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DL Dale Syndicate 2525

Syndicate Annual Report and Accounts
31 December 2017

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Directors and Administration

Managing Agent

Asta Managing Agency Ltd

Directors

T A Riddell (Chairman)*

R P Barke

C V Barley

L Harfitt

A J Hubbard*

D J G Hunt

M D Mohn*

S P A Norton

J W Ramage*

K Shah*

J M Tighe

Non Executive Directors*

Company Secretary

C Chow

Managing Agent's Registered Office

5th Floor

Camomile Court

23 Camomile Street

London

EC3A 7LL

Managing Agent's Registered Number

1918744

Active Underwriter

D L Dale

Bankers

Barclays Plc

Citibank N.A,

RBC Dexia

Investment Managers

Amundi (UK) Limited

Registered Auditors

Mazars LLP

Tower Bridge House

St Katharine's Way

London

E1W 1DD

Active Underwriter's Report

2015 Year of Account

Allocated Capacity	£42.2m
Capacity Utilisation	89%
Profit in 2017	£6.3m

I am pleased to report a calendar year profit of £6.3m which exceeds the best estimate posted in September 2017. The positive loss development has continued underlying the inherent strength in the Syndicate's reserves. Stamp capacity remained unchanged whilst utilisation improved with rates remaining stable.

Risk appetite for the core UK account was still firmly rooted to the Syndicate's knowledge and experience of the class; a vast majority of this business was transacted through small to medium sized brokers within Lloyd's with no delegated underwriting authority. Terms and conditions remained sensible and excesses on the primary account continued at a realistic level whilst the high level business mix was broadly similar to previous years.

The addition of a primary international account in late 2014 gathered pace during the year with an income target of £4m comfortably exceeded. The Syndicate's strategy of not delegating underwriting authority was eased with regard to this account but only to entities that were either known or previously underwritten by the Syndicate's underwriters; 20% of the account was attributable to this source. Risk appetite was broadly similar to the core account although inevitably with this class more exposures were considered within the oil, gas, power generating and local authority spheres.

The profit in the calendar year has largely come from underwriting performance from the 2015 and prior years.

2016 Year of Account

Stamp Capacity	£50.0m
Forecast Utilisation	83%
Loss in 2017	£0.8m

Due to higher utilisation in the two previous years and the addition of the new international primary account which exceeded target in 2015 the Syndicate increased stamp capacity in 2016 to £50m.

Rating comparisons on the renewal account were marginally up due mainly to the UK Government's decision on the Ogden Discount Rate in February 2017; though marginal, as a percentage, this represents the most significant increase in premium rates in more than a decade.

Within the core UK account terms and conditions continued to remain tight aligned to realistic excesses on the primary account. Risk appetite as in all previous years remained unaltered with broker support coming mainly from the independent specialist Lloyd's brokers and their counterparts in the regions.

The international account encompassing both the newer primary account and the mature 2525 excess account performed well with a combined income of £6.6m, 20% of which was underwritten through delegated authority binders. As detailed above this account has not changed the risk appetite of the Syndicate, but moreover, includes risks that would be considered within the core account if such were presented.

Active underwriter's report continued

At this relatively early stage a small loss is predicted with every prospect, based on previous years' development patterns, of improvement during the next twelve months.

2017 Year of Account

Stamp Capacity	£50.0m
Forecast Utilisation	80%
Loss in 2017	£4.7m

Following the increase in 2016 the stamp capacity remained unaltered for 2017.

Business ratios, terms and conditions, and primary excesses once again held up well during the year with both broker support coming mainly from the smaller independents. The Syndicate made a decision to reduce brokerage levels mid-way through the year as part of its strategy following the Ogden decision on the discount rate. Risk appetite as with all preceding years remained unchanged.

The international account continued to make a solid contribution being twenty percent of account in 2017; similar levels of premium were underwritten through delegated underwriting binders as in the last two years. As detailed above all these facilities were either known or previously underwritten by Syndicate's underwriters and much of the income came from within the SME sector with reduced limits of indemnity. In addition, the account has helped to maintain the Syndicate's excess of loss income which had declined slightly in the core account due to an increase in the limits offered on primary layers.

Rates on the Syndicates core account continued to rise following the Ogden decision at the end of February; these were more marked than that experienced in 2016 as a greater proportion of the Syndicate's UK income attaches into 2017 subsequent to the announcement.

The Syndicate's reinsurance protections for all the years stretching back to 2005 have remained stable in terms of the supporting markets, the net amount retained by the Syndicate, and the broker that places the business on the Syndicate's behalf. Following the discount rate decrease there was some concerns that the Syndicate would see a marked increase in rating on its outward protections but due to a number of factors the amount by which the underlying rate increased was relatively small and containable. The Syndicate has always purchased its reinsurance as it would hope the clients who buy insurance from the Syndicate do - as a long term venture.

As reported last year, due to difficulties in projecting from immature data, the long tail nature of the account, provisions made for unearned premiums, lack of investment return and increasing regulatory costs, it is prudent to forecast a loss at this early stage for the 2016 and 2017 years of account.

Below is the renewal rate monitor which shows how premium rates have moved year on year and the effect this has had on the rating environment over time:

Active underwriter's report continued

2007	-5.8%
2008	-4.4%
2009	-0.2%
2010	-0.93%
2011	-1.12%
2012	+0.57%
2013	+0.01%
2014	+0.03%
2015	-0.35%
2016	-0.51%
2017	+5.78%

This table demonstrates how premium rates have levelled out since 2012 and following the discount rate decision the increased rates on the core UK account for 2017. The Syndicate will endeavour to maintain this momentum during 2018.

Finally, included is a table of ultimate gross written premium after brokers' commissions together with year on year increases / reductions in percentage terms:

Year of account	Premium (£m)	Reduction/ Increase (%)
2007	36.3	-6.40
2008	34.4	-5.20
2009	30.1	-12.50
2010	30.1	-
2011	29.6	-1.67
2012	29.4	-0.68
2013	32.8	+11.56
2014	34.8	+6.09
2015	37.0	+6.32
2016	40.0	+8.10
2017	40.0	-
2018	52.0	+30.00

The Syndicate has managed to achieve sensible growth over the last five years and has sustained this momentum into 2018 whilst maintaining underwriting discipline. This has been achieved by observing the 'cause and effect' of our collective decision making over many years underwriting and managing claims for primarily the same brokers, the same trades and professions, and with little by way of delegated authority. The Syndicate has a well-known, workable, and useful offering that provides brokers with something to sell and gives customers a product that rates highly with our peers in the market.

As the market shows some signs of rate strengthening as 2018 unfolds the Syndicate will maintain its stance of realistic pricing but above all continue to enhance and develop its product to ensure a positive outcome for investors and assureds alike.

D L Dale
Active Underwriter
16 March 2018

Managing Agent's Report

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

Results

The total recognised income for calendar year 2017 is a profit of £750,651 (2016: profit £2,448,707).

The Syndicate presents its results under FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. In accordance with FRS102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS103.

Principal activity and review of the business

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

The Syndicate writes predominately employers' and public liability insurance primarily in the United Kingdom.

A full review is included in the Active Underwriter's Report.

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

	2017 £'000	2016 £'000
Employers' liability	27,333	25,310
Public liability	27,450	24,618
	<u>54,783</u>	<u>49,928</u>

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

	2017 £'000	2016 £'000	Change %
Gross written premiums	54,783	49,928	9.7%
Profit for the financial year	751	2,448	(69.3%)
Combined ratio	98.3%	93.6%	4.7%

Managing Agent's Report continued

The return on capacity for the 2015 closed year of account at 31 December 2017 is shown below together with forecasts for the two open years of account.

	2017 YOA Open	2016 YOA Open	2015 YOA Closed
Capacity (£'000)	50,000	50,000	42,225
Result/forecast (£'000)	(4,366)	(5,164)	3,798
Forecast return/return on capacity (%)	(8.7%)	(10.3%)	9.0%

Outlook for 2018

Growth across the US, Europe and Emerging Markets is currently the strongest since the financial crisis. After a long period of very low interest rates, yields are rising globally, led by the US. In Europe, economic activity has surprised positively and the ECB has been winding down its Quantitative Easing purchases. However, rate rises are still some way off. The UK is a special case: yields are up as growth has declined less than feared and the weaker currency has helped exports, but political uncertainty remains high, and consumption is fragile. The extra yield on corporate bonds over their respective government bond rates has been squeezed.

Europe has been navigating more political uncertainty than usual. In addition to Brexit, the Italian elections have shown continued support for populists, and it will take time to form a government. However, the central axis of Germany and France is stable.

The Bank of England has already hiked its rates once, and markets are anticipating further rises. Time will tell whether the economy is strong enough to shrug off these rises and how quickly inflation starts to move back down to the Bank of England's target.

The portfolios remain positioned shorter duration than their respective benchmarks. This protects against the rise in interest rates and helps capital protection. A premium is still placed on holding the most liquid securities. Corporate fundamentals are still strong, so the portfolios will continue to maximise allocations to corporate bonds, even at the narrower spreads. However, opportunities are actively sought to switch into bonds issued by government agencies where the switch can offer a yield pick-up.

Principal risks and uncertainties

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

Managing Agent's Report continued

Insurance risk

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

Credit risk

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

Market risk

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

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

In addition, an Investment committee which reports to the Syndicate Board ensures that the Syndicate's investments are held in high quality instruments.

Liquidity risk

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

Operational risk

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

Managing Agent's Report continued

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

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

Group / strategic risk

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

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

Future developments

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

The capacity for the 2018 year of account is £65.0m (2017 year of account £50.0m).

The risks to UK economic growth remain significant not least because of the UK's decision to leave the European Union ("EU") ("Brexit"). There is significant change and associated uncertainty ahead for the market which is difficult to anticipate as the terms of the UK's exit from the EU remain unclear. Until that happens, the market will need to plan carefully for all possible scenarios to mitigate the impact of Brexit on Lloyd's businesses.

EU membership and access to the single market has enabled underwriters at Lloyd's to underwrite insurance and reinsurance from all the other 27 member states on a cross-border basis. The underwriters operate under a "passport" system, which allows them to conduct business throughout the EU while being regulated and supervised by the PRA.

To mitigate the impact of the Lloyd's Syndicates losing EEA passporting rights, Lloyd's are in the process of setting up an EU regulated insurance company (LIC) and have outlined the operational changes that syndicates will need to make to retain their EEA business, albeit through Reinsurance of LIC. The Managing Agency will be working with the Syndicate to implement these operational change in 2018 and to mitigate the risk of losing access to EEA business.

Managing Agent's Report continued

Directors

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

R P Barke	Appointed 1 January 2018
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D F C Murphy	Resigned 30 June 2017
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Disclosure of Information to the Auditor

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

Auditors

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

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members before 13 April 2018.

On behalf of the Board

C Chow
Company Secretary
16 March 2018

Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the financial statements 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 financial statements at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland". The Financial statements 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 financial statements, the Managing Agent is required to:

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

The Managing Agent is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditor's report

Independent Auditor's Report to the Member of Syndicate 2525

Opinion

We have audited the annual financial statements of Syndicate 2525 ('the Syndicate') for the year ended 31 December 2017, which comprise the Income Statement, the Statement of Changes in Member's Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the 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 profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis of 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 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 financial statements in the UK, including the Financial Reporting Council'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.

Use of the audit report

This report is made solely to the Syndicate's member in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Syndicate's member those matters we are required to state to it 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 member for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The managing agent is responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the annual financial statements and our auditor's report thereon. Our opinion on the 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 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 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 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 this regard.

Opinion on the 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 the Managing Agent's Report for the financial year for which the annual financial statements are prepared is consistent with those annual financial statements; and
- the Managing Agent's Report has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Syndicate and its environment obtained in the course of the audit, we have not identified material misstatements in the Managing Agent's Report.

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

- the managing agent in respect of the Syndicate has not kept adequate accounting records; or
- the annual financial statements are not in agreement with the accounting records; or

- certain disclosures relating to amounts recharged to the Syndicate in respect of the emoluments of the active underwriter and the directors of the managing agent are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 10, the managing agent is responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

A further description of our responsibilities for the audit of the 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.

Steve Liddell (Senior Statutory Auditor)
For and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St. Katharine's Way
London E1W 1DD
16 March 2018

Income statement

Technical account - General business

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Gross premiums written	3	54,783	49,928
Outward reinsurance premiums		<u>(6,211)</u>	<u>(7,955)</u>
Net written premiums		48,572	41,973
Change in the provision for unearned premiums			
Gross amount		(4,022)	(4,329)
Reinsurers' share		<u>(1,140)</u>	<u>488</u>
	4	(5,162)	(3,841)
Earned premiums, net of reinsurance		43,410	38,132
Allocated investment return transferred from the non-technical account		557	744
Claims paid			
Gross amount		(21,646)	(27,183)
Reinsurers' share		<u>3,168</u>	<u>11,171</u>
		(18,478)	(16,012)
Changes in the provision for claims outstanding			
Gross amount		(778)	(29,726)
Reinsurers' share		<u>(5,754)</u>	<u>24,332</u>
	4	(6,532)	(5,394)
Claims incurred, net of reinsurance		(25,010)	(21,406)
Net operating expenses	5	<u>(17,452)</u>	<u>(16,674)</u>
Balance on technical account – general business		<u>1,505</u>	<u>796</u>

All the amounts above are in respect of continuing operations.

The notes on pages 20 to 47 form part of these financial statements.

Income statement continued

Non-technical account - General business

For the year ended 31 December 2017

		2017	2016
	Notes	£'000	£'000
Balance on technical account – general business		1,505	796
Investment income	9	1,236	995
Unrealised losses on investments	9	(307)	(22)
Investment expenses and charges	9	(372)	(229)
Allocated investment return transferred to the general business technical account	9	(557)	(744)
Exchange (losses) and gains		(754)	1,652
Profit for the financial year		751	2,448

There were no recognised gains and losses in the year other than those reported in the Statement of Profit or Loss and hence no Statement of Other Comprehensive Income has been presented.

All the amounts above are in respect of continuing operations.

The notes on pages 20 to 47 form part of these financial statements.

Statement of changes in members' balances

For the year ended 31 December 2017

	2017	2016
	£'000	£'000
Members' balances brought forward at 1 January	(4,710)	1,461
Profit for the financial year	751	2,448
Members' agent's fees	(268)	(382)
Payments of profit to members' personal reserve funds	(4,214)	(8,237)
Members' balances carried forward at 31 December	<u>(8,441)</u>	<u>(4,710)</u>

Members participate on Syndicates by reference to years of account (YOA) 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.

The notes on pages 20 to 47 form part of these financial statements.

Statement of financial position

As at 31 December 2017

	Notes	2017 £'000	2016 £'000
ASSETS			
<i>Investments</i>			
Other financial investments	10	82,038	78,809
<i>Reinsurers' share of technical provisions</i>			
Provision for unearned premiums	4	4,245	5,385
Claims outstanding	4	44,338	50,390
		<hr/>	<hr/>
		48,583	55,775
<i>Debtors</i>			
Debtors arising out of direct insurance operations	11	14,207	14,411
Debtors arising out of reinsurance operations	12	527	61
Other debtors		49	28
		<hr/>	<hr/>
		14,783	14,500
<i>Cash and other assets</i>			
Cash at bank and in hand	15	15,680	15,165
		<hr/>	<hr/>
		15,680	15,165
<i>Prepayments and accrued income</i>			
Deferred acquisition costs	4	5,457	4,690
Other prepayments and accrued income		323	242
		<hr/>	<hr/>
		5,780	4,932
		<hr/>	<hr/>
<i>Total assets</i>		166,864	169,181

The notes on pages 20 to 47 form part of these financial statements.

Statement of financial position continued

As at 31 December 2017

	Notes	2017 £'000	2016 £'000
MEMBERS' BALANCE AND LIABILITIES			
<i>Capital and reserves</i>			
Members' balances		(8,441)	(4,710)
<i>Liabilities</i>			
<i>Technical provisions</i>			
Provision for unearned premiums	4	27,364	23,660
Claims outstanding	4	145,785	145,134
		173,149	168,794
<i>Creditors</i>			
Creditors arising out of direct insurance operations	13	121	1,487
Creditors arising out of reinsurance operations	14	280	1,530
Other creditors		805	983
		1,206	4,000
<i>Accruals and deferred income</i>		950	1,097
<i>Total liabilities</i>		175,305	173,891
<i>Total members' balances and liabilities</i>		166,864	169,181

The notes on pages 20 to 47 form part of these financial statements.

The financial statements on pages 14 to 47 were approved by board of directors on 13 March 2018 and were signed on its behalf by:

D J G Hunt
Director
16 March 2018

Statement of cash flows

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
<i>Profit on ordinary activities</i>		751	2,448
Increase in gross technical provisions		4,355	36,309
Decrease/(Increase) in reinsurers' share of gross technical provisions		7,192	(25,326)
(Increase) in debtors		(283)	(2,159)
(Decrease)/Increase in creditors		(2,794)	1,271
Movement in other asset/liabilities		(995)	(550)
Changes to market value and currency		(125)	(724)
Investment Return		(557)	(744)
<i>Net cash inflow from operating activities</i>		7,544	10,525
Cash flows from investing activities			
Purchase of other financial investments		(60,305)	(51,134)
Sale of other financial investments		54,847	58,244
Investment income received		883	766
Decrease/(Increase) in overseas deposits		1,150	(4,040)
<i>Net cash (outflow)/inflow from investing activities</i>		(3,425)	3,836
Cash flows from financing activities			
Payments of profit to members' personal reserve fund		(4,214)	(8,237)
Members' agents fee advances		(268)	(382)
<i>Net cash (outflow) from financing activities</i>		(4,482)	(8,619)
Net (decrease)/increase in cash and cash equivalents		(173)	4,053
Foreign exchange on cash and cash equivalents		(190)	1,689
Cash and cash equivalents at beginning of year		23,721	17,979
Cash and cash equivalents at end of year	15	23,358	23,721

Notes to the financial statements

For the year ended 31 December 2017

1. Basis of preparation

Statement of compliance

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

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

2. Accounting policies

Use of estimates

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

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

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

The ultimate cost of outstanding claims is estimated using a range of techniques including actuarial and statistical projections, benchmarking, case by case review and judgement. Statistical techniques assume that past claims development experience can be used as a basis to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in the future. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims. There has been no discounting of claims.

Accounting policies continued

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

Significant accounting policies

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

Gross premiums

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

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates, primarily relating to binder business, are judgemental and could result in misstatements of revenue recorded in the financial statements.

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

Reinsurance premiums

Reinsurance written premiums comprise the total premiums payable for the whole cover provided by contracts entered into the period, including portfolio premiums payable, and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

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

Claims incurred

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

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

Accounting policies continued

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

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

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

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

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

Provisions for unearned premiums

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

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

Unexpired risks

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

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

At 31 December 2017 the Syndicate had an unexpired risk provision of £Nil (2016: £492,635).

Accounting policies continued

Deferred acquisition costs

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

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

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

Reinsurance assets

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

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

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2017 or 2016.

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

Insurance receivables

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

Insurance receivables are de-recognised when the de-recognition criteria for financial assets have been met.

Accounting policies continued

Insurance payables

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

Foreign currencies

The Syndicate's functional currency and presentational currency is GBP.

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

Exchange differences are recorded in the non-technical account.

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

	2017	2016
	Year End	Year End
USD	1.35	1.24
CAD	1.70	1.66
EUR	1.13	1.17
AUD	1.73	1.71
ZAR	16.74	16.91

Financial assets and liabilities

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

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

Accounting policies continued

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

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

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

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

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

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

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

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

Investment return

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

Accounting policies continued

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

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

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

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

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.

Fair value measurement of investments

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

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

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

- Bonds have been valued at fair value using quoted prices in an active market.

Accounting policies continued

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

- Bonds are included in the balance sheet at bid price using prices supplied by the custodian or by the investment managers, who obtain market data from numerous independent pricing services. The prices used are reconciled against a common market pricing source.
- Investments in regulated collective investment schemes are valued on the NAVs of each of the individual funds as published publicly by the managers.
- Investments in pooled investments in unregulated investment schemes (hedge funds) are valued based on the underlying NAVs of each of the individual funds. Hedge fund NAVs are provided by the administrators of the schemes.
- Investments in investment pools are valued on the valuations supplied by the investment manager (Lloyd's).

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

Taxation

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

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

Profit commission

Profit commission is charged by the managing agent at a rate of 17.5% of profit subject to the operation of a two year deficit clause. Such commission does not become payable until after the appropriate year of account closes normally at 36 months.

Pension costs

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

Accounting policies continued

Syndicate operating expenses

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

3. Particulars of business written

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

2017	Gross written premiums	Gross premium earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct insurance:						
Third-party liability	53,413	50,190	(21,959)	(17,158)	(9,936)	1,137
Reinsurance Acceptances	1,370	571	(465)	(294)	(1)	(189)
	<u>54,783</u>	<u>50,761</u>	<u>(22,424)</u>	<u>(17,452)</u>	<u>(9,937)</u>	<u>948</u>

2016	Gross written premiums	Gross premium earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct insurance:						
Third-party liability	49,928	45,599	(56,909)	(16,674)	28,036	52
	<u>49,928</u>	<u>45,599</u>	<u>(56,909)</u>	<u>(16,674)</u>	<u>28,036</u>	<u>52</u>

Commissions on direct insurance gross premiums written during 2017 were £9.7 million (2016: £9.4 million).

All premiums were concluded in the UK.

Gross operating expenses are the same as net operating expenses shown in the income statement, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses for 2017.

4. Technical provisions

	Gross provisions £'000	2017 Reinsurance assets £'000	Net £'000	Gross provisions £'000	2016 Reinsurance assets £'000	Net £'000
Claims outstanding						
Balance at 1 January	145,134	(50,390)	94,744	113,480	(25,553)	87,927
Change in claims outstanding	778	5,754	6,532	29,726	(24,332)	5,394
Effect of movements in exchange rates	(127)	298	171	1,928	(505)	1,423
Balance at 31 December	145,785	(44,338)	101,447	145,134	(50,390)	94,744
Claims notified	108,934	(32,129)	76,805	97,905	(26,353)	71,552
Claims incurred but not reported	36,851	(12,209)	24,642	47,229	(24,037)	23,192
Balance at 31 December	145,785	(44,338)	101,447	145,134	(50,390)	94,744
Unearned premiums						
Balance at 1 January	23,660	(5,385)	18,275	19,005	(4,897)	14,108
Change in unearned premiums	4,022	1,140	5,162	4,329	(488)	3,841
Effect of movements in exchange rates	(318)	-	(318)	326	-	326
Balance at 31 December	27,364	(4,245)	23,119	23,660	(5,385)	18,275
Deferred acquisition costs						
Balance at 1 January	4,690	-	4,690	3,386	-	3,386
Change in deferred acquisition costs	822	-	822	867	-	866
Effect of movements in exchange rates	(55)	-	(55)	437	-	438
Balance at 31 December	5,457	-	5,457	4,690	-	4,690

There were favourable movements during the year of £26.6m (2016: £19.2m), on prior year gross claims reserves, held at 31 December 2016.

5. Net operating expenses

	2017	2016
	£'000	£'000
Acquisition costs	(10,949)	(10,264)
Change in deferred acquisition costs	822	867
Administration expenses	(7,325)	(7,277)
Net operating expenses	<u>(17,452)</u>	<u>(16,674)</u>

Members' standard personal expenses amounting to £1,680,597 (2016: £1,853,660) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, managing agent's fees and profit commission.

6. Staff costs

	2017	2016
	£'000	£'000
Wages and salaries	(1,621)	(1,528)
Social security costs	(200)	(183)
Other pension costs	(187)	(291)
	<u>(2,008)</u>	<u>(2,002)</u>

The average number of employees of the Managing Agent, working during the year for the Syndicate were as follows:

	2017	2016
Administration	3	3
Underwriting	7	8
Claims	9	9
	<u>19</u>	<u>20</u>

7. Auditor's remuneration

	2017	2016
	£'000	£'000
Audit of the Financial statements	(85)	(85)
Other services pursuant to Regulations and Lloyd's Byelaws	(20)	(70)
	<u>(105)</u>	<u>(155)</u>

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

8. Emoluments of the directors of Asta Managing Agency Ltd

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

No emoluments of the Directors or staff of Asta Managing Agency Ltd were directly charged to the Syndicate.

No other compensation was payable to key management personnel.

The Active Underwriter received the following aggregate remuneration, charged as a Syndicate expense:

	2017	2016
	£'000	£'000
Active Underwriter's emoluments	(299)	(247)
	<u>(299)</u>	<u>(247)</u>

9. Investment return

	2017	2016
	£'000	£'000
Income from other financial investments	1,230	964
Gains on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	<u>6</u>	<u>31</u>
<i>Total investment income</i>	1,236	995
Losses on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	(300)	(155)
Investment expenses and charges	<u>(72)</u>	<u>(74)</u>
	(372)	(229)
Unrealised losses on investments		
- Financial instruments at fair value through profit and loss	<u>(307)</u>	<u>(22)</u>
<i>Total investment return</i>	<u>557</u>	<u>744</u>
Average amount of funds available for investing during the year:		
Sterling	70,598	76,020
United States dollars	5,178	2,235
Canadian dollars	13,706	9,565
Euros	8,286	7,522
Australian dollars	5,276	3,700
South African rand	<u>28,475</u>	<u>15,087</u>
Combined in sterling	<u>94,685</u>	<u>92,487</u>
Gross calendar year investment yield:		
Sterling	345	637
United States dollars	56	14
Canadian dollars	97	51
Euros	0	14
Australian dollars	67	44
South African rand	<u>1,411</u>	<u>563</u>
Combined in sterling	<u>557</u>	<u>744</u>

"Average fund" is the average of bank balances, overseas deposits and investments held at the end of each quarter during the calendar year. For this purpose, investments are revalued at month-end market prices, which include accrued income where appropriate.

10. Financial investments

	2017		
	Carrying value	Purchase price	Listed
	£'000	£'000	£'000
Shares and other variable yield securities and units in unit trusts			
- Loans and receivables	11,737	11,737	11,737
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	70,301	70,606	69,266
	<u>82,038</u>	<u>82,343</u>	<u>81,003</u>

	2016		
	Carrying value	Purchase price	Listed
	£'000	£'000	£'000
Shares and other variable yield securities and units in unit trusts			
- Loans and receivables	13,765	13,765	13,765
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	65,044	65,156	64,389
	<u>78,809</u>	<u>78,921</u>	<u>78,154</u>

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

Financial investments continued

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

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
31 December 2017				
Shares and other variable yield securities and units in unit trusts	36	11,701	-	11,737
Debt securities and other fixed income securities	13,202	57,099	-	70,301
Total	13,238	68,800	-	82,038
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
31 December 2016				
Shares and other variable yield securities and units in unit trusts	733	13,032	-	13,765
Debt securities and other fixed income securities	1,100	63,944	-	65,044
Total	1,833	76,976	-	78,809

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

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

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

11. Debtors arising out of direct insurance operations

	2017	2016
	£'000	£'000
Due from intermediaries (within one year)	14,207	14,366
Due from intermediaries (after one year)	-	45
	<u>14,207</u>	<u>14,411</u>

12. Debtors arising out of reinsurance operations

	2017	2016
	£'000	£'000
Due from intermediaries (within one year)	527	61
	<u>527</u>	<u>61</u>

13. Creditors arising out of direct insurance operations

	2017	2016
	£'000	£'000
Direct Business - Intermediaries (within one year)	121	1,486
	<u>121</u>	<u>1,486</u>

14. Creditors arising out of reinsurance operations

	2017	2016
	£'000	£'000
Reinsurance ceded (within one year)	280	1,530
	<u>280</u>	<u>1,530</u>

15. Cash and cash equivalents

	2017	2016
	£'000	£'000
Cash at bank and in hand	15,680	15,165
Short-term deposits with financial institutions	7,678	8,556
	<u>23,358</u>	<u>23,721</u>

16. Related parties

Asta provides services and support to Syndicate 2525 in its capacity as Managing Agent. During the year, managing agency fees of £500,000 (2016: £500,000) were charged to the Syndicate. Asta also recharged £2,201,621 (2016: £2,061,623) worth of service charges in the year and as at 31 December 2017 an amount of £329,190 (2016: £313,095) was owed to Asta in respect of this service. Syndicate staff are employed and paid by a service company, Asta Management Services Limited.

Syndicate 2525 has recorded £805,652 (2016: £960,085) for profit commission.

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

17. Disclosure of interests

Managing Agent's interest

During 2017 Asta was the managing agent for ten Syndicates and three Special Purpose Arrangements. Syndicates 1686, 1729, 1897, 1910, 2357, 2525, 2689, 2786, 4242 and 5886 as well as Special Purpose Arrangements 6117, 6123 and 6126 were managed on behalf of third party capital providers.

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

On 4 August 2017, Syndicate 1686 migrated to Axis Managing Agency Ltd.

On 1 January 2018, Asta took on management of Syndicate 1980 and Syndicate 3268. Asta also took on management of Special Purpose Arrangement 6131.

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

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

18. Funds at Lloyd's

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

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

19. Off-balance sheet items

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

20. Risk management

a) Governance framework

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

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

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

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

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

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

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly the capital requirement in respect of 2525 is not disclosed in these financial statements.

Risk management continued

Lloyd's capital setting process

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

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 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), held within and managed within a Syndicate (funds in Syndicate) or as the member's share of the members balances on each Syndicate on which it participates. Accordingly, the ending members balances reported on the statement of financial position on page 18, represent resources available to meet members' and Lloyd's capital requirements.

c) Insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

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

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

Risk management continued

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

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

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

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows hypothetical claims arising out of the RDS on the Syndicates in-force exposure at 31 December 2017.

	Estimated Gross loss	Estimated Net loss
	£'000	£'000
Alternative RDS A	25,000	1,500
Alternative RDS B	25,000	1,000
Loss of Major Complex	30,000	1,000

Key assumptions

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

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

Sensitivities

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

Risk management continued

To demonstrate the impact due to changes in assumptions, each assumption has to be changed on an individual basis (with movements in these assumptions being non-linear). However, ultimately the correlation of any assumptions will have a significant effect in determining the ultimate claims liabilities. Given the significant correlation between any reasonable change in assumptions and the ultimate claims liability the following analysis has been provided which provides for reasonable possible movements in the overall claims liability and shows the impact on profit and on total members' balances and liabilities.

2017	Five Percent increase	Five Percent decrease
	£'000	£'000
Third party liability	(6,353)	6,353

2016	Five Percent increase	Five Percent decrease
	£'000	£'000
Third party liability	(5,764)	5,764

Concentration risk

The Syndicate predominately writes direct UK liability business, with 83% (2016 85%) of contracts relating to risks in the UK. The value of these contracts equates to 79% (2016 78%) of the premium income.

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

Claims development table

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

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

Risk management continued

Underwriting year	2011	2012	2013	2014	2015	2016	2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of cumulative gross claims incurred:							
At end of first underwriting year	8,861	8,020	8,212	9,746	10,105	26,784	12,892
One year later	25,636	32,139	24,371	27,765	34,678	56,100	
Two years later	25,816	31,324	30,678	40,093	34,023		
Three years later	24,132	25,521	29,397	35,364			
Four years later	18,199	23,904	21,184				
Five years later	16,940	21,570					
Six years later	16,054						
Less cumulative gross paid	(14,210)	(11,062)	(11,395)	(8,923)	(3,209)	(13,266)	(126)
Liability for gross outstanding claims (2011 to 2017)	1,844	10,508	9,789	26,441	30,814	42,834	12,766
Liability for gross outstanding claims (2010 and before)	10,789						
Total gross outstanding claims (all years)							<u>145,785</u>
Underwriting year	2011	2012	2013	2014	2015	2016	2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of cumulative net claims incurred:							
At end of first underwriting year	7,481	6,782	6,543	8,279	8,415	11,215	10,733
One year later	21,406	22,079	22,496	23,794	25,012	29,031	
Two years later	20,570	25,414	23,722	28,676	29,634		
Three years later	18,594	21,706	19,816	25,249			
Four years later	14,180	18,250	17,801				
Five years later	12,106	16,582					
Six years later	11,713						
Less cumulative net paid	(10,138)	(11,062)	(10,752)	(8,923)	(3,209)	(2,444)	(126)
Liability for net outstanding claims (2011 to 2017)	1,575	5,520	7,049	16,326	26,425	26,587	10,607
Liability for net outstanding claims (2010 and before)	7,358						
Total net outstanding claims (all years)							<u>101,447</u>

Risk management continued

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

d) Financial risk

The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The goal of the investment management process is to optimise the risk-adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

1) Credit risk

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

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

- Investment guidelines are established setting out the quality of investments to be included within the Syndicate's portfolio. The policy is monitored by the Investment Committee and/or Syndicate Board.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits. If the counterparty is downgraded or does not have a good credit rating, then collateral is sought to mitigate any risk. This is monitored by the Reinsurance Security Committee, a sub committee of the Syndicate Board.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross.

Risk management continued

2017	£'000			Total
	Neither past due or impaired	Past due but not impaired	Impaired	
Shares and other variable yield securities	7,679	-	-	7,679
Debt Securities	70,301	-	-	70,301
Overseas Deposits	4,058	-	-	4,058
Reinsurers share of claims outstanding	44,338	-	-	44,338
Debtors arising out of direct insurance operations	14,207	-	-	14,207
Debtors arising out of reinsurance insurance operations	527	-	-	527
Other debtors	10,074	-	-	10,074
Cash at bank and in hand	15,680	-	-	15,680
Total	166,864	-	-	166,864

2016	£'000			Total
	Neither past due or impaired	Past due but not impaired	Impaired	
Shares and other variable yield securities	8,557	-	-	8,557
Debt Securities	65,044	-	-	65,044
Overseas Deposits	5,208	-	-	5,208
Reinsurers share of claims outstanding	50,390	-	-	50,390
Debtors arising out of direct insurance operations	13,135	1,276	-	14,411
Debtors arising out of reinsurance insurance operations	61	-	-	61
Other debtors	10,345	-	-	10,345
Cash at bank and in hand	15,165	-	-	15,165
Total	167,905	1,276	-	169,181

Risk management continued

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2017 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

2017	£'000						Total
	AAA	AA	A	BBB	BBB or less	Not Rated	
Shares and other variable yield securities	23	704	6,952	-	-	-	7,679
Debt Securities	21,757	27,042	17,060	4,442	-	-	70,301
Overseas Deposits	1,889	439	380	1,350	-	-	4,058
Reinsurers share of claims outstanding	-	2,931	41,407	-	-	-	44,338
Debtors arising out of reinsurance operations	-	-	527	-	-	-	527
Cash at bank and in hand	-	-	15,680	-	-	-	15,680
Total	23,669	31,116	82,006	5,792	-	-	142,583

2016	£'000						Total
	AAA	AA	A	BBB	BBB or less	Not Rated	
Shares and other variable yield securities	-	-	8,557	-	-	-	8,557
Debt Securities	20,277	36,877	7,890	-	-	-	65,044
Overseas Deposits	2,869	136	165	845	1,149	44	5,208
Reinsurers share of claims outstanding	-	3,471	46,919	-	-	-	50,390
Debtors arising out of reinsurance operations	-	-	61	-	-	-	61
Cash at bank and in hand	-	-	15,165	-	-	-	15,165
Total	23,146	40,484	78,757	845	1,149	44	144,425

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

During the year, no credit exposure limits were exceeded.

Risk management continued

2) Liquidity risk

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

The table below summarises the maturity profile of the Syndicate's financial liabilities based on remaining undiscounted contractual obligations, including interest payable and outstanding claim liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

2017	£'000					Total
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	
Claims outstanding	-	41,042	56,619	27,445	20,679	145,785
Creditors	-	1,206	-	-	-	1,206
Total	-	42,248	56,619	27,445	20,679	146,991

2016	£'000					Total
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	
Claims outstanding	-	44,443	54,022	26,528	20,141	145,134
Creditors	-	4,000	-	-	-	4,000
Total	-	48,443	54,022	26,528	20,141	149,134

3) 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. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

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

a) Currency risk

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

The Syndicate's functional currency is GBP and its exposure to foreign exchange risk arises primarily with respect to transactions in Euro, US and Canadian dollars. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

Risk management continued

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

2017

	GBP	USD	EUR	CAD	AUD	OTH	Total
Total Assets	129,200	6,671	14,683	10,186	4,273	1,851	166,864
Total Liabilities	(143,815)	(2,098)	(14,154)	(10,620)	(1,237)	(3,381)	(175,305)
Net Assets	(14,615)	4,573	529	(434)	3,036	(1,530)	(8,441)

2016

	GBP	USD	EUR	CAD	AUD	OTH	Total
Total Assets	145,855	7,351	8,659	3,169	3,266	881	169,181
Total Liabilities	(153,645)	(1,916)	(7,527)	(7,528)	(708)	(2,567)	(173,891)
Net Assets	(7,790)	5,435	1,132	(4,359)	2,558	(1,686)	(4,710)

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

Sensitivity to changes

The table below gives an indication of the impact on profit of a percentage change in the relative strength of Sterling against the value of the US dollar, Canadian dollar and Euro simultaneously. The analysis is based on the information as at 31st December 2017.

Impact on profit and member's balance

	2017	2016
	£'000	£'000
Sterling weakens		
10% against other currencies	909	885
20% against other currencies	1,796	1,758
Sterling strengthens		
10% against other currencies	(940)	(899)
20% against other currencies	(1,923)	(1,819)

b) Interest rate risk

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

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

Risk management continued

The Syndicate has no significant concentration of interest rate risk.

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

	2017	2016
	£'000	£'000
Interest rate risk		
Impact of 50 basis point increase on result	(488)	(336)
Impact of 50 basis point decrease on result	424	263
Impact of 50 basis point increase on net assets	(488)	(336)
Impact of 50 basis point decrease on net assets	424	263

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

21. Post balance sheet events

The Syndicate will distribute the 2015 year of account profits to members during 2018.