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.

APOLLO
1969 at LLOYD'S

SYNDICATE 1969
ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2017

KEY PERFORMANCE INDICATORS

ANNUAL BASIS	2017 $'M	2016 $'M	CHANGE
GROSS PREMIUM WRITTEN	301.5	290.7	4%
NET PREMIUM WRITTEN	221.8	228.5	(3)%
NET PREMIUM EARNED	222.5	229.7	(3)%
LOSS FOR THE FINANCIAL YEAR	(87.2)	(5.4)	
CLAIMS RATIO	100%	62%	38%
EXPENSE RATIO	40%	40%	-
COMBINED RATIO	140%	102%	38%

UNDERWRITING YEAR BASIS	2015	2014	2013	2012	2011	2010
PROFIT / (LOSS) ON CAPACITY	4.6%	7.4%	0.4%	9.1%	(0.7)%	(15.1)%

THE FORECAST RESULT FOR THE 2016 YEAR OF ACCOUNT IS A LOSS OF 10% TO 20%.

THE RESULTS FOR THE 2017 CALENDAR YEAR HAVE BEEN AFFECTED BY CATASTROPHE EVENTS IN THE UNITED STATES ("US"), THE CARIBBEAN AND MEXICO.

CONTENTS

SYNDICATE 1969

DIRECTORS AND ADMINISTRATION

MANAGING AGENT
Apollo Syndicate Management Limited

REGISTERED OFFICE
One Bishopsgate
London, EC2N 3AQ

COMPANY REGISTRATION NUMBER
09181578

COMPANY SECRETARY
AJ Gray

DIRECTORS

JM Cusack	(Non-Executive Chairman)	
S Althoff	(Non-Executive Director)	
MEL Goddard	(Non-Executive Director)	(Appointed 1 February 2018)
MP Hudson	(Non-Executive Director)	(Appointed 1 February 2018)
AP Hulse	(Non-Executive Director)	
DCB Ibeson		
PA Ellis		
NG Jones		
JD MacDiarmid		
MJ Newman	(Appointed 15 December 2017)	
MJ Rayner	(Appointed 4 November 2017)	
SAC White		

ACTIVE UNDERWRITER
NG Jones

BANKERS
Lloyds Bank plc
Citibank
Royal Bank of Canada

AUDITOR
Deloitte LLP, London

DIRECTORS AND ADMINISTRATION

ACTIVE UNDERWRITER'S REPORT

BACKGROUND AND CURRENT PORTFOLIO

Apollo's vision is to be an independently managed, profit-focussed and commercially sound business, building for the long term, in partnership with Lloyd's brokers.

Apollo manages a portfolio of specialist insurance and reinsurance products and aims to deliver them through efficient structures and vehicles which can best support our clients and provide returns to our capital providers.

Apollo Syndicate 1969 is now in its ninth year of account and underwrites eleven classes of business. In addition to developing the Syndicate, for 2018 we have launched our capability to write US property treaty via our Special Purpose Arrangement ("SPA"), Apollo Re.

The stamp capacity for Apollo has grown from £210m in 2017 to £260m in 2018 and continues to receive excellent support from both trade reinsurers and private investors. Our aim is to provide specialist insurance and reinsurance products and deliver them through efficient structures and vehicles which can best support our clients and provide returns to our capital providers.

2017

BACKGROUND AND CURRENT PO

2017 was a very challenging year for the insurance industry worldwide, which has been reported as the costliest on record with around US$135bn of insured losses. The most heavily affected areas were North America, Mexico and the Caribbean, areas where the syndicate has a significant proportion of its exposure.

These events have contributed to a significant loss for the syndicate. The result was also impacted by the habitational sub-class of business within the Property Direct and Facultative ("Property D&F") account. Whilst we have actively increased the number of classes in the syndicate, Property D&F still represents a significant proportion of the overall net premium.

Consequently, the performance of this class has had a significant impact on the combined ratio for the calendar year. Non-Marine Liability has contributed positively to the result, however our conservative approach in purchasing quota share reinsurance for this class has reduced its net size as a proportion of the whole syndicate. We have actively re-positioned the Property D&F class, non-renewing habitational business in 2017 and reducing Caribbean business in 2018.

We remain positive about the future direction of the business given some important factors including strong support from a stable and committed base of capital providers.

Our 2017 underlying results excluding these natural catastrophes and flooding and hail events in the US has been good, with most classes performing in line with business plan and the syndicate has grown by 3.7% in the year.

Furthermore, we are seeing signs of rating improvements in several classes. We have also increased our underwriting for consortium members by 76% over the 2016 year of account, generating fees from consortium members which represent a contribution towards the expenses incurred by the syndicate. We have closed the 2015 year of account with a profit, outperforming the original business plan. We have made further progress with our strategy of building a specialist insurance business at Lloyd's, adding a new class for Marine Hull and a new class underwriter for Terrorism.

We will continue to recruit only the highest calibre underwriters who have a profitable track record and experience in their class. We believe adding experienced and well respected underwriting teams will deepen the internal challenge and peer review aspect of the business and bring further intellectual capacity into the development of the business and controls for the future.

This means that we do not only compete on price; we also attract business through differentiated service and a better understanding of risk and clients' needs.

In arriving at our forecast premium income figures and building out the newer classes of business we are anticipating that market conditions are now looking better in the property classes as a consequence of recent losses. However, we consider that uncertainty in the wider economic and political environment will remain prevalent.

The syndicate continually reviews the performance of each class and aims to reallocate premium where necessary (with Lloyd's approval), either to rebalance the portfolio in light of emerging experience or to take advantage of market opportunities. All class underwriters aim to produce profit on both a gross and net of reinsurance basis after expenses.

We comment below on the 2015 closed year result, 2017 underwriting and developments, and the portfolio for 2018. Further commentary on the business is provided in the managing agent's report to these annual accounts and in the managing agent's report to the underwriting year accounts.

ORTFOLIO

SYNDICATE 1969

ACTIVE UNDERWRITER'S REPORT

2015 CLOSED YEAR RESULT

We are now closing the 2015 year of account at a profit of 4.6% on stamp capacity. This is above the mid-point of our forecast range and exceeds our 2015 year of account approved business plan forecast. This result is explained in further detail in the managing agent's report.

2017 CALENDAR YEAR RESULT

The result for the 2017 calendar year on an annual accounting basis is a loss of $87.2m (2016: loss of $5.4m) with a combined ratio of 140% (2016: 102%).

The 2017 calendar year result aggregates the performance during the year of all open years of account (2015, 2016 and 2017) and releases from prior closed years.

The number of significant catastrophe events during 2017, rather than the severity of any individual event, impacted both the 2016 and 2017 years of account negatively, causing the overall loss for the year. Hurricanes Harvey, Irma and Maria and two earthquakes in Mexico all affected these years of account and in particular the Property D&F class.

The total net cost of these five events for the 2017 calendar year is $68.8m. According to external reports, the 2017 Atlantic hurricane season was the most expensive in terms of insured loss since 2005. Our losses were within risk appetite for events of this type and frequency.

The syndicate has experienced competitive pressures in several classes of business in the 2017 year of account, particularly in Energy. In property classes, similar pressures were experienced prior to the catastrophe events which occurred in August and September 2017.

Since then, we have seen rating improvements in property classes, and we anticipate these improvements will continue in the near term as we write the 2018 year of account. The syndicate has retained its underwriting discipline, reflecting our objective to write profitable business rather than chasing income.

4.6% on stamp capacity

YEAR RESULT

2017 PORTFOLIO

Following the 16.7% pre-emption approved by Lloyd's, the syndicate stamp was increased to $281.4m (£210.0m at the planning exchange rate of £1=$1.34) for the 2017 year of account. The approved gross written premium net of commission was $269.2m (£200.9m).

Our ultimate premium forecast will fall short of the approved plan due to the combination of the competitive pressures in the market and the disciplined underwriting culture within the syndicate.

Our focus in the Property D&F and Binding Authority classes was on maintaining underwriting discipline as rates continued to fall prior to the catastrophe events. The D&F team reduced their ultimate premium income for the year below original planned expectations.

This was largely from the non-renewal of under-performing risks in the habitational class that had been impacted by attritional losses. For 2018, we have continued to non-renew this under-performing book of business, choosing to focus instead on catastrophe business where rates are now improving and the attritional loss performance has been much better.

The territorial focus continued to be the US, Caribbean and Mexico, accessed through a broad spread of brokers. The Property Binding Authority book gives the syndicate exposure to a spread of risks that cannot be accessed in the open market. Underwriters carefully select the brokers and cover holders with whom to trade.

Our approach to assuming risk in the International Treaty account is highly disciplined and extremely selective. No risk excess, quota share or aggregate stop loss covers are underwritten. The territorial scope remained unchanged, targeting regionally specific accounts in Canada, UK, Western Europe, South Africa, Japan, Australia and New Zealand.

The Non-Marine Liability team writes a diverse book of business on both an open market and facilities basis. The majority of the account is written on a direct excess basis focusing on Fortune 1000, transportation, civil construction and the sharing economy. Underwriters seek to position their attachment points above attritional levels so that the portfolio loss profile is generally low frequency, potentially high severity, with the exposures being well protected by both quota share and excess of loss reinsurance.

The Non-Marine Liability class continued to grow steadily, building on the platform established in earlier years and also stable US Casualty market conditions. Additional underwriters have been added to bolster the team and helped deliver further growth for 2017.

Looking forward to 2018, a main area of focus for new business development is on the sharing economy. Since 2013 the team has led a consortium which has been renewed for 2018 with the support of other Lloyd's syndicates. Over time, our retained share over the increasing total income has fallen and is now below 40% for 2018. We remain very mindful of the current competitive environment and will continue our careful underwriting approach.

SYNDICATE 1969

ACTIVE UNDERWRITER'S REPORT

The Specie & Cargo team writes a balanced portfolio of carefully selected risks. The Cargo book specialises in smaller cargo accounts, most of which include an element of storage.

The largest sub classes of cargo are oil, which is written on a worldwide basis with a bias towards Chinese risks (which do not cover storage), project cargo with consequential loss, primary and excess US motor truck cargo, and carnets. The Specie book consists predominantly of high value risks with very good security.

The fine art and general Specie books (precious metals, securities and excess Securities Investor Protection Corporation) are the largest part of the Specie account, with jewellers block and cash in transit much smaller.

We had originally planned to maintain premium income for 2017 in line with the 2016 plan. In light of the highly competitive trading environment, we reduced the ultimate premium income written for the year.

We will continue to exercise discipline whilst seeking growth with specific brokers on selected target business. A consortium has been in place since 2013 and has been renewed for 2018 with the support of other Lloyd's syndicates.

The Energy market has seen further rate softening in 2017 as underwriters elsewhere in the market seek to retain market share particularly through supporting broker facilities. The account is primarily focused on the upstream sector and includes oil and gas lease operators, drilling and construction contractors, and gas utilities. The cover offered is for property damage, operators extra expense, and construction.

Incidental to these major heads of cover are loss of production income, business interruption, loss of hire, war, terrorism and liability. 2017 income fell short of original expectations due to the continuing difficult market environment.

The team has significant experience and a profitable track record in this class within the Lloyd's and company market and has navigated its way through difficult market conditions before.

The Marine Liability element of the Marine & Energy Liability class consists of Protection & Indemnity ("P&I"), Charterers, Vessel Pollution, Ports and Terminals, Shipyards, and other risks associated with cargo storage and transportation.

Protection & Indemnity
Management products

The Energy Liability element of the class mainly insures onshore and offshore Exploration and Production ("E&P") operators and associated field contractors. The class has continued to grow in 2017, seeing benefits from the development of the Marine Hull class, and also positive synergies working alongside the Energy account.

We have modestly broadened the number of insureds in the P&I club segment of the class, but still seek a better balance to the account by managing our attachment points and monetary line sizes. A consortium has been in place since 2016 and has been renewed for 2018 with the support of other Lloyd's syndicates. The underwriter has significant experience in this class and is fully able to steer his way through the current weak rating environment.

Despite some minor withdrawals from the aviation market during 2016 and 2017 and a significant reduction in the capacity supporting the major broker facilities, the market remains very challenging.

For the majority of segments in the class, rates continue to move down, but at a slower pace than previously. Therefore, our conservative, disciplined approach to the class has continued in 2017 as we will look to develop more business that has traditionally not been placed in the Lloyd's market, building on our relationships with regional brokers and managing general agents.

The consortium established with a Lloyd's syndicate in 2015 has not been renewed for 2018. Whilst we have rarely deployed the full consortium line, we consider it is important to retain the significant line size capability for the profile of the class.

For 2017, the syndicate recruited a leading underwriter in the Marine Hull sector with a historically profitable track record in the Lloyd's market. We have had a good start to this new account with strong support from the broking community.

However our approach has been very cautious, as the market remains challenging with further rate reductions and softening being evident in 2017. We are well positioned to take advantage of any market hardening from the recent catastrophe events and still consider this class offers attractive long-term opportunities.

We have also added a new class underwriter for Terrorism in 2017 as a first step to developing a suite of Crisis Management products. We identified the Terrorism class of business as one that has limited correlation with existing lines and has no exposure to natural catastrophe events.

Terrorism accumulations will be carefully monitored via disciplined exposure management. The account will focus on risks in terrorism & sabotage, politically motivated perils and political violence.

SYNDICATE 1969

ACTIVE UNDERWRITER'S REPORT

2018 PORTFOLIO

The 2018 Lloyd's approved plan for Apollo is to underwrite $307.9m (£236.9m at the planning foreign exchange rate of $1.30) of premium income (net of commission).

We have added one new class of business for 2018. We have previously identified the absence of a US property treaty reinsurance portfolio as being a restriction on the syndicate's comparative profitability over recent years. Whilst the syndicate has an existing International Treaty account, it has focused on a limited number of territories internationally and has no US catastrophe exposure. In line with our philosophy, we have recruited a highly respected and experienced underwriting team to write the class.

The team has begun to develop a Property Treaty account in 2018 and may introduce a Casualty Treaty offering in future years. 70% of the planned book is in the US, with the remainder in international territories. Our vision for the class is based on being at the forefront of quoting, leading and offering solutions to our clients. These clients will include nationwide, super/multi-regional and regional/single state business in the USA. The combined portfolio will be Catastrophe excess of loss & aggregate, with risk excess and some pro-rata to augment the catastrophe lines.

The Property Treaty class is underwritten by the syndicate, which retains 10% of the risks. 90% is ceded under a quota share reinsurance to the SPA, which is separately capitalised.

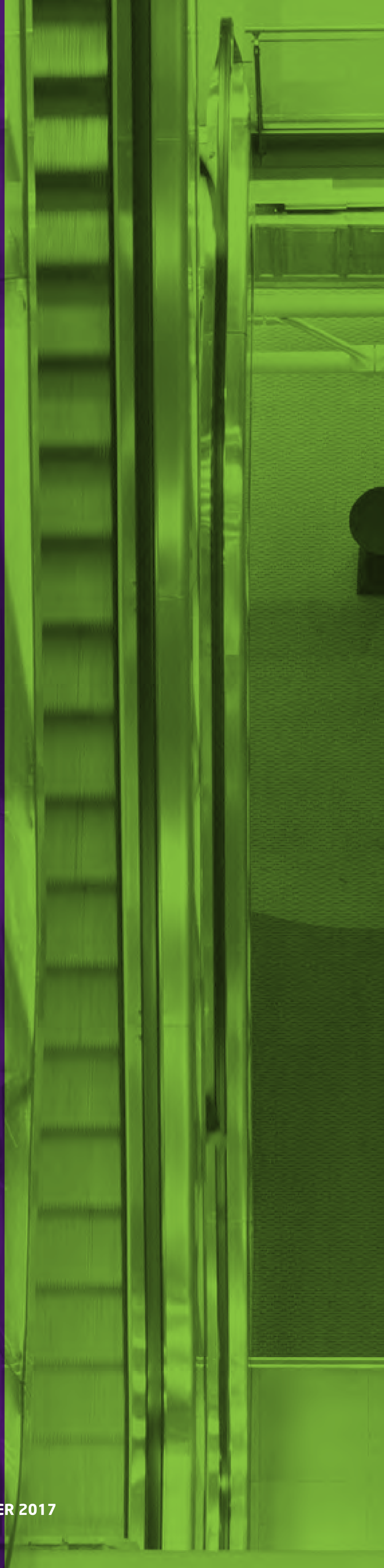
The total stamp capacity of Apollo will be $338.0m (£260.0m), with a syndicate capacity of $292.5m (£225.0m) and capacity for the SPA of $45.5m (£35.0m).

The plan for Syndicate 1969 for 2018 can be summarised as follows:

- further growth in the Non-Marine Liability account emanating from new business to Lloyd's. This growth is from predominately innovation based new business in the sharing economy and new technology space;
- re-positioning of the Property D&F class away from habitational business and Caribbean business, choosing to write non-attritional catastrophe exposed business, where rates are now improving;
- continuing with the disciplined approach in the International Treaty class;
- small growth in the Property Binder account arising from increased premium volumes from existing US contracts;
- renewing the Energy portfolio and the Specie & Cargo classes cautiously given continuing challenging market conditions;
- further development of the highly selective new portfolios of Aviation, Marine & Energy Liability and Marine Hull accounts;
- continuing to develop the relatively new Terrorism and Crisis Management class; and
- develop the new Property Treaty class.

For 2018, we have also changed the allocation of fees received in respect of consortia we lead. This is explained in further detail in the managing agent's report.

Following on from the catastrophe events in 2017 and the subsequent rating improvements we have seen in property classes, we have recently re-submitted our 2018 plan to Lloyd's.



NG Jones
Active Underwriter

The plan has been updated to increase premium income for Property D&F, Property Binders and Property Treaty. There has been no increase to our planned capital requirements from the changes to the plan.

The syndicate will seek to add new lines of business as opportunities arise whilst maintaining its focus on specialist and profitable lines. We will consider adding new classes which offer profitable diversity to improve the overall portfolio in line with our strategy to expand our capability and expertise for the long term.

Once again I would like to thank you for your on-going support for Apollo and look forward to updating you with our progress in the future.

NG Jones
Active Underwriter
14 March 2018

THE DIRECTORS OF THE MANAGING AGENCY

FROM LEFT TO RIGHT BACK ROW:

Matthew Newman, Phil Ellis, Nick Jones, David Ibeson, Martin Hudson, Simon White, Jamie MacDiarmid, Andrew Gray,

FROM LEFT TO RIGHT FRONT ROW:

Sven Althoff, Mel Goddard, Julian Cusack, Tony Hulse, Mark Rayner.


LIO
GEMEN LIMITED

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The directors of the managing agent present their report, which incorporates the strategic review, for Syndicate 1969 for the year ended 31 December 2017.

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").

Separate underwriting year accounts for the closed 2015 account of Syndicate 1969 are included following these annual accounts.

PRINCIPAL ACTIVITY

There have not been any significant changes to the syndicate's principal activity during the year, which continues to be the transaction of general insurance and reinsurance business.

Syndicate 1969 trades through Lloyd's worldwide licenses and rating and has the benefit of the Lloyd's brand. Lloyd's has an A (Excellent) rating from A.M. Best, A+ (Strong) from Standard & Poor's and AA- (Very Strong) from Fitch.

The syndicate's capacity for the 2017 year of account was £210m ($281.4m at the Lloyd's planning rate of $1.34). The syndicate's capacity for the 2016 year of account was £180m ($282.6m at $1.57).

Stamp capacity for the 2018 year of account has increased to £260m ($338.0m at $1.30), of which £35m ($45.5m) relates to special purpose arrangement Syndicate 6133 (trading as Apollo Re).

Apollo Syndicate Management Limited ("ASML") is approved as a managing agency at Lloyd's and is authorised by the Prudential Regulation Authority. ASML is regulated by the Financial Conduct Authority and Prudential Regulation Authority.

RESULTS

RESULTS

	2017 $'m	2016 $'m	CHANGE
Gross premium written	301.5	290.7	4%
Net premium written	221.8	228.5	(3)%
Net premium earned	222.5	229.7	(3)%
Loss for the financial year	(87.2)	(5.4)	
Claims ratio	100%	62%	38%
Expense ratio	40%	40%	-
Combined ratio	140%	102%	38%

Notes:
The claims ratio is the ratio of net claims incurred to net premiums earned.
The expense ratio is the ratio of net operating expenses to net premiums earned.
The combined ratio is the sum of the claims and expense ratios.
The expense and combined ratios exclude investment return and foreign exchanges gains and losses.

SYNDICATE 1969

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

ASML uses a range of key performance indicators, including those shown in the table, to measure the performance of the syndicate against its objectives and overall strategy. These indicators are regularly reviewed and are measured against plan and prior year outcomes.

Gross written premium increased 4% to $301.5m (2016: $290.7m). The result for the year was a loss of $87.2m (2016: $5.4m). Profits and losses will be distributed and called respectively by reference to the results of individual underwriting years.

The syndicate predominantly writes business denominated in US Dollars and reporting accordingly aids comparability between years and reduces volatility in the reported results caused by foreign currency exchange rates.

REVIEW OF THE BUSINESS

The 2017 results reflect a number of catastrophe losses in the third quarter. Hurricanes Harvey, Irma and Maria hit the Caribbean and the US. In addition there were two Mexican earthquakes in September. These were predominantly property losses which hit the Property Direct & Facultative ("Property D&F") and Property Binding Authority classes.

Whilst the magnitude of the gross losses was well within the reinsurance programme for each loss there was an amount retained below reinsurance layers, reinstatement costs and a small amount of co-reinsurance on some lower layers. The number of reinstatements meant that the syndicate made recoveries against all five of the major losses.

The difficult underwriting environment continued with softening of rates experienced until the catastrophes improved the market, particularly on affected property lines. A strategy of writing profitable risks over growing volume remained the target. The 2017 calendar year result is made up of results from the three open years of account (2015, 2016 and 2017).

Turning to the traditional three year accounting basis, the 2015 year of account is closing at a return on stamp capacity of 4.6%, which is above the mid-point of the previously published forecast profit range of 1.5% to 6.5% of stamp capacity. This result reflected a weak rating environment and risk adjusted rate reduction of 6.2%, albeit that this was better than anticipated in the business plan.

The Non-Marine Liability account contributed significantly to the profit, particularly when income from the consortium led by the syndicate is taken into account. Short tail property classes also contributed significantly to the result although the performance of these classes was impacted by the large number of weather related habitational losses.

REVIEW OF THE BUSINESS

forecast result

The 2016 year of account has a forecast loss in the range of 10% to 20% on stamp capacity at the 24 month stage. This forecast result reflects the impact of the catastrophe events of 2017 together with an increase in US weather related events in 2016, mostly in respect of flood and hail losses. A weak rating environment was reflected in an actual risk adjusted rate reduction of 5.4% (marginally better than anticipated in the plan).

It is too early in the development of the 2017 year of account to publish a forecast result for the year. The 2017 catastrophe events have hit this year of account the hardest and it is expected that the year will close at a loss at 36 months. The syndicate has written 94% of its planned income.

The rating environment continued to be very competitive until the third quarter catastrophe losses. An actual risk adjusted rate reduction of 1.3% was experienced, considerably better than the 4.9% reduction anticipated in the plan. The syndicate will publish its first forecast range for the 2017 account in the second quarter of 2018 which will reflect the 2017 loss experience.

In order to ensure that the Syndicate has sufficient liquidity to pay claims as they fall due, the Board has decided to make cash calls of $30.3m and $35.3m in respect of the 2016 and 2017 years of account respectively. Payment will be due on the 16 June 2018. This will enable the syndicate to maintain appropriate levels of liquidity to satisfy policyholder and regulatory needs and to be in a strong position to benefit from recent improvements in the underwriting environment.

The syndicate is now well established in the Lloyd's market and is receiving excellent support from a wide range of brokers. We believe the syndicate is increasingly well balanced between classes and well positioned to take advantage of the improving rating environment to develop sustained profits in future years.

Further information regarding the syndicate underwriting portfolio is contained in the Active Underwriter's report.

94%

INVESTMENT PERFORMANCE

The syndicate produced an investment return of $2.0m in the year (2016: $0.9m).

The investment objective is to invest the premium trust funds in a manner designed primarily to preserve capital values and provide liquidity. Within those constraints, the syndicate's assets have historically been invested in money market funds in order to limit exposure to capital market volatility.

At the end of the second quarter the syndicate invested a total of $30m in two absolute return bond funds which, to date, have provided modest returns.

CAPITAL

One of the advantages of operating in the Lloyd's market is the lower capital ratios that are available due to the diversification of business written in Syndicate 1969 and in Lloyd's as a whole.

ASML assesses the syndicate's capital requirements through a rigorous process of risk identification and quantification using an internal capital model at a 1:200 year confidence level. The model is based on Solvency II regulatory requirements and has been approved by Lloyd's. The ultimate Solvency Capital Requirement ("SCR") is subject to an uplift determined by the Lloyd's Franchise Board based on their assessment of the economic capital requirements for the Lloyd's market in total.

The SCR together with the Lloyd's uplift is referred to as the Economic Capital Assessment ("ECA"). The ECA for the 2018 underwriting year was set at 64.0% of planned premium.

Lloyd's unique capital structure provides excellent financial security to policyholders and capital efficiency for members.

The Lloyd's chain of security underlies the financial strength that ultimately backs insurance policies written at Lloyd's and has three links:

1. All premiums received by syndicates are held in trust as the first resource for settling policyholders' claims;
2. Every member is required to hold capital in trust funds at Lloyd's which are known as Funds at Lloyd's ("FAL"). FAL is intended primarily to cover circumstances where syndicate assets are insufficient to meet participating members' underwriting liabilities. FAL is set with reference to the ECA's of the syndicates the member participates on. Since FAL is not under the control of the managing agent, it is not shown in the syndicate accounts. The managing agent is, however, able to make a call on members' FAL to meet liquidity requirements or to settle underwriting losses if required; and
3. Lloyd's central assets are available at the discretion of the Council of Lloyd's to meet any valid claim that cannot be met through the resources of any member further up the chain. Lloyd's also retains the right to request a callable contribution equal to 3% of members' capacity on the syndicate.

PRINCIPAL RISKS AND UNCERTAINTIES

The managing agent has established a risk management function for the syndicate with clear terms of reference from the Board of Directors and its committees. The ASML Board approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of these policies.

The risk appetites are set annually as part of the syndicate business planning and capital setting process. The risk management function is also responsible for maintaining the syndicate's Own Risk and Solvency Assessment ("ORSA") process and provides regular updates to the Board. The formal ORSA report for the syndicate is provided to the Board annually for approval.

The managing agent recognises that the syndicate's business is to accept risk which is appropriate to enable it to meet its objectives and that it is not realistic or possible to eliminate risk entirely. A description of the principal risks and uncertainties facing the syndicate is set out in the note 4 to the annual accounts.

The Board has agreed a number of key risk indicators and approved the corresponding appetite for each measure. A traffic light indicator is used for monitoring current levels of risk.

Following a referendum the UK government issued formal notice in March 2017 advising of the UK's withdrawal from the European Union ("EU") ("Brexit"). The exit date is 29 March 2019, negotiations are ongoing but considerable uncertainty remains over the nature of the trading relationship between the UK and the EU.

The syndicate is not expected to be materially impacted by Brexit given it writes only a small amount of European insurance business of which 70% is reinsurance and can be written cross-border. Lloyd's are establishing an insurance company in Brussels which is expected to give Lloyd's syndicates access to the EU market post Brexit. ASML are supportive of, and aligned with, the Lloyd's Brexit contingency plan.

The syndicate has negligible exposure to the impact of changes to the discount rate used to calculate lump sum awards for UK bodily injury claims (the Ogden rate), announced by the Lord Chancellor on 27 February 2017.

The methodology for the calculation of this discount rate remains an area of contention. It is likely there will be further changes but the timing and nature is uncertain and will require a government bill to be approved in parliament.

The General Data Protection Regulation ("GDPR") is an EU regulation intended to strengthen and unify data protection for all individuals in the EU. ASML has built a register of information assets, and identified where it has collected data on EU individuals.

A project plan is in place to ensure ASML is materially compliant when the regulations come into force on the 25 May 2018.

CORPORATE GOVERNANCE

The ASML Board is chaired by Julian Cusack, who throughout 2017 was supported by three further non-executive directors, two of whom are independent. Jayne Owen retired from the Board on the 31 December 2017. On 1 February 2018 Mel Goddard and Martin Hudson were appointed to the Board as independent non-executive directors; both have considerable Lloyd's and London Market insurance experience.

David Ibeson is the Chief Executive Officer and there were four further executive directors for the majority of 2017. In addition Mark Rayner and Matthew Newman were appointed to the Board on the 4 November 2017 and 15 December 2017 respectively. Matthew Newman is Head of Casualty and has worked in this role since 2013, following similar roles over a number of years in the market. Mark Rayner is the Apollo Re Active Underwriter having recently joined from Faraday where he was the Chief Underwriting Officer.

Defined operational and management structures are in place and terms of reference exist for all Board and executive committees.

The ASML Board meets at least four times a year and more frequently when business needs require. The Board has a schedule of matters reserved for its decision and is supported by an Audit and Risk Committee and a Remuneration and Nominations Committee.

The Board also receives regular reports from the key management committees; the Executive Committee, Underwriting Committee, Reserving Committee, Risk and Capital Committee, Finance Committee and Operations Committee. These other committees report through the Executive Committee which oversees the day to day operation of the business.

STAFF MATTERS

ASML's people are a key resource and their retention is fundamental to the success of the business. ASML's strategy is to build a strong culture of staff engagement, communication and contribution recognition. This is achieved through monthly staff briefings, a fully open plan cross-function office environment and continually seeking feedback. ASML strives to act as a single team where employees work closely across functions, have mutual respect and enjoy coming to work.

Terms and conditions offered to employees, as part of their overall remuneration package, remain competitive with the rest of the London market insurance industry and staff are provided with opportunities to develop their skills and capabilities.

The managing agent seeks to provide a good working environment for its staff that is safe and complies with relevant legislation. During the year, there has been no injury to staff in the workplace or any actions taken by any regulatory bodies in respect of staff matters.

Risk Committee

BUSINESS OPERATIONS

ASML is Lloyd's centric with a purely London-based operation and distribution model. ASML fully embraces and supports Lloyd's vision of being a broker market, as well as accessing local markets through third party coverholders.

ASML aims to maintain a lean back office function utilising outsourcing arrangements where flexibility is required or greater efficiency can be achieved. As a mid-sized business in a single location, ASML is able to expand and contract as market conditions dictate. Through the use of specific outsourcing ASML maintains an appropriate support function commensurate with its underwriting capacity.

During 2017 a new inwards and outwards underwriting system was introduced. The project included migration of all existing policies ahead of going live at the beginning of the final quarter. The system will provide ASML with a modern, flexible, underwriting system that will support the business in efficiently delivering future strategy.

Lloyd's has begun to roll out its electronic placement platform (PPL). ASML has embraced this change and is in position to benefit from the enhancements it brings.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office at the date of signing this report are shown on page 1. Changes to the Board are described in the corporate governance section above. Directors' interests are shown in note 22 as part of the related parties note to the accounts.

ANNUAL GENERAL MEETING

The directors do not propose to hold an Annual General Meeting for the syndicate. If any members' agent or direct corporate supporter of the syndicate wishes to meet with them the directors will be prepared to do so.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each person who is a director of the managing agent at the date of approving this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the syndicate's auditor is unaware; and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the syndicate's auditor is aware of that information.

AUDITOR

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

FUTURE DEVELOPMENTS

The syndicate has commenced a new Property Treaty account from 1 January 2018 and is writing this business under the trading name of Apollo Re. This account is written by an experienced and proven new underwriting team headed by Mark Rayner. 90% of this business is ceded to Syndicate 6133, a special purpose arrangement which has separate capital from Syndicate 1969. Syndicate 6133 will be attractive to investors willing to accept a higher risk for potentially higher returns over the longer term. Syndicate 1969 will share in this through its retained percentage and through efficiency gains by sharing resources across the two syndicates.

Strengthening rates following the 2017 catastrophes are expected to increase premiums in Property D&F and Property Binding Authority accounts in 2018. The syndicate will continue to develop its new Terrorism line following recruitment of a lead underwriter in 2017.

Growth will be targeted in Non-Marine Liability through new business to Lloyd's and increased line sizes. The syndicate will continue to look for opportunities to add new lines of business which meet its strategic aims and risk appetite.

The syndicate will continue to write a spread portfolio to reduce volatility and dependence on any one line of business to aid repositioning of the book if market conditions change.

The syndicate will maintain its focus on profitable, specialist lines of business.

The syndicate will try to out-perform the market through continued focus on the selection of profitable risks even when rates are soft. This will be achieved through building and using long term relationships and a better understanding of risk and client needs.

ASML will continue to develop a number of consortia on which Syndicate 1969 is the lead. For 2018 ASML will receive an allocation of fees received by the syndicate from the consortia members.

The allocation will be at a level that approximates to the amount ASML would receive as a managing agency fee if the business was written into Syndicate 1969 and therefore represents an equitable split of this income.

The syndicate has put in place an investment mandate with a specialist fund manager, with strong knowledge of the Lloyd's market.

The manager has been engaged to manage a portfolio of low risk, short duration, bonds in which syndicate funds will be invested when liquidity and market conditions justify doing so. This is expected to improve returns for the benefit of capital providers in 2018.

The Syndicate

DCB Ibeson
Chief Executive Officer

The syndicate has received strong support from a stable and committed base of capital providers. Over a number of years the initial capital base of Hays Group, Hannover Re and traditional Names has been joined by a small number of highly respected global insurance and reinsurance entities.

A strong, diversified and knowledgeable spread capital base gives significant competitive advantage and maintaining this will remain a focus.

I would like to take this opportunity to thank our staff for their hard work and commitment to the business during the last year.

Approved on behalf of the Board.

DCB Ibeson
Chief Executive Officer
14 March 2018

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing the syndicate annual accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The syndicate annual accounts are required by law to give a true and fair view of the state of affairs of the syndicate as at that date and of its profit or loss for that year.

In preparing the syndicate annual accounts, the managing agent is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the notes to the syndicate annual accounts; and
- prepare the syndicate annual accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to presume that the syndicate will do so.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Legislation in the UK governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

REPORT ON THE AUDIT OF THE SYNDICATE ANNUAL FINANCIAL STATEMENTS OPINION

OPINION

In our opinion the syndicate annual financial statements:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2017 and of its loss 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
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual financial statements of Syndicate 1969 (the 'syndicate') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in members' balances;
- the cash flow statement;
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the syndicate annual financial statements section of our report.

We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We are required by ISAs (UK) to report in respect of the following matters where:

- the managing agent's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the managing agent has not disclosed in the syndicate annual financial statements any identified material uncertainties that may cast significant doubt about the syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the syndicate annual financial statements are authorised for issue.

We have nothing to report in respect of these matters.

OTHER INFORMATION

The managing agent is responsible for the other information. The other information comprises the information included in the annual report, other than the syndicate annual financial statements and our auditor's report thereon. Our opinion on the syndicate annual financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the syndicate annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the syndicate annual financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

RESPONSIBILITIES OF MANAGING AGENT

As explained more fully in the managing agent's responsibilities statement, the managing agent is responsible for the preparation of the syndicate annual financial statements and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of syndicate annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual financial statements, the managing agent is responsible for assessing the syndicate's ability to continue in operation, disclosing, as applicable, matters related to the syndicate's ability to continue in operation and to use the going concern basis of accounting unless the managing agent intends to cease the syndicate's operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE SYNDICATE ANNUAL FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the syndicate annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate annual financial statements.

A further description of our responsibilities for the audit of the syndicate annual financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

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.

AUDITOR'S REPORT

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE INSURANCE ACCOUNTS DIRECTIVE (LLOYD'S SYNDICATE AND AGGREGATE ACCOUNTS) REGULATIONS 2008.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in Active Underwriter's Report and the Managing Agent's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

In the light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified any material misstatements in the Active Underwriter's Report or the Managing Agent's report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

M. McQueen

Mark McQueen
ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
14 March 2018

PROFIT AND LOSS ACCOUNT

Technical account - General business	**Notes**	**2017 $'000**	**2016 $'000**
Gross premiums written	5	301,502	290,679
Outward reinsurance premiums		(79,727)	(62,182)
Net premiums written		221,775	228,497
Change in the provision for unearned premiums:			
Gross amount	6	(4,936)	(1,785)
Reinsurers' share	6	5,666	2,951
Change in the net provision for unearned premiums		730	1,166
Earned premiums, net of reinsurance		**222,505**	**229,663**
Allocated investment return transferred from the non-technical account	11	**1,952**	**865**
Claims paid			
Gross amount		(182,416)	(109,298)
Reinsurers' share		25,688	9,105
Net claims paid		(156,728)	(100,193)
Change in the provision for claims			
Gross amount	6	(140,877)	(69,576)
Reinsurers' share	6	71,850	27,001
Change in the net provision for claims		(69,027)	(42,575)
Claims incurred, net of reinsurance		**(225,755)**	**(142,768)**
Net operating expenses	7	(86,607)	(91,663)
Balance on the technical account - general business		**(87,905)**	**(3,903)**

All operations relate to continuing activities.

The notes on pages 37 to 67 form an integral part of these annual accounts.

PROFIT AND LOSS ACCOUNT

Non-technical account - General business	Notes	2017 $'000	2016 $'000
Balance on the technical account - general business		**(87,905)**	**(3,903)**
Investment income	11	1,952	865
Allocated investment return transferred to technical account - general business		(1,952)	(865)
Profit / (Loss) on foreign exchange		735	(1,453)
Loss for the financial year		**(87,170)**	**(5,356)**

There were no amounts recognised in other comprehensive income in the current or preceding year other than those included in the profit and loss account.

Statement of changes in members' balances
For the year ended 31 December 2017

	2017 $'000	2016 $'000
Members' balances brought forward at 1 January	10,172	16,089
Loss for the financial year	(87,170)	(5,356)
Transfer to members' personal reserve fund	(12,228)	(115)
Members' agents' fees	(718)	(446)
Members' balances carried forward at 31 December	**(89,944)**	**10,172**

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

BALANCE SHEET

Assets	Notes	2017 $'000	2016 $'000
Investments			
Financial investments	4,12	174,994	205,674
Reinsurers' share of technical provisions			
Provision for unearned premiums	6	34,807	28,816
Claims outstanding	6	128,592	55,618
		163,399	84,434
Debtors			
Debtors arising out of direct insurance operations	13	65,313	62,538
Debtors arising out of reinsurance operations	14	14,561	10,198
Other debtors	15	5,876	4,277
		85,750	77,013
Other assets			
Cash and cash equivalents	16	57,723	59,130
Overseas deposits	17	20,633	14,310
		78,356	73,440
Prepayments and accrued income			
Deferred acquisition costs	7	37,761	32,338
Other prepayments and accrued income		3,264	2,633
		41,025	34,971
Total assets		**543,524**	**475,532**

BALANCE SHEET

Liabilities	Notes	2017 $'000	2016 $'000
Capital and reserves			
Members' balances		(89,944)	10,172
Technical provisions			
Provision for unearned premiums	6	155,286	147,924
Claims outstanding	6	377,328	230,962
		532,614	378,886
Deposits received from reinsurers	18	39,407	49,580
Creditors			
Creditors arising out of direct insurance operations	19	8,452	4,097
Creditors arising out of reinsurance operations	20	50,168	26,845
Other creditors	21	2,133	5,411
		60,753	36,353
Accruals and deferred income		694	541
Total liabilities		**633,468**	**465,360**
Total liabilities and members' balances		**543,524**	**475,532**

The annual accounts on pages 31 to 67 were approved by the Board of Apollo Syndicate Management Limited on 14 March 2018 and were signed on its behalf by:

JD MacDiarmid
Finance Director
14 March 2018

STATEMENT OF CASH FLOWS

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Loss for the financial year		(87,170)	(5,356)
Adjustments for:			
Increase in gross technical provisions		153,727	64,400
Increase in reinsurers' share of technical provisions		(78,965)	(28,375)
(Increase) / Decrease in debtors		(8,737)	38
Increase in creditors		24,400	9,550
(Increase) / Decrease in other assets / liabilities		(5,900)	4,753
Investment return		(1,952)	(865)
Net cash (outflow) / inflow from operating activities		**(4,597)**	**44,145**
Cash flows from investing activities			
Net disposal / (purchase) of other financial instruments		30,680	(35,886)
Investment income received		1,952	865
Movements in overseas deposits		(6,323)	(3,918)
(Decrease) / Increase in deposits received from reinsurers		(10,173)	24,356
Net cash inflow / (outflow) from investing activities		**16,136**	**(14,583)**
Net cash flow from financing activities			
Transfer to members in respect of underwriting participations		(12,228)	(115)
Members' agents' fees paid on behalf of members		(718)	(446)
Net cash outflow from financing activities		**(12,946)**	**(561)**
Net (decrease) / increase in cash and cash equivalents		(1,407)	29,001
Cash and cash equivalents at 1 January		59,130	30,129
Cash and cash equivalents at 31 December	16	**57,723**	**59,130**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE ANNUAL ACCOUNTS

NOTES TO THE ANNUAL ACCOUNTS

1. BASIS OF PREPARATION

Syndicate 1969 comprises a group of members of the Society of Lloyd's that underwrite insurance business in the London Market. The address of the syndicate's managing agent is 1 Bishopsgate, London EC2N 3AQ.

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

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

The syndicate's functional and presentation currency is US Dollars. All amounts have been rounded to the nearest thousand and are stated in US Dollars unless otherwise indicated.

After making enquiries, the directors have a reasonable expectation that continued capital support will be in place such that the syndicate will continue to write new business in future underwriting years of account.

Accordingly they continue to adopt the going concern basis of accounting in preparing the annual accounts.

2. USE OF JUDGEMENTS AND ESTIMATES

In preparing these annual accounts, the directors of the managing agent have made judgements, estimates and assumptions that affect the application of the syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

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

The syndicate's principal estimate is the provision for claims outstanding, including claims that have been incurred at the reporting date but have not yet been reported ("IBNR"), and the related reinsurers' share. Other significant estimates are written and earned gross premiums, outwards reinsurance premium ceded and earned, acquisition costs and the valuation of investments. Management regularly reviews and revises these estimates as appropriate based on current information.

The measurement of the provision for claims outstanding and the related reinsurance involves judgments 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 and includes IBNR. 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, judgment is applied when estimating the value of amounts that should be provided for IBNR.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the managing agent's in-house actuaries. These techniques generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be expected and, for more recent underwriting, the use of benchmarks and initial expected loss ratios from business plans. Account is taken of variations in business accepted and the underlying terms and conditions.

The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

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

The level of uncertainty with regard to the estimations within these provisions generally decreases with the length of time elapsed since the underlying contracts were on risk.

The reserve setting process is integrated with Apollo's governance framework. The proposed reserves are reviewed by the Reserving Committee on a quarterly basis. Analysis provided to the Reserving Committee for review includes incurred and paid development patterns against ultimate loss by class of business and year of account.

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

The estimate of the provision for claims outstanding will develop over time and the estimated claims expense will continue to change until all the claims are paid. The historic development of claims incurred estimates is set out in the loss development triangles by year of account in note 4. The adjustment in the current year for the revision to the prior year estimate of the provision for claims outstanding is disclosed in note 6.

Apollo Syndicate
One Bishopsgate Reception

3. SIGNIFICANT ACCOUNTING POLICIES

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

GROSS PREMIUMS WRITTEN

Premiums written comprise premiums on contracts of insurance incepted during the financial year as well as adjustments made in the year to premiums on policies incepted in prior accounting periods.

Premiums are shown gross of brokerage payable and are exclusive of taxes and duties thereon. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet received or notified.

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

OUTWARDS REINSURANCE PREMIUMS

Written outwards reinsurance premiums comprise the total premiums payable for contracts entered into during the period and are recognised on the date on which the policy incepts.

Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

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

PROVISIONS FOR UNEARNED PREMIUMS

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

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

CLAIMS PROVISIONS AND RELATED RECOVERIES

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

Incurred claims outstanding are reduced by anticipated salvage and other recoveries from third parties. The amount of any salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

The provision for claims outstanding is assessed on an individual case by case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs.

The provision also includes the estimated cost of IBNR claims as well as claims incurred but not enough reported ("IBNER").

The reinsurers' share of provisions for claims is based on amounts of claims outstanding and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. Where the security rating provides an indication that the recoverable amount may be impaired a proportion of the balance will be provided for as a provision for bad debt by applying a percentage based on historical experience.

Adjustments to the amounts of claims provisions established in prior years are reflected in the annual accounts for the period in which the adjustments are made. The provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used, and the estimates made, are reviewed regularly.

UNEXPIRED RISKS PROVISION

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

The provision for unexpired risks is calculated separately by reference to classes of business which are regarded as managed together after taking into account relevant investment return. All the classes of the syndicate are considered to be managed together.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL ASSETS AND LIABILITIES

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

The syndicate's investments comprise holdings in collective investment schemes and cash and cash equivalents.

Recognition

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

Measurements

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

Investments are measured at fair value through the profit or loss. All other financial assets and liabilities are held at amortised cost. The syndicate does not hold any non-current debt instruments and does not classify debt instruments as payable or receivable within one financial year.

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

Derecognition of financial assets and liabilities

Financial assets are derecognised when and only when:

a) the contractual rights to the cash flows from the financial asset expire or are settled;

b) the syndicate transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

c) the syndicate, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement:
The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the company estimates the fair value by using a valuation technique.

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

The use of different valuation techniques could lead to different estimates of fair value. FRS 102 section 11.27 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). More information on the hierarchy is included in note 12.

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

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

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal.

An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in profit and loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS

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

Bank overdrafts that are repayable on demand and form an integral part of the syndicate's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

INVESTMENT RETURN

Investment return comprises investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges and interest. Realised gains and losses represent the difference between the net proceeds on disposal and the purchase price.

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price. Movements in unrealised investment gains and losses comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period.

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

DEPOSITS RECEIVED FROM REINSURERS

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

NET OPERATING EXPENSES

Net operating expenses include acquisition costs, administrative expenses and members' standard personal expenses.

Costs incurred by the managing agent on behalf of the syndicate are recognised on an accruals basis. No mark-up is applied.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

ACQUISITION COSTS

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs such as brokerage and commission, and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies.

Acquisition costs include fees paid to consortium leaders in return for business written on behalf of the syndicate as a consortium member.

Acquisition costs are earned in line with the earning of the gross premiums to which they relate. The deferred acquisition cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the balance sheet date.

CONSORTIUM INCOME

The syndicate is the leader of a number of underwriting consortia. Under the terms of these contracts participants are required to pay fees to the syndicate, as leader, in return for the business written on their behalf. These fees represent a contribution towards the expenses incurred by the syndicate underwriting for the consortia. The syndicate accrues the consortium fee income in line with the writing of the business for each consortium, calculated in accordance with the individual contractual arrangements.

In addition the consortium arrangements include an entitlement to profit commission based on the performance of the business written by the consortium leader. The syndicate accrues profit commission in accordance with the contractual terms based on the forecast performance of each consortium. Both the accrued consortium fees and accrued profit commission are included as a credit to administrative expenses.

MANAGING AGENT'S FEES

The managing agent charges a management fee of 0.9% of syndicate capacity. This expense is recognised over the 12 months following commencement of the underwriting year to which it relates.

The managing agent has agreed contractual terms with the capital providers to the syndicate for the payment of profit commission based on the performance of the individual years of account of the syndicate. Profit commission is accrued in line with the contractual terms and the development of the result of the underlying years of account.

Amounts charged to the syndicate do not become payable until after the appropriate year of account closes, normally at 36 months, although the managing agent may receive payments on account of anticipated profit commission if interim profits are released to members.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES

Transactions in foreign currencies are translated into US Dollars which is the functional and presentational currency of the syndicate. Transactions in foreign currencies are translated using the exchange rates at the date of the transactions or at the appropriate average rates of exchange for the period.

The syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date.

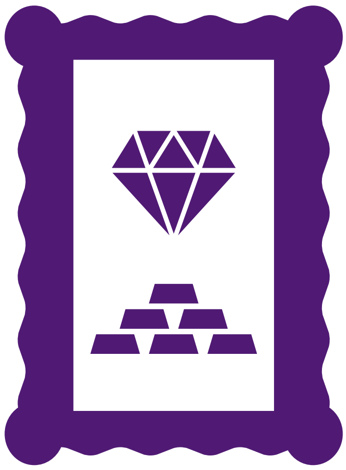
Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as monetary items.

Foreign exchange differences arising on translation of foreign currency amounts are included in the non-technical account.

PENSION COSTS

Apollo operates a defined contribution pension scheme. Pension contributions relating to managing agency staff working on behalf of the syndicate are charged to the syndicate and included within net operating expenses.



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 deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings.

Any payments on account made by the syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

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

4. RISK AND CAPITAL MANAGEMENT

INTRODUCTION AND OVERVIEW

This note presents information about the nature and extent of insurance and financial risks to which the syndicate is exposed, the managing agent's objectives, policies and processes for measuring and managing insurance and financial risks, and for managing the syndicate's capital.

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

RISK MANAGEMENT FRAMEWORK

The primary objective of the syndicate's risk management framework is to protect the syndicate's members from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

All staff providing services to the syndicate are trained to recognise the critical importance of having efficient and effective risk management systems in place.

The Board of Directors of the managing agent has overall responsibility for the establishment and oversight of the syndicate's risk management framework.

The Board has established an Audit and Risk Committee which oversees the operation of the syndicate's risk management framework and reviews and monitors the management of the risks to which the syndicate is exposed.

ASML has established a risk management function, together with terms of reference for the Board of Directors, its committees and the associated executive management committees which identify the risk management obligations of each.

The function is supported by a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers. The framework sets out the risk appetites for the syndicate and includes controls and business conduct standards.

Under the risk management framework, ASML's Risk and Capital Committee oversees the risk management function at an executive level.

The management of specific risk grouping is delegated to several executive committees: the Underwriting Committee and the Reserving Committee are responsible for developing and monitoring insurance risk management policies; the management of aspects of financial risks is the responsibility of the Finance Committee.

In addition, the syndicate is exposed to conduct and operational risks and the management of aspects of these risks is the responsibility of the Underwriting Committee and the Operations Committee respectively.

Accordingly the risk management function and the Risk and Capital Committee operates as the second line of defence above these committees.

The Risk and Capital Committee and risk management function report to each meeting of the Audit and Risk Committee on their activities. The Reserving Committee, Underwriting Committee, Finance Committee, and Operations Committee report regularly to the Executive Committee and work closely with the risk management function on their activities as well as reporting to the Audit and Risk Committee and the Board of Directors.

INSURANCE RISK

Management of insurance risk

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

4. Risk and capital management (continued)

A key component of the management of underwriting risk for the syndicate is a disciplined underwriting strategy that is focused on writing quality business and not writing for volume. Product pricing is designed to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits on the syndicate's total exposure to specific risks together with limits on geographical and industry exposures. The aim is to ensure that a well-diversified book is maintained without too large exposure in any one geographical region or to any one event.

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

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

The syndicate limits its exposure to catastrophic events based on the syndicate's risk appetite. The syndicate uses commercially available proprietary risk management software to assess catastrophe exposure. There is, however, always a risk that the assumptions and techniques used in these models do not exactly model the actual losses that occur or that claims arising from an un-modelled event are greater than those anticipated.

The Board sets limits to the syndicate's exposure to catastrophe events both on a gross and net of reinsurance basis and adherence to these limits is regularly monitored by the exposure management team which reports monthly to the Underwriting Committee. The maximum limits set for the syndicate's highest realistic disaster scenario (RDS) for 2017 are the following percentages of the 2017 stamp: 59.3% gross and 15.8% net (2016: 52.2% gross and 17.4% net).

The table below shows the gross premium by the location of the insured as a proxy for risk location. This gives an indication of the syndicate's exposure to loss by geographic area.

Gross premium analysed by destination	2017 $'000	2016 $'000
UK	27,421	29,836
Other EU countries	16,584	12,519
US	202,932	173,567
Other	54,565	74,757
Total	**301,502**	**290,679**

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

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

The Reserving Committee performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review the Reserving Committee makes recommendations to the Audit and Risk Committee and Board of Directors as to the claims provisions to be established.

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

Sensitivity to insurance risk
The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for attritional losses, large losses and catastrophes, or from changes in estimates of IBNR claims.

A five per cent increase or decrease in the ultimate cost of settling claims arising is considered to be reasonably possible at the reporting date. A five percent increase or decrease in total earned claims liabilities would have the following effect on profit or loss and members' balances.

	2017		2016	
	Gross $'000	Net $'000	Gross $'000	Net $'000
5% increase	(18,866)	(12,437)	(11,548)	(8,767)

A 5% decrease in total claims liabilities would have an equal but opposite effect on the profit for the year and members' balance. It is noted that on a net of reinsurance basis the effects would be more complex depending on the nature of the loss and its interaction with other losses already incurred. The incidence of profit commission payable to intermediaries may also affect the gross and net impact on results and members' balance.

Financial risk
The focus of financial risk management for the syndicate is ensuring that its financial assets are sufficient to fund the obligations arising from its insurance contracts as they fall due. The primary objective of the investment management process is to maintain capital value which is of particular importance in volatile financial market conditions. A secondary objective is to optimise the risk-adjusted total return whilst being constrained by capital preservation and liquidity requirements. A low to medium risk investment policy has been adopted and the syndicate assets have been invested in money market funds and absolute return bond funds. The syndicate is expected to invest in a short dated bond portfolio during 2018.

4. Risk and capital management (continued)

Credit risk

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

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

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

Management of credit risk

The syndicate's credit risk with respect to reinsurers is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty.

The syndicate limits the amount of cash and cash equivalents that can be deposited with a single counterparty and maintains an authorised list of counterparties.

The syndicate's exposure to reinsurance counterparties is monitored by the reinsurance team as part of their credit control processes. On a quarterly basis the Finance Committee reviews the credit exposures to reinsurance counterparties.

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

Intermediary performance is reviewed against the terms of business agreements by the compliance function. The status of intermediary debt collection is reported to the Finance Committee.

Exposure to credit risk

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure.

The following table analyses the credit rating by investment grade of financial investments, reinsurers' share of technical provisions, debtors arising out of direct insurance operations, debtors arising out of reinsurance operations, cash and cash equivalents and overseas deposits that are neither past due, nor impaired.

Debtors arising out of direct and reinsurance operations are comprised of pipeline premiums, balances relating to outstanding receipts from Lloyd's Central Accounting ('LCA') and amounts for business settled outside of Xchanging ('settled direct'). By their nature it is not possible to classify these balances by credit rating and therefore they are included as not rated in the following tables.

4. Risk and capital management (continued)

2017	AAA $'000	AA $'000	A $'000	Not rated $'000	Total $'000
Financial investments - Holdings in collective investment schemes	144,790	-	30,204	-	174,994
Reinsurers' share of claims outstanding	-	7,519	121,059	14	128,592
Debtors arising out of direct insurance operations	-	-	-	65,313	65,313
Debtors arising out of reinsurance operations	-	-	14,561	-	14,561
Cash and cash equivalents	-	-	57,723	-	57,723
Overseas deposits	20,633	-	-	-	20,633
Total	**165,423**	**7,519**	**223,547**	**65,327**	**461,816**

2016	AAA $'000	AA $'000	A $'000	Not rated $'000	Total $'000
Financial investments - Holdings in collective investment schemes	205,674	-	-	-	205,674
Reinsurers' share of claims outstanding	-	2,422	42,667	10,529	55,618
Debtors arising out of direct insurance operations	-	-	-	62,538	62,538
Debtors arising out of reinsurance operations	-	972	8,959	267	10,198
Cash and cash equivalents	-	-	59,130	-	59,130
Overseas deposits	14,310	-	-	-	14,310
Total	**219,984**	**3,394**	**110,756**	**73,334**	**407,468**

Unrated balances relating to outwards reinsurance ceded are fully collateralised by funds deposited in trust for the syndicate.

Financial assets that are past due or impaired

The syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. These debtors have been individually assessed for impairment by considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties.

4. Risk and capital management (continued)

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

2017	Debtors arising from direct insurance operations $'000	Debtors arising from reinsurance operations $'000
Past due but not impaired financial assets:		
Past due by:		
1 to 90 days	8,121	7,566
91 to 180 days	3,606	4,377
More than 180 days	6,997	95
Past due but not impaired financial assets	18,724	12,038
Neither past due nor impaired financial assets	46,589	2,523
Net carrying value	**65,313**	**14,561**

2016	Debtors arising from direct insurance operations $'000	Debtors arising from reinsurance operations $'000
Past due but not impaired financial assets:		
Past due by:		
1 to 90 days	6,712	4,424
91 to 180 days	2,280	12
More than 180 days	3,758	-
Past due but not impaired financial assets	12,750	4,436
Neither past due nor impaired financial assets	49,788	5,762
Net carrying value	**62,538**	**10,198**

There are no impaired debtors arising from direct insurance or reinsurance operations.

Liquidity risk

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

4. Risk and capital management (continued)

Management of liquidity risk

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

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

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

The syndicate holds sufficient premium trust funds in money market funds to meet daily liquidity. Holdings in money market funds are well diversified, very liquid and generally low risk. There is, however, a remote risk that the fund does not have sufficient liquidity to meet all redemptions in extreme conditions. Whilst less liquid in nature the limited proportion of investments held in absolute return funds can be realised within a few days in normal market conditions.

The maturity analysis presented in the table below shows the remaining contractual maturities for the syndicate's insurance contracts and financial assets and liabilities. For insurance and reinsurance contracts, the contractual maturity is the estimated date when the gross undiscounted contractually required cash flows will occur. For other financial assets and liabilities it is the earliest date on which the gross undiscounted cash flows (including contractual interest payments) could be paid assuming conditions are consistent with those at the reporting date. The table below takes no credit for any income from investments or any potential profit or loss on unearned premium. Therefore unearned premium and deferred acquisition cost maturity reflect the expected claim payment profile.

The syndicate is able to make cash calls from the member fund losses in the event that funds are needed ahead of closing the year of account. The money is drawn from 'Funds at Lloyd's' which are pledged by members to participate on a year of account. Collection is undertaken by Lloyd's for the market, using a defined quarterly process.

4. Risk and capital management (continued)

2017	Carrying amount $'000	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Financial investments:					
Holdings in collective investment schemes	174,994	174,994	-	-	-
Reinsurers' share of technical provisions	163,399	61,782	36,603	44,586	20,428
Debtors, prepayments and accrued income	126,775	119,383	6,518	508	366
Cash and cash equivalents	57,723	57,723	-	-	-
Overseas deposits	20,633	20,633	-	-	-
Total assets	**543,524**	**434,515**	**43,121**	**45,094**	**20,794**
Technical provisions	(532,614)	(201,382)	(119,313)	(145,333)	(66,586)
Deposits received from reinsurers	(39,407)	(36,720)	(2,492)	(195)	-
Creditors	(60,753)	(57,333)	(3,173)	(247)	-
Accruals and deferred income	(694)	(694)	-	-	-
Total liabilities	**(633,468)**	**(296,129)**	**(124,978)**	**(145,775)**	**(66,586)**

2016	Carrying amount $'000	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Financial investments:					
Holdings in collective investment schemes	205,674	205,674	-	-	-
Reinsurers' share of technical provisions	84,434	26,151	21,262	24,623	12,398
Debtors, prepayments and accrued income	111,984	84,577	12,867	9,693	4,847
Cash and cash equivalents	59,130	59,130	-	-	-
Overseas deposits	14,310	14,310	-	-	-
Total assets	**475,532**	**389,842**	**34,129**	**34,316**	**17,245**
Technical provisions	(378,886)	(117,352)	(95,409)	(110,492)	(55,633)
Deposits received from reinsurers	(49,580)	(31,830)	(16,244)	(1,474)	(32)
Creditors	(36,353)	(23,339)	(11,911)	(1,080)	(23)
Accruals and deferred income	(541)	(541)	-	-	-
Total liabilities	**(465,360)**	**(173,062)**	**(123,564)**	**(113,046)**	**(55,688)**

Market risk

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

4. Risk and capital management (continued)

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

Management of market risk

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

Interest rate risk

Interest rate risk arises primarily from the syndicate's financial investments, cash and cash equivalents and overseas deposits. The risk of changes in the fair value of these assets is managed by primarily investing in money market funds and cash and cash equivalents. These assets are not exposed to significant fluctuations in market value due to changes in bond yields because the underlying assets are either repayable on demand or have very short duration.

The syndicate has limited exposure to absolute return bond funds. These funds manage exposure to changes in market value resulting from movements in bond yields by managing to a very short or even negative duration.

As described above fluctuations in the market value of the investment portfolio are not expected to be material and therefore no maturity duration tables or corresponding interest rate sensitivity disclosures are provided in these annual accounts.

Currency risk

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

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

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

4. Risk and capital management (continued)

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

2017	Sterling $'000	Euro $'000	US Dollar $'000	Other $'000	Total $'000
Total assets	40,878	20,762	437,502	44,382	543,524
Total liabilities	(49,498)	(28,919)	(523,781)	(31,270)	(633,468)
Net liabilities	**(8,620)**	**(8,157)**	**(86,279)**	**13,112**	**(89,944)**

2016	Sterling $'000	Euro $'000	US Dollar $'000	Other $'000	Total $'000
Total assets	50,143	9,973	384,858	30,558	475,532
Total liabilities	(35,789)	(11,966)	(392,611)	(24,994)	(465,360)
Net assets	**14,354**	**(1,993)**	**(7,753)**	**5,564**	**10,172**

An analysis of the syndicate's sensitivity to currency risk is presented in the table below. The table shows the effect on profit or loss of reasonably possible changes in the relevant risk variable. The sensitivity analysis assumes that all other variables remain constant and that the exchange rate movement occurs at the end of the reporting period. The impact of exchange rate fluctuations could differ significantly over a longer period. The occurrence of a change in foreign exchange rates may lead to changes in other market factors as a result of correlations.

Profit / (Loss) for the year	2017 $'000	2016 $'000
Currency risk		
10 percent strengthening of Sterling against US Dollar	(998)	1,595
10 percent weakening of Sterling against US Dollar	817	(1,305)
10 percent strengthening of Euro against US Dollar	(906)	(221)
10 percent weakening of Euro against US Dollar	742	181

4. Risk and capital management (continued)

Other price risk

The syndicate investments comprise of holdings in collective investment schemes. The majority of investments are currently placed in money market funds which are generally low risk investments with limited sensitivity to market movements. Approximately 15% of the investment portfolio is invested in two absolute return bond funds which whilst more sensitive to market risk are still relatively low risk and managed against a LIBOR benchmark. There is a risk that future investment returns will be lower as a result of changes to market conditions.

A fair value hierarchy is provided in note 12 which categorises the syndicate according to the level of judgement exercised in valuation.

Capital management

Capital framework at Lloyd's

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

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the 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 the syndicate's members is not disclosed in these annual accounts.

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 and approval by Lloyd's. ASML use an internal model developed in house to calculate the SCR as opposed to adopting a standard formula. The SCR is reviewed and approved by the Board through the Own Risk Solvency Assessment ("ORSA") process.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicates on which it is participating but not for other members' shares. Accordingly, the capital requirements that Lloyd's sets for each member, operates on a similar basis. Each member's SCR is based on the member's share of the syndicate's SCR 'to ultimate'.

4. Risk and capital management (continued)

Where a member participates on more than one syndicate, Lloyd's sums together each syndicate's SCR but a credit for diversification is allowed to reflect the spread of risk consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's rather than a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2017 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), assets held and managed within a syndicate (Funds in Syndicate), or as the member's share of the members' balances on each syndicate on which it participates.

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

Claims development

The level of reserving uncertainty varies significantly from class to class. The Property business written by the syndicate has a short-tailed risk profile however the increase in premium written through the Non-Marine Liability and Marine & Energy Liability classes has lengthened the tail of the book as a whole.

The syndicate's current catastrophe exposure is predominantly US windstorm. Property catastrophe claims, such as earthquake or hurricane losses can take several months or years, to develop as adjusters visit damaged property and agree claim valuations.

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. Balances have been translated at exchange rates prevailing at 31 December 2017 in all cases.

Gross claims development as at 31 December 2017:

Pure underwriting year	2011 $'m	2012 $'m	2013 $'m	2014 $'m	2015 $'m	2016 $'m	2017 $'m	Total $'m
Incurred gross claims								
At end of underwriting year	42.0	38.0	50.9	54.4	59.6	86.8	179.4	
one year later	78.5	79.0	96.7	117.4	139.6	221.7	-	
two years later	78.2	80.8	99.3	135.7	156.5	-	-	
three years later	76.7	77.1	97.2	129.6	-	-	-	
four years later	75.5	75.1	95.7	-	-	-	-	
five years later	75.3	75.4	-	-	-	-	-	
six years later	75.2	-	-	-	-	-	-	
Incurred gross claims	75.2	75.4	95.7	129.6	156.5	221.7	179.4	933.5
Less gross claims paid	(73.1)	(70.8)	(88.3)	(105.8)	(93.9)	(86.7)	(39.4)	(558.0)
Gross claims outstanding for 2010 and prior years	1.8	-	-	-	-	-	-	1.8
Gross claims outstanding provision	**3.9**	**4.6**	**7.4**	**23.8**	**62.6**	**135.0**	**140.0**	**377.3**

4. Risk and capital management (continued)

Net claims development as at 31 December 2017:

Pure underwriting year	2011 $'m	2012 $'m	2013 $'m	2014 $'m	2015 $'m	2016 $'m	2017 $'m	Total $'m
Incurred net claims								
At end of underwriting year	34.3	36.2	49.3	46.0	45.8	71.6	113.1	
one year later	69.3	69.1	93.8	89.1	111.7	172.0	-	
two years later	67.5	70.8	97.0	108.0	128.8	-	-	
three years later	66.2	69.3	95.1	105.2	-	-	-	
four years later	65.1	67.9	93.8	-	-	-	-	
five years later	64.9	67.6	-	-	-	-	-	
six years later	65.0	-	-	-	-	-	-	
Incurred net claims	65.0	67.6	93.8	105.2	128.8	172.0	113.1	745.5
Less net claims paid	(63.2)	(63.8)	(87.4)	(85.9)	(84.3)	(79.6)	(34.2)	(498.4)
Net claims outstanding for 2010 and prior years	1.6	-	-	-	-	-	-	1.6
Net claims outstanding provision	**3.4**	**3.8**	**6.4**	**19.3**	**44.5**	**92.4**	**78.9**	**248.7**

All balances presented are in respect of premiums earned to the balance sheet date and therefore reflect the pattern of earnings and risk exposed over a number of calendar years.

Year of account development

The table below presents the annual results split by year of account. Movements in results for closed years of account are reflected within the results for the year into which they closed by reinsurance to close ("RITC").

Profit / (Loss) before members' agents' fees	2017 $'000	2016 $'000
Year of account		
2014	-	(1,964)
2015	(1,520)	8,611
2016	(25,629)	(12,003)
2017	(60,021)	-
Calendar year result	**(87,170)**	**(5,356)**

The 2015 year of account distribution of $9,311,000 (after members' agents' fees of $622,000) will be paid to members in 2018. During 2017 $12,164,000 was distributed in relation to the 2014 year of account after members' agents' fees of $503,000.

Cash calls for $30,298,000 and $35,296,000 for 2016 and 2017 years of account respectively have been requested for collection due on 16 June 2018. This is explained further in note 23.

5. Segmental analysis

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

2017	Gross premiums written $'000	Gross premiums earned $'000	Gross claims incurred $'000	Gross[1] operating expense $'000	Reinsurance balance $'000	Total $'000
Direct insurance:						
Marine, aviation and transport	25,638	25,218	(17,256)	(7,364)	(1,091)	(493)
Fire and other damage to property	123,880	121,851	(177,346)	(35,585)	23,075	(68,005)
Third-party liability	83,610	82,242	(32,035)	(24,017)	(10,872)	15,318
Motor	2,877	2,830	(2,381)	(827)	11	(367)
Pecuniary loss	206	203	(519)	(59)	106	(269)
Total - Direct	236,211	232,344	(229,537)	(67,852)	11,229	(53,816)
Reinsurance	65,291	64,222	(93,756)	(18,755)	12,248	(36,041)
	301,502	**296,566**	**(323,293)**	**(86,607)**	**23,477**	**(89,857)**

2016	Gross premiums written $'000	Gross premiums earned $'000	Gross claims incurred $'000	Gross[1] operating expenses $'000	Reinsurance balance $'000	Total $'000
Direct insurance:						
Marine, aviation and transport	25,191	27,565	(16,645)	(8,128)	(234)	2,558
Fire and other damage to property	121,422	118,039	(72,170)	(42,207)	(9,717)	(6,055)
Third-party liability	63,695	54,854	(35,176)	(16,707)	(2,674)	297
Motor	(1,759)	714	(590)	(60)	(125)	(61)
Pecuniary loss	136	142	(98)	(43)	(3)	(2)
Total - Direct	208,685	201,314	(124,679)	(67,145)	(12,753)	(3,263)
Reinsurance	81,994	87,580	(54,195)	(24,518)	(10,372)	(1,505)
	290,679	**288,894**	**(178,874)**	**(91,663)**	**(23,125)**	**(4,768)**

[1]Gross operating expenses are the same as net operating expenses shown in the profit and loss account as no commission in respect of outwards reinsurance were set off in arriving at the net operating expenses for 2017 and 2016.

Commission on direct insurance gross premiums earned during 2017 was $60,834,000 (2016: $54,745,000).

All premiums were concluded in the UK.

6. Technical provisions

The syndicate has applied a similar approach this year end to establishing the technical provisions for claims outstanding reserves and reinsurer's share thereof held as at the end of the previous year. Included within net claims incurred of $225,755,000 (2016: $142,768,000) is a deterioration of $5,582,000 in claims reserves established at the prior year (2016: release $3,362,000). An analysis of the movement in technical provisions is set out below:

	Unearned premiums $'000	Claims outstanding $'000	Total $'000
Gross			
At 1 January 2017	147,924	230,962	378,886
Exchange adjustments	2,426	5,489	7,915
Movement in provision	4,936	140,877	145,813
At 31 December 2017	**155,286**	**377,328**	**532,614**
Reinsurance			
At 1 January 2017	28,816	55,618	84,434
Exchange adjustments	325	1,124	1,449
Movement in provision	5,666	71,850	77,516
At 31 December 2017	**34,807**	**128,592**	**163,399**
Net technical provisions			
At 31 December 2017	**120,479**	**248,736**	**369,215**
At 31 December 2016	119,108	175,344	294,452

7. Net operating expenses

	2017 $'000	2016 $'000
Brokerage and commission	63,909	57,814
Other acquisition costs	14,285	12,753
Acquisition costs	78,194	70,567
Change in deferred acquisition costs	(4,328)	4,133
Administrative expenses	7,956	9,199
Members' standard personal expenses	4,785	7,764
Total	**86,607**	**91,663**

Net operating expenses are stated after fees receivable under consortium arrangements of $9,367,000 (2016: $4,824,000).

Deferred acquisition costs are $37,761,000 (2016: $32,338,000). The movement in deferred acquisition costs during the year comprise foreign exchange of $1,095,000 and movement in the provision of $4,328,000.

8. Auditor's remuneration

	2017 $'000	2016 $'000
Audit of syndicate accounts	119	92
Other services pursuant to Regulations and Lloyd's Byelaws	103	108
Non audit fees	76	136
Total	**298**	**336**

Non audit fees relate to work to issue a Statement of Actuarial Opinion on the technical reserves of the syndicate.

9. Staff and number costs

All staff are employed by the managing agency or related companies. The following amounts were recharged to the syndicate in respect of salary costs:

	2017 $'000	2016 $'000
Wages and salaries	14,603	12,663
Social security costs	1,229	1,399
Pension costs	802	636
Total	**16,634**	**14,698**

The average monthly number of employees employed by the managing agency or related companies but working for the syndicate during the year was as follows:

	2017 Number	2016 Number
Underwriting	25	21
Claims and reinsurance	6	7
Management, administration and finance	45	31
Non-executive directors	4	4
Total	**80**	**63**

10.Emoluments of the directors of the managing agent

For the period ending 31 December 2017, the directors of ASML received the following aggregate remuneration charged to the syndicate and included within net operating expenses of $3,332,000 (2016: $2,607,000).

Included in the aggregated remuneration charged to the syndicate are emoluments paid to the highest paid director amounting to $873,000 (2016: $872,000).

The active underwriter received the $428,000 (2016: $441,000) remuneration charged as a syndicate expense.

11. Investment income

	2017 $'000	2016 $'000
Income from investments	1,933	897
Gains on realisation of investments	326	59
	2,259	956
Losses on realisation of investments	(307)	(91)
Total	**1,952**	**865**

The table below presents the average amount of funds in the year per currency and analyses by major currency the average investment yields in the year.

	2017 '000	2016 '000
Average amount of syndicate funds available for investment during the year (original currency)		
Sterling	10,292	6,420
Euro	8,230	7,619
US Dollar	167,726	216,158
Canadian Dollar	36,648	29,424
Total funds available for investment in US Dollars	**220,645**	**253,723**
Total investment return in US Dollars	1,952	865
Annual investment yield		
Sterling	1.4%	0.4%
Euro	0.0%	0.0%
US Dollar	0.9%	0.3%
Canadian Dollar	0.7%	1.0%
Total annual investment yields	**0.9%**	**0.3%**

12. Financial investments

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

	2017 $'000	2016 $'000
Financial assets		
Measured at fair value through profit and loss		
Holdings in collective investment schemes	174,994	205,674
Measured at cost		
Cash at bank and in hand (see note 16)	11,956	9,550
Deposits with credit institutions (see note 16)	45,767	49,580
Overseas deposits (see note 17)	20,633	14,310
	78,356	73,440
Measured at undiscounted amount receivable		
Other debtors (see note 15)	5,876	4,277
Total financial assets	**259,226**	**283,391**
Financial liabilities		
Measured at cost		
Deposits received from reinsurers (see note 18)	(39,407)	(49,580)
Measured at undiscounted amount payable		
Other creditors (see note 21)	(2,133)	(5,411)
Total financial liabilities	**(41,540)**	**(54,991)**

All investments are measured at fair value through profit or loss. The valuation technique used for determination of the fair value of financial instruments can be classified by the following hierarchy:

- Level 1 – Quoted prices for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2 – When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If it can be demonstrated that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.
- Level 3 – If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

12. Financial investments (continued)

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

Holdings in collective investment schemes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31-Dec-17	1,077	173,917	-	174,994
31-Dec-16	1,532	204,142	-	205,674

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

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

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

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

Management performs an analysis of the prices obtained from pricing vendors to ensure that they are reasonable and produce a reasonable estimate of fair value. Management considers both qualitative and quantitative factors as part of this analysis. Examples of analytical procedures performed include reference to recent transactional activity for similar securities, review of pricing statistics and trends and consideration of recent relevant market events.

13. Debtors arising out of direct insurance operations

	2017 $'000	2016 $'000
Due within one year	65,313	62,538

14. Debtors arising out of reinsurance operations

	2017 $'000	2016 $'000
Due within one year	14,560	10,161
Due after one year	1	37
Total	**14,561**	**10,198**

15. Other debtors

	2017 $'000	2016 $'000
Consortium fee receivable	4,986	4,277
Amounts due from group companies	524	-
Rent deposit	366	-
Total	**5,876**	**4,277**

16. Cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and in hand	11,956	9,550
Deposits with credit institutions	45,767	49,580
Total	**57,723**	**59,130**

Deposits with credit institutions relate to collateral received from reinsurers. These deposits are held in trust for the benefit of the syndicate and can be drawn upon in accordance with the terms of the corresponding reinsurance contracts. The funds, therefore, are not available to meet other liquidity requirements of the syndicate and a corresponding creditor is recognised (see note 18).

17. Overseas deposits

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

18. Deposits from reinsurers

Deposits received from reinsurers are held in trust for the benefit of the syndicate and can be called upon to meet potential reinsurance recoveries arising on future events. To the extent that the funds are not called upon as paid recoveries at the balance sheet date they are recorded as cash and cash equivalents with a corresponding liability recorded as deposits received from reinsurers.

19. Creditors arising out of direct insurance operations

	2017 $'000	2016 $'000
Due within one year	8,452	4,097

20. Creditors arising out of reinsurance operations

	2017 $'000	2016 $'000
Due within one year	50,077	26,800
Due after one year	91	45
Total	**50,168**	**26,845**

21. Other creditors

	2017 $'000	2016 $'000
Amounts due to group companies	-	353
Profit commission payable	2,133	5,045
Taxes payable	-	13
Total	**2,133**	**5,411**

22. Related parties

All business with related parties is transacted on an arm's length basis.

ASML, the managing agent, is a wholly owned subsidiary of Apollo Partners LLP ("APL"). DCB Ibeson, NG Jones, MJ Newman, MJ Rayner and SAC White, along with other members of the senior underwriting team, are partners of APL. Metacomet LLC, a US incorporated limited company, is a corporate partner of APL. Affiliated companies of Metacomet LLC participate on the syndicate.

In accordance with the Managing Agent's Agreement, ASML accrued managing agent's fees (0.9% of syndicate capacity) and profit commission (17.5% of profit). A two year deficit clause is in place which requires losses to be offset by future profits before further profit commission becomes payable.

APL employs all Apollo group staff, including underwriters, claims and reinsurance staff. APL provides the services of these staff and its partners to ASML to enable it to provide the services as managing agent for the syndicate. APL also incurs a large proportion of the expenses in respect of operating the syndicate. The cost of these services and expenses are recharged to ASML which in turn recharges these to the syndicate on a basis that reflects its usage of resources.

22. Related parties (continued)

ASML	2017 $'000	2016 $'000
Managing agent's fee	2,422	2,956
Profit commission	(703)	2,702
Expense recharges	29,863	22,489
Total	**31,582**	**28,147**

The reduction in profit commission during 2017 reflects the reversal of amounts previously recognised but reversing as a result of 2017 losses.

Syndicate 1969 had the following amounts outstanding at the year-end, which are included in other debtors / creditors respectively (see notes 15 and 21):

ASML	2017 $'000	2016 $'000
Other (Debtor) / Creditor	(524)	353
Profit commission payable	2,133	5,045

APL is the parent company of certain capital providers for Syndicate 1969. During November 2017 APL acquired allocated capacity of £16,722,000 in the 2017 capacity auction for Syndicate 1969 through Cyrene Capital Limited, a corporate member subsidiary.

NG Jones and other members of the syndicate's underwriting team participate on the syndicate through a Limited Liability Partnership.

Hannover Re participated on the syndicate with a 30% share of the 2017 year of account. S Althoff, a non-executive director of ASML, is a member of the Executive Board at Hannover Re representing Property and Casualty Lines Worldwide. The syndicate entered into outwards reinsurance contracts with premium totalling $2,593,000 (2016: $1,060,000). At 31 December 2017 the total balances receivable were $512,000 (2016: $407,000) and related to recoveries due on paid and outstanding claims.

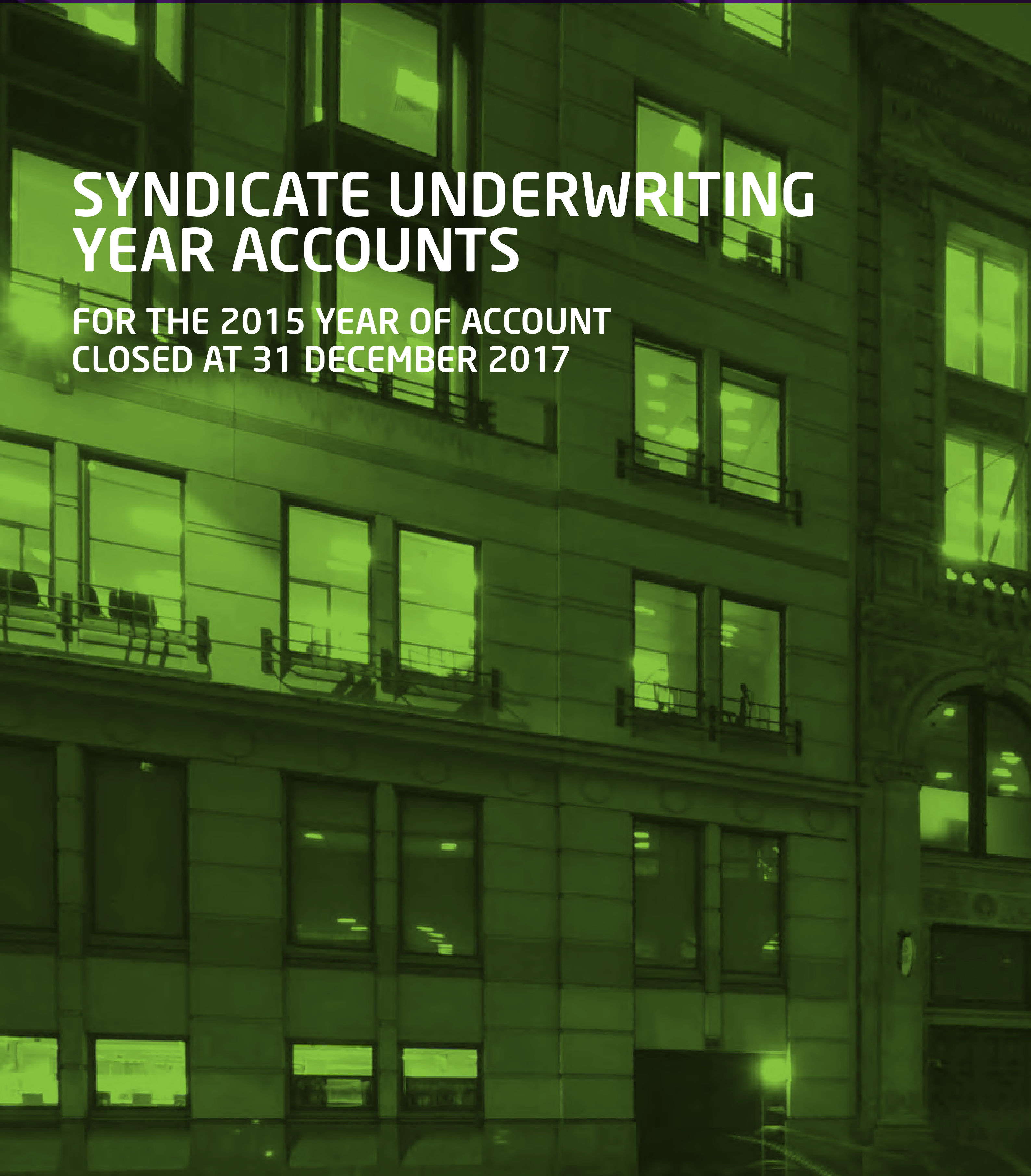
23. Events after the end of the reporting period

Following the year end the Board has decided to make cash calls of $30,298,000 and $35,296,000 in respect of the 2016 and 2017 years of account respectively. Payment will be due from the members of the syndicate on the 16 June 2018.

There were a number of significant catastrophe events in the third quarter of 2017 and the cash call has been necessary to enable the syndicate to maintain appropriate levels of liquidity to satisfy policyholder and regulator needs and to be in a strong position to benefit from recent improvements in the underwriting environment.

SYNDICATE UNDERWRITING YEAR ACCOUNTS

FOR THE 2015 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2017



SYNDICATE 1969

SYNDICATE UNDERWRITING YEAR ACCOUNTS
FOR THE 2015 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2017

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

FOR THE 2015 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2017

The directors of the managing agent present their report for the 2015 year of account of Syndicate 1969 for the cumulative result to 31 December 2017.

The syndicate underwriting year account is prepared under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 in accordance with the Lloyd's Syndicate Accounting Bylaw (No. 8 of 2005) and applicable accounting standards in the United Kingdom.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

2015 ACCOUNT

The 2015 year of account has been closed with a profit of $9.9m (£7.4m at the closing exchange rate of $1.35) representing 4.6% of the stamp capacity of £160.0m ($216.0m at closing foreign exchange rate) after all personal expenses except members' agents' fees.

Following a 14.3% pre-emption approved by Lloyd's, the syndicate stamp increased to £160.0m ($273.6m at the Lloyd's planning rate of $1.71) for the 2015 year of account. The approved gross net written premium was £152.9m ($261.5m).

The rating environment remained challenging with an actual risk adjusted rate reduction of 6.2%, which was better than the plan reduction of 8.7%.

A well regarded Aviation team with a long track record in the class was recruited.

The Aviation market is currently very challenging but we consider this class offers attractive long-term opportunities and the syndicate wrote a small amount of income whilst we positioned ourselves on selected areas of the class. As Aviation business requires significant line size capability a consortium was established with another Lloyd's syndicate.

Underwriting of Marine & Energy Liability began, however Energy business fell back as a result of a global slowdown in the energy sector. Participation commenced on an Accident & Health consortium led by another Lloyd's syndicate.

An additional underwriter was recruited in the Specie & Cargo team to help deliver further growth in 2015. The Non-Marine Liability account continued to grow steadily with the recruitment of additional underwriters.

Significant large losses during the 2016 calendar year impacted 2015 policies that were on risk. Exposure to the 2017 catastrophes has been limited as few policies were still on risk.

The performance of the property classes has been reduced by the large number of weather related losses on habitational business. The contribution to the profit from Non-Marine Liability has been more significant than for prior years of account, particularly when income from the consortium led by the syndicate is included.

2016 ACCOUNT

Following the 12.5% pre-emption approved by Lloyd's the syndicate stamp increased to £180.0m ($282.6m at the Lloyd's planning rate of $1.57) for the 2016 year of account. The approved gross net written premium was £162.4m ($254.9m). The rating environment continued to be very competitive with an actual risk adjusted rate reduction of 5.4%, marginally better than the plan reduction of 6.1%.

For 2016 a new Marine & Energy Liability class underwriter with a historically profitable track record was recruited. When developing our original plan for Energy in 2013 it had always been our intention to broaden the product offering to establish a presence in the Energy Liability market. In addition to Energy Liability this class also covers Marine Liability business which sits well with our existing Specie & Cargo account.

In 2016 a disciplined approach was maintained in the Property classes, the 2015 base for Specie & Cargo and Non-Marine Liability has been built upon and the Energy portfolio has been cautiously renewed in challenging market conditions.

Further there was development of selected areas of the Aviation account and the Personal Accident account was renewed by continuing to support a consortium led by another Lloyd's syndicate. Participation on the Terrorism consortium ceased.

The 2016 account has been heavily impacted by the 2017 third quarter catastrophe losses, notably hurricanes Harvey, Irma and Maria that hit the Caribbean and the US. Two Mexican earthquakes in September resulted in further losses. Whilst the magnitude of the losses was within the reinsurance programme the losses have been considerable given retentions and reinstatements apply to each loss.

Further there was co-reinsurance on lower layers. A proportion of the reinstatements had been exhausted by the last Mexican quake reducing the available recoveries.

In addition the 2016 calendar year loss experience was higher than expected for the first twelve months with a number of large and catastrophe losses including Hurricane Matthew and a number of flood and hail losses.

The 24 month forecast range is a loss of 10% to 20%. A cash call is being requested of 12.5% of stamp capacity, $30.3m (calculated using the closing rate of $1.35), to be collected in the second quarter of 2018.

2017 ACCOUNT

Following the 16.7% pre-emption approved by Lloyd's the syndicate stamp increased to £210.0m ($281.4m at the Lloyd's planning rate of $1.34) for the 2017 year of account. The approved gross net written premium was £200.9m ($269.3m).

The rating environment continued to be very competitive with an actual risk adjusted rate reduction of 1.3%, substantially better than the plan reduction of 4.9%.

A new Marine Hull underwriter with historically profitable track record was recruited to the syndicate late in 2016 to enable the marine offering to be expanded for the 2017 year of account. In addition the Marine & Energy Liability class underwriter recruited in 2016 was able to write for the full year.

Further growth was targeted for Non-Marine Liability through new business to Lloyd's and increased line sizes.

An opportunity to recruit a Terrorism underwriter was taken during the year and business began to be written from the last quarter of 2017. Accident & Health business was reduced by discontinuing participation this consortium.

The 2017 third quarter catastrophe losses that hit the 2016 year of account impacted the 2017 account to an even greater extent. It was noted above the reinstatements on the lower layers had been fully utilised prior to the second Mexican earthquake.

Reinsurance cover is bought on an annual basis and therefore cover is in place during 2018 for the 2017 risks still in force.

The 2017 catastrophe losses will result in a loss on closure. A cash call is being requested of 12.5% of stamp capacity, $35.3m (calculated using the closing rate of $1.35), to be collected in the second quarter of 2018. The first public forecast will be at the 15 month stage.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office at the date of signing are shown on page 1. Directors' interests are shown in note 20 as part of the related parties note to the accounts.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each person who is a director of the managing agent at the date of approving this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the syndicate's auditor is unaware; and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the syndicate's auditor is aware of that information.

AUDITOR

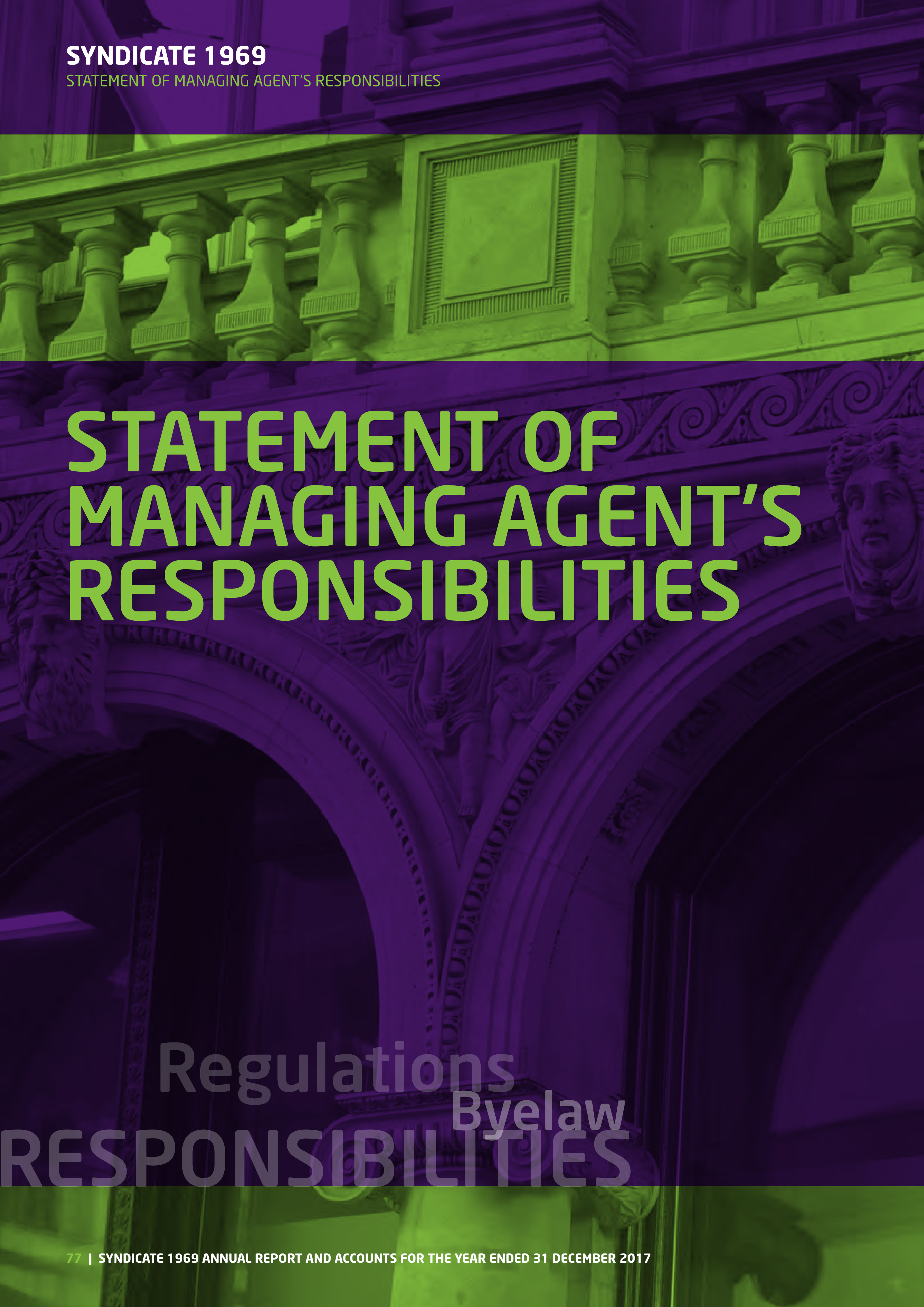
Deloitte LLP has indicated its willingness to continue in office as the syndicate's auditor.

Approved on behalf of the Board.

DCB Ibeson
Chief Executive Officer
14 March 2018


INFORMATION

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES



Regulations
Byelaw

RESPONSIBILITIES

Apollo Syndicate Management Limited, as managing agent, is responsible for preparing syndicate underwriting year accounts in accordance with applicable law and the Lloyd's Syndicate Accounting Byelaw.

The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulation 2008 (the "Lloyd's Regulations") require the managing agent to prepare syndicate underwriting year accounts for each syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December 2017.

These syndicate underwriting year accounts must give a true and fair view of the result of the closed year of account.

In preparing the syndicate underwriting year of accounts, the managing agent is required to:

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
- 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 that disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the syndicate underwriting year of 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.

INDEPENDENT AUDITOR TO THE MEMBERS OF SY 2015 CLOSED YEAR OF

Report on the audit of the syndicate underwriting year accounts for the 2015 closed year of account for the three years ended 31 December 2017.

AUDITOR'S REPORT
INDEPENDENT
RESPONSIBILITIES

R'S REPORT YNDICATE 1969 – ACCOUNT

OPINION

In our opinion the syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2015 closed year of account;
- 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
- have been prepared in accordance with the requirements of 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).

We have audited the syndicate underwriting year accounts of Syndicate 1969 (the 'syndicate') which comprise:

- the profit and loss account;
- the statement of changes in members' balances;
- the balance sheet;
- the cash flow statement; and
- related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland" , the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the syndicate underwriting year accounts section of our report.

We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF MANAGING AGENT

As explained more fully in the managing agent's responsibilities statement, the managing agent is responsible for the preparation of the syndicate 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), and for being satisfied that they give a true and fair view of the result, and for such internal control as the managing agent determines is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting accounts, the managing agent is responsible for assessing the syndicate's ability to realise its assets and discharge its liabilities in the normal course of business, disclosing, as applicable, any matters that impact its ability to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE SYNDICATE UNDERWRITING YEAR ACCOUNTS

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate underwriting year accounts.

A further description of our responsibilities for the audit of the syndicate underwriting year accounts is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the syndicate's members, as a body, in accordance with regulation 6 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Lloyd's Syndicate Accounting Byelaw (no.8 of 2005) we are required to report in respect of the following matters if, in our opinion:

- the managing agent in respect of the syndicate has not kept proper accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

M. McQueen

Mark McQueen, ACA
(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants
and Statutory Auditor

London, United Kingdom
14 March 2018

PROFIT AND LOSS ACCOUNT

Technical account	Notes	$'000
Syndicate allocated capacity		**273,600**
Gross premiums	3	288,218
Outward reinsurance premiums		(59,867)
Net premiums written and earned		**228,351**
Reinsurance to close premium receivable, net of reinsurance	4	**56,789**
		285,140
Allocated investment return transferred from the non-technical account	10	**1,101**
Claims paid		
Gross amount		(123,522)
Reinsurers' share		14,871
Net claims paid		(108,651)
Reinsurance to close premium, net of reinsurance	5	**(78,957)**
Claims incurred, net of reinsurance		**(187,608)**
Net operating expenses	6	(91,559)
Balance on the technical account for general business		**7,074**

PROFIT AND LOSS ACCOUNT

Non-technical account	Notes	$'000
Balance on the general business technical account		**7,074**
Investment income	10	1,101
Allocated investment return transferred to general business technical account		(1,101)
Profit on foreign exchange		2,859
Profit for the 2015 closed year of account		**9,933**

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts.

Statement of changes in members' balances
For the 36 months ended 31 December 2017

	Notes	$'000
Profit for the 2015 closed year of account		9,933
Members' agents' fees		(622)
Amounts due to members at 31 December 2017	12	**9,311**

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are determined by reference to policies incepting in that year of account in respect of their membership of a particular year.

BALANCE SHEET

Assets	**Notes**	**$'000**
Investments		
Financial investments	11	91,229
Reinsurance recoveries anticipated on gross reinsurance to close premium	5	27,396
Debtors		
Debtors arising out of direct insurance operations	13	1,465
Debtors arising out of reinsurance operations	14	4,769
Other debtors	15	629
		6,863
Other assets		
Cash and cash equivalents		911
Overseas deposits	16	9,649
		10,560
Prepayments and accrued income		
Other prepayments and accrued income		2,700
Total assets		**138,748**

BALANCE SHEET

Liabilities	Notes	$'000
Amounts due to members	12	9,311
Reinsurance to close premium payable to close the account - gross amount	5	107,118
Deposits received from reinsurers		65
Creditors		
Creditors arising out of direct insurance operations	17	3,475
Creditors arising out of reinsurance operations	18	2,746
Other creditors	19	16,033
		22,254
Total liabilities		**138,748**

The syndicate underwriting year accounts on pages 83 to 96 were approved by the Board of Apollo Syndicate Management Limited on 14 March 2018 and were signed on its behalf by:

JD MacDiarmid

Finance Director

14 March 2018

STATEMENT OF CASH FLOWS

	$'000
Cash flows from operating activities	
Profit for the 2015 closed year of account	9,933
Adjustments for:	
Increase in gross reinsurance to close payable	107,118
Increase in reinsurers' share of reinsurance to close	(27,396)
Increase in debtors	(6,863)
Increase in creditors	22,254
Increase in other assets/liabilities	(2,700)
Investment return	(1,101)
Net cash inflow from operating activities	**101,245**
Cash flows from investing activities	
Net purchase of other financial instruments	(91,229)
Investment income received	1,101
Movements in overseas deposits	(9,649)
Increase in deposits received from reinsurers	65
Net cash flow from investing activities	**(99,712)**
Net cash flow from financing activities	
Members' agents' fees paid on behalf of members	(622)
Net cash outflow from financing activities	**(622)**
Net increase in cash and cash equivalents	911
Cash and cash equivalents at 1 January 2015	-
Cash and cash equivalents at 31 December 2017	**911**

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

1. Basis of preparation

These underwriting year accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and Financial Reporting Standard 103 Insurance Contracts ("FRS 103").

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 2015 year of account which has been closed by reinsurance to close at 31 December 2017.

Consequently the balance sheet represents the assets and liabilities of the 2015 year of account at the date of closure. The profit and loss account and cash flow statement reflect the transactions for that year of account during the three-year period until closure. The accounts are compiled using the signing messages relating to the year of account; this means that the resulting cash balance shown in the balance sheet belongs to that specific year of account.

These underwriting year accounts cover the three years from the date of inception of the 2015 year of account to the date of closure. Accordingly, this is the only reporting period and so comparative amounts are not shown.

As a consequence of the 2015 year of account reinsuring to close into the 2016 year of account, the residual risks to the members on the closed year have been minimised. The risk disclosure requirements of FRS 102 and FRS 103 are therefore deemed not applicable to these underwriting year accounts. However, it should be noted that a reinsurance contract does not extinguish the primary liability of the original underwriter.

2. Accounting policies

The 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 the 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 written

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Premiums in respect of insurance contracts underwritten under a binding authority, lineslip or consortium arrangements are allocated to the year of account corresponding to the calendar year of inception of the arrangement. Premiums are shown gross of brokerage payable and exclude taxes.

Outward reinsurance premiums

Outwards reinsurance premiums are allocated to a year of account in accordance with the underlying risks being protected.

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

2. Accounting policies (continued)

Claims paid and related recoveries

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy.

Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

Reinsurance to close premium payable

A reinsurance to close is a contract of insurance which, in return for a premium paid by the closing year of account, transfers, normally to the following year of account, all known and unknown liabilities arising out of transactions connected with insurance business underwritten by the closing year of account. However, it should be noted that a reinsurance contract does not extinguish the primary liability of the original underwriter.

The net reinsurance to close premium payable is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported), net of estimated collectable reinsurance recoveries and net of future net premiums relating to the open year of account and all previous years of account reinsured therein. No credit is taken for investment earnings which may be expected to arise in the future on the funds representing the reinsurance to close.

The techniques used and assumptions made in determining outstanding claims reserves, both gross and net of reinsurance, are described within the "Use of judgements and estimates" and in the accounting policy for "Claims provisions and related reinsurance recoveries" section of the syndicate annual accounts.

The calculation of the reinsurance to close premium payable is determined by the directors on the basis of the information available to them at the time. However, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the reinsurance to close so determined.

Investment return

The 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. The investment return arising in each calendar year is allocated to years of account in proportion to the average funds available for investment attributable to those years. Investment returns in respect of overseas deposits are allocated to the year of account which funded these deposits.

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

2. Accounting policies (continued)

Syndicate operating expenses

Costs incurred by the managing agent in respect of the syndicate are charged to the syndicate. No mark-up is applied. Where expenses do not relate to any specific year of account they are apportioned between years of account on bases 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 on bases that are considered to fairly reflect the nature and usage of the expense concerned in order to comply with the Lloyd's Code for Underwriting Agents: Syndicate Expenses, made by the Council of Lloyd's on 6 September 2000.

Acquisition costs

Acquisition costs represent costs arising from the conclusion of insurance contracts. They include both direct costs such as brokerage and commission, and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies.

Consortium income

The syndicate is the leader of a number of underwriting consortia. Under the terms of these contracts participants are required to pay fees to the syndicate, as leader, in return for the business written on their behalf. These fees represent a contribution towards the expenses incurred by the syndicate underwriting for the consortia. The syndicate accrues the consortium fee income in line with the writing of the business for each consortium, calculated in accordance with the individual contractual arrangements.

In addition the consortium arrangements include an entitlement to profit commission based on the performance of the business written by the consortium leader. The syndicate accrues profit commission in accordance with the contractual terms based on the performance of each consortium. Both the accrued consortium fees and accrued profit commission are included as a credit to administrative expenses.

Managing agent's fees

The managing agent charges a management fee of 0.9% of syndicate capacity. The managing agent has agreed contractual terms with the capital providers to the syndicate for the payment of profit commission based on the performance of the year of account. Amounts charged to the syndicate become payable on closure of the year of account although the managing agent may receive payments on account of anticipated profit commission if interim profits are released to members.

Foreign currencies

Transactions in foreign currencies are translated into US Dollars which is the functional and presentational currency of the syndicate. Transactions in foreign currencies are translated using the exchange rates at the date of the transactions or at the appropriate average rates of exchange for the period. The syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation of foreign currency amounts are included in the non-technical account.

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

3. Segmental analysis - 2015 year of account after three years

An analysis of the balance on the technical account before investment return is set out below:

2015 year of account after three years	Gross premiums written $'000	RITC received[1] $'000	Gross claims incurred $'000	Gross[2] operating expenses $'000	Reinsurance balance $'000	Total $'000
Direct insurance:						
Marine, aviation and transport	24,895	4,988	(20,171)	(8,042)	(1,565)	105
Fire and other damage to property	112,078	22,591	(91,357)	(36,423)	(7,090)	(201)
Third-party liability	63,180	11,858	(47,954)	(19,118)	(3,722)	4,244
	200,153	39,437	(159,482)	(63,583)	(12,377)	4,148
Reinsurance	88,065	17,352	(70,170)	(27,976)	(5,446)	1,825
	288,218	**56,789**	**(229,652)**	**(91,559)**	**(17,823)**	**5,973**

1 RITC received of $56,789,000 (net of anticipated reinsurance recoveries of $20,786,000) was received from the 2014 year of account.
2 Gross operating expenses are the same as net operating expenses shown in the profit and loss account as no commission in respect of outward reinsurance were received and set off in arriving at the net operating expenses for 2015 year of account.

All premiums were concluded in the UK.

The geographical analysis of premiums by situs of the risk is as follows:

	$'000
UK	3,290
Other EU countries	14,543
US	172,295
Other	98,090
Total	**288,218**

4. Reinsurance to close premium receivable

	Reported $'000	IBNR $'000	Total $'000
Gross reinsurance to close premium receivable	54,068	23,507	77,575
Reinsurance recoveries anticipated	(14,632)	(6,154)	(20,786)
Reinsurance to close premium receivable, net of reinsurance	**39,436**	**17,353**	**56,789**

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

5. Reinsurance to close premium payable

Foreign exchange differences arise on translation of foreign currency amounts using the exchange rates at the date of the transactions or appropriate average rates in the profit and loss account and closing exchange rates in the balance sheet.

	$'000
Gross reinsurance to close premium payable	106,130
Reinsurance recoveries anticipated	(27,173)
Reinsurance to close premium, net of reinsurance (at average exchange rates)	**78,957**
Foreign exchange	765
Reinsurance to close premium payable, net of reinsurance (at closing exchange rates)	**79,722**

	Reported $'000	IBNR $'000	Total $'000
Gross reinsurance to close premium payable	74,998	32,120	107,118
Reinsurance recoveries anticipated	(19,548)	(7,848)	(27,396)
Reinsurance to close premium payable, net of reinsurance	**55,450**	**24,272**	**79,722**

6. Net operating expenses

	$'000
Brokerage and commission	63,051
Other acquisition costs	12,355
Acquisition costs	75,406
Administrative expenses	9,729
Members' standard personal expenses	6,424
Total	**91,559**

Net operating expenses are stated after fees receivable under consortium arrangements of $3,661,719.

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

7. Auditor's remuneration

	$'000
Audit of syndicate accounts	116
Other services pursuant to Regulations and Lloyd's Byelaws	100
Non audit fees	77
Total	**293**

Non audit fees relate to work to issue a Statement of Actuarial Opinion on the technical reserves of the syndicate.

8. Staff numbers and costs

All staff are employed by the managing agency or related companies. The following amounts were recharged to the syndicate in respect of salary costs:

	$'000
Wages and salaries	12,348
Social security costs	911
Other pension costs	796
Total	**14,055**

The average monthly number of employees employed by the managing agency or related companies but working for the syndicate each year and aggregated for the three years was as follows:

	Number
Underwriting	19
Claims and reinsurance	6
Management, administration and finance	27
Non-executive directors	4
Total	**56**

9. Emoluments of the directors of the managing agent

The directors received aggregate remuneration of $2,633,000 charged to the syndicate's 2015 year of account and included within net operating expenses.

Included in the total above are emoluments paid to the highest paid director amounting to $842,000.

The active underwriter received remuneration of $513,000 charged as a syndicate expense.

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

10. Investment income

	$'000
Income from investments	993
Gains on the realisation of investments	368
	1,361
Losses on the realisation of investments	(260)
Total	**1,101**

11. Financial investments

	Market value $'000	Cost $'000
Holdings in collective investment schemes	91,229	91,114

All of the above financial investments are held in short-term money market funds.

12. Balance on technical account

	2014 & prior year of account $'000	2015 pure year of account $'000	Total 2015 $'000
Technical account balance before investment return & net operating expenses	4,529	93,003	97,532
Acquisition costs	(383)	(75,023)	(75,406)
	4,146	17,980	22,126
Allocated investment return transferred from the non-technical account			1,101
Net operating expenses other than acquisition costs			(16,153)
Profit on foreign exchange			2,859
Profit for the 2015 closed year of account			**9,933**
Members' agents' fees			(622)
Amounts due to members at 31 December 2017			**9,311**

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

13. Debtors arising out of direct operations

	$'000
Due within one year	1,465

14. Debtors arising out of reinsurance operations

	$'000
Due within one year	4,769

15. Other debtors

	$'000
Rent deposit	366
Consortium fee receivable	169
Amount due from members	94
Total	**629**

16. Overseas deposits

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

17. Creditors arising out of direct insurance operations

	$'000
Due within one year - intermediaries	3,475

18. Creditors arising out of reinsurance operations

	$'000
Due within one year	2,746

19. Other creditors

	$'000
Profit commission payable	2,133
Consortium fee payable	414
Inter-year loans	13,486
Total	**16,033**

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

20. Related parties
All business with related parties is transacted on an arm's length basis.

ASML is a wholly owned subsidiary of Apollo Partners LLP ("APL"). DCB Ibeson, NG Jones, MJ Newman, MJ Rayner and SAC White, along with other members of the senior underwriting team, are partners of APL. Metacomet LLC, a US incorporated limited company, is a corporate partner of APL. Affiliated companies of Metacomet LLC participate on the syndicate.

ASML became managing agent for Syndicate 1969 with effect from 1 August 2015. Profit commission of $2,133,000 has accrued at 17.5% with respect to the 2015 year of account.

APL employs all Apollo group staff, including underwriters, claims and reinsurance staff. APL provides the services of these staff and its partners to ASML to enable it to provide the services as managing agent for the syndicate. APL also incurs a large proportion of the expenses in respect of operating the syndicate. The cost of these services and expenses are recharged to ASML which in turn recharges these to the syndicate on a basis that reflects its usage of resources. The total amount recharged by ASML to the 2015 year of account was $11,282,000.

Syndicate 1969 had the following amounts outstanding at the year-end, which are included in other creditors (see note 19):

ASML	$'000
Profit commission payable	2,133

ANV Syndicates Limited (now renamed AmTrust Syndicates Limited) managed Syndicate 1969 prior to 1 August 2015. In addition AP Hulse was a director of both ANV Syndicates Limited and ASML until November 2016.

APL is the parent company of certain capital providers for Syndicate 1969. NG Jones and other members of the syndicate's underwriting team participate on the syndicate through a Limited Liability Partnership.

Hannover Re participated on the syndicate with a 29% share of the 2015 year of account. S Althoff, a non-executive director of ASML, is a member of the Executive Board at Hannover Re representing Property and Casualty Lines Worldwide. The syndicate entered into outwards reinsurance contracts with premium totalling $1,799,000. At 31 December 2017 the total balances receivable were $1,000 and related to recoveries due on paid and outstanding claims.

SIX YEAR SUMMARY OF UNDERWRITING RESULTS

	2010	2011	2012	2013	2014	2015
Syndicate allocated capacity (£'000)	63,748	74,450	84,771	109,941	140,000	159,966
Syndicate allocated capacity ($'000) (note 2)	102,969	123,587	132,243	161,613	171,766	216,002
Number of underwriting members	324	354	303	310	371	391
Aggregate net premiums ($'000)	100,637	125,117	132,069	148,589	203,910	228,351
Result for a name with an illustrative share of £10,000	**$**	**$**	**$**	**$**	**$**	**$**
Gross premiums	19,010	20,236	18,507	16,482	18,529	18,017
Net premiums	15,787	16,806	15,580	13,515	14,565	14,275
Premium for reinsurance to close an earlier Year of account	-	2,730	2,587	2,723	2,928	3,550
Net claims	(8,675)	(10,133)	(7,349)	(7,358)	(6,257)	(6,792)
Reinsurance to close the year of account	(3,218)	(3,130)	(3,748)	(3,728)	(4,292)	(4,936)
Syndicate operating expenses	(6,034)	(5,964)	(5,341)	(4,520)	(5,252)	(5,322)
Loss on exchange	(74)	(276)	(129)	(348)	(304)	179
Balance on technical account	**(2,215)**	**33**	**1,600**	**284**	**1,388**	**954**
Investment return	65	154	63	35	43	69
Profit / (Loss) before personal expenses	**(2,150)**	**187**	**1,663**	**319**	**1,431**	**1,023**
Illustrative personal expenses (note 3)	(285)	(304)	(247)	(262)	(526)	(402)
Profit / (Loss) after illustrative profit commission and personal expenses	**(2,435)**	**(117)**	**1,416**	**57**	**1,431**	**621**
Capacity utilised (note 4)	87.9%	93.8%	93.0%	89.8%	93.9%	82.3%
Net capacity utilised (note 5)	68.0%	73.1%	74.2%	69.6%	67.8%	60.4%
Underwriting profit/claims ratio (note 6)	(11.7)%	0.2%	8.6%	3.8%	9.1%	5.3%
Result as a percentage of stamp capacity	(15.1)%	(0.7)%	9.1%	0.4%	7.4%	4.6%

Notes to the summary:

1. The summary has been prepared from the audited accounts of the syndicate.
2. Syndicate allocated capacity is expressed in US Dollars at the foreign exchange rate at the date the year of account was closed.
3. Illustrative personal expenses comprise the managing agent's fee, contributions to the Central Fund and High Level Stop Loss Scheme in applicable years, Lloyd's Annual Subscription incurred by a Name writing the illustrative share, irrespective of any minimum charge applicable to the managing agent's fee, and profit commission payable to the managing agent. This amount excludes members' agents' fees.
4. Capacity utilised represents gross premium written net of acquisition costs expressed as a percentage of allocated capacity using business planning foreign exchange rates.
5. Net capacity utilised represents written premium net of acquisition costs net of reinsurance expressed as a percentage of allocated capacity using business planning foreign exchange rates.
6. The underwriting profit ratio represents the balance on technical account expressed as a percentage of gross premiums written.
7. The 2014 and prior years of account were originally presented in Sterling and have been restated in US Dollars using the foreign exchange rate at the date the year of account was closed.

SYNDICATE 1969

SIX YEAR SUMMARY OF UNDERWRITING RESULTS
AS AT 31 DECEMBER 2017

Apollo Syndicate Management Limited
One Bishopsgate,
London
EC2N 3AQ

T: +44 (0)20 3169 1969
www.apollounderwriting.com