicate.
2. Personal expenses have been stated at the amount which would be incurred pro rata by individual Names writing the illustrative premium income in the Syndicate irrespective of any minimum charge applicable. Corporate members may be charged at different rates. Foreign tax, which may be treated as a credit for personal tax purposes, has been excluded.
3. As regards the 2014 year of account, an illustrative share of £10,000 represents 0.0238% of the respective allocated capacity.