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D L Dale Syndicate 2525

**Financial Statements**  
For the 36 Months ended 31 December 2017  
2015 Closing Year Report and Accounts

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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**

5<sup>th</sup> Floor

Camomile Court

23 Camomile Street

London

EC3A 7LL

### **Managing Agent's Registered Number**

1918744

### **Active Underwriter**

D L Dale

### **Bankers**

Barclays Plc

Citibank N.A

RBC Dexia

### **Investment Managers**

Amundi (UK) Limited

### **Registered Auditors**

Mazars LLP

Tower Bridge House

St Katharine's Way

London

E1W 1DD

## Underwriter's report for the 2015 closing year of account

For the 36 months ended 31 December 2017

### 2015 closing year comments

I am pleased to announce that the 2015 year of account on the traditional Lloyd's three-year accounting basis has closed with a profit before members' agents fees of **£3.8m** which equates to a return on capacity of 9.0%.

Stamp Allocated Capacity	<b>£42.2m</b>
Capacity Utilisation	<b>89%</b>
Result (as a percentage of capacity) before Members' Agents Fees	<b>9.0%</b>
Total Result	<b>£3.8m</b>

Underwriter's Commentary as follows:

The Syndicate has seen sensible and sustainable growth over the last five years and has increased stamp capacity for 2018. The growth in income has been achieved with underwriting discipline underpinned by the 2525 product together with addition of a primary international account, which has made a creditable contribution, since 2015. The Syndicate's regional strategy has also made a positive impact over the last three years.

My report last year highlighted the overcapacity in the market and the demise of two sizeable entities in our own sector as continuing rate pressures began to take their toll. This and the announcement of the decrease of the Ogden Discount Rate in February 2017 should really have been the catalyst, or certainly a strong indicator, that the market needed to strengthen rating not just because one wants to charge more for the same product but that without doing so, one might surmise, would be to act irresponsibly.

The Syndicate has responded to these significant indicators by making provisions to protect our reinsurers' exposures who will inevitably bear the brunt of the reserve increases as a result of Ogden. These measures and our long term relationship with our reinsurance panel have had the desired effect of keeping subsequent increased treaty costs at a manageable level and indicates the mutual interest that the Syndicate has, and will maintain, with its trading partners.

In addition as can be seen by the pricing monitor in the Annual Closing Statements the Syndicate has made a creditable attempt to strengthen rating since March 2017. The effect of this has seen an overall increase in rates of eight percent in the calendar year up to December. The 2018 business plan has stated the Syndicate's intention to further increase rates by another ten percent. At this early stage of the year it is becoming apparent that this may be harder to achieve as the usual suspects continue to offer prices which have very little prospect of achieving positive returns. How it can be in our expensive and comprehensively regulated world that some concerns seem almost oblivious to the liabilities that they are exposing their companies to is something for which I can offer no logical explanation. Perhaps John Maynard Keynes had the answer - **'markets can remain irrational longer than you can remain solvent'**. That aside, the Syndicate has achieved a rating increase since January of this year of just over five percent and will endeavour to make every effort to comply with its business plan objectives.

In order to maintain growth, strengthen the team, and to achieve a more sustainable scale the Syndicate has employed two well respected underwriters who have operated successfully in the same space and with a similar modus operandi to the Syndicate for over a decade. It is largely due to their employment and the prospect of price increases following Ogden that the stamp capacity has been increased significantly for 2018.

Just as importantly, the Syndicate will continue to develop its product to satisfy the demands and expectations of its customers; gone are the days when you offer a competitive price and sit back and hope for a claims free year. Our customers want and deserve more in this new technological 'insuretech' world. With our bespoke products, class leading claims' operation, and our commitment to providing real health and safety solutions in the workplace the Syndicate can still offer pricing capable of satisfying both its investors and client base.

I would finally like to pay tribute to our former colleague and dear friend Stephen Fitzgerald who sadly passed away at the end of February after a long and brave fight against cancer. I have known Stephen for much of my working life and he played a large part in my own development. The Syndicate was indeed very fortunate that Stephen stepped in to help set up its regional underwriting operation in 2012 and his contribution to that and to the business generally cannot be overestimated.

D L Dale  
Active Underwriter  
16 March 2018

## **Managing Agent's report for the 2015 closing year of account**

For the 36 months ended 31 December 2017

The Directors of Asta Managing Agency Ltd ("Asta") present their report at 31 December 2017 for the 2015 closed year of account.

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

### **Business review**

A summary of the 2015 year of account performance is given in the accompanying Underwriter's Report on pages 2 - 3.

### **Directors**

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

R P Barke

Appointed 1 January 2018

D F C Murphy

Resigned 30 June 2017

### **Disclosure of Information to the Auditor**

So far as each person who was a Director of the Managing Agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with their report, of which the auditor is unaware. Having made enquiries of fellow Directors of the Agency and the Syndicate's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

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

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

C Chow  
Company Secretary  
16 March 2018

## Statement of Managing Agent's Responsibilities

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

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

- select suitable accounting policies and apply them consistently throughout each underwriting year and from one underwriting year to the next, subject to changes from newly adopted accounting standards. Where items affect more than one underwriting year, the Managing Agent must ensure that the Syndicate treats the affected member equitably. In particular, the premium charged for reinsurance to close should be equitable between the reinsured and reinsuring members of the Syndicate;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

The Managing Agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate underwriting year accounts comply with the Lloyd's Regulations and Syndicate Accounting Byelaw. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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



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

2015 Closed Year of Account

## Opinion

We have audited the syndicate underwriting year accounts of Syndicate 2525 for the three years ended 31 December 2017 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Members' Balances, the Statement of Cash Flows, the related notes, including a summary of significant accounting policies, and the Statement of Managing Agent's Responsibilities. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, 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 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; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

## 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 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 underwriting year accounts 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 members, as a body, in accordance with the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005) and 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.

## 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 syndicate underwriting accounts on the basis that the recorded assets and liabilities will be realised and discharged in the normal course of business is not appropriate; or
- the managing agent has not disclosed in the syndicate underwriting accounts any identified material uncertainties that may cast doubt on the ability of the syndicate to realise its assets and discharge its liabilities in the normal course of business.

## **Other information**

The managing agent is responsible for the other information. The other information comprises the information included in the 2015 Closed Year Report and Accounts, other than the syndicate underwriting year accounts and our auditor's report thereon. Our opinion on the syndicate underwriting year accounts 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 underwriting year accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate underwriting year accounts 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 underwriting year accounts 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.

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where The Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) requires us to report to you, if in our opinion:

the managing agent in respect of the Syndicate has not kept adequate accounting records;  
or

the syndicate underwriting year accounts are not in agreement with the accounting records.

## **Responsibilities of the managing agent**

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 5, the managing agent is responsible for the preparation of the syndicate underwriting year accounts and for being satisfied that they give a true and fair view of the result for the 2015 closed year of account, 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 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 financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://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

## Profit and loss account: Technical account – General business

For the 36 months ended 31 December 2017

	Notes	£'000	£'000
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	4	47,355	
Outward reinsurance premiums		<u>(7,037)</u>	
			40,318
<b>Reinsurance to close premiums received, net of reinsurance</b>			
			61,599
<b>Allocated investment return transferred from the non-technical account</b>			
			516
<b>Claims incurred, net of reinsurance</b>			
Claims paid - Gross amount		(21,309)	
- Reinsurers' share		<u>3,145</u>	
Net claims paid		(18,164)	
Reinsurance to close premium payable net of reinsurance	6	<u>(64,254)</u>	
			(82,418)
<b>Net operating expenses</b>			
	7		(16,218)
<b>Balance on the technical account – general business</b>			<u><u>3,797</u></u>

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

The notes on pages 14 to 25 form part of these financial statements.

## Profit and loss account: Non-technical account

For the 36 months ended 31 December 2017

	Notes	£'000
<b>Balance on the technical account – general business</b>		<b>3,797</b>
Investment Income	8	1,102
Unrealised gains on investments		65
Unrealised losses on investments		(316)
Investment expenses and charges	8	<u>(335)</u>
		4,313
Allocated investment return transferred to general business technical account		(516)
Exchange gains		1
Profit for the closed year of account	5	<u><b>3,798</b></u>

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

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

The notes on pages 14 to 25 form part of these financial statements.

## Balance sheet

As at 31 December 2017

	Notes	£'000	£'000
<b>ASSETS</b>			
<b>Investments</b>	9		59,313
<b>Debtors</b>			
Debtors arising out of direct insurance operations	12	20	
Other debtors, prepayments and accrued income		<u>278</u>	298
<b>Reinsurance recoveries anticipated on gross reinsurance premiums payable to close the account</b>	6		25,931
<b>Other Assets</b>			
Cash at bank and in hand			8,970
<b>TOTAL ASSETS</b>			<u><b>94,512</b></u>
<b>LIABILITIES</b>			
<b>Amounts due to members</b>			3,476
<b>Reinsurance to close premiums payable to close the account – gross amount</b>	6		90,185
<b>Creditors</b>			
Creditors arising out of direct insurance business	13	(141)	
Creditors arising out of reinsurance operations	14	187	
Profit commission		<u>805</u>	851
<b>TOTAL LIABILITIES</b>			<u><b>94,512</b></u>

The notes on pages 14 to 25 form part of these financial statements.

The Syndicate underwriting year accounts were approved by the Board of Asta Managing Agency Ltd on 13 March 2018 and were signed on its behalf by

D J G Hunt  
Director  
16 March 2018

## Statement of members' balances

For the 36 months ended 31 December 2017

	<b>£'000</b>
Profit for the closed year of account	3,798
Members' agents' fees paid on behalf of members	<u>(322)</u>
Members' balances carried forward at 31 December 2017	<u><b>3,476</b></u>

The notes on pages 14 to 25 form part of these financial statements.

## Statement of cash flows

	Notes	£'000
<b>Cash flows from operating activities</b>		
Profit for the year of account		3,798
Net unrealised losses and foreign exchange		123
Increase in debtors		(79)
Decrease in creditors		(1,332)
Non cash consideration received as part of RITC received	10	(61,675)
RITC premium payable, net of reinsurance		64,254
<b>Net cash inflow from operating activities</b>		<u>5,089</u>
<b>Cash flows from investing activities</b>		
Net purchase of portfolio investments		4,203
<b>Cash flows from financing activities</b>		
Members' agents fees paid on behalf of members		(322)
<b>Net increase in cash and cash equivalents</b>		<u>8,970</u>
<b>Cash and cash equivalent at 1 January 2015</b>		-
<b>Cash and cash equivalent at end of the year of account</b>	11	<u><u>8,970</u></u>

The notes on pages 14 to 25 form part of these financial statements.



## Notes to the financial statements

For the 36 months ended 31 December 2017

### 1. Basis of preparation

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

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

The financial statements are prepared in GBP which is the functional and presentational currency of the Syndicate and rounded to the nearest £'000.

Members participate on a Syndicate by reference to a year of account and each Syndicate year of account is a separate annual venture. These accounts relate to the 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 and the profit and loss account reflects the transactions for that year of account during the 36 months period until closure.

### 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.

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

### 2. Accounting policies

#### Significant accounting estimates and judgements

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

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

## Accounting policies continued

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.

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

### Underwriting transactions

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

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

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

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

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

## Accounting policies continued

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

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

Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics. The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate's external consulting actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The provision for claims includes amounts in respect of internal and external claims handling costs.

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

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

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

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

## Accounting policies continued

### 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.

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

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

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

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

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

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

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

## Accounting policies continued

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.

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

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

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

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

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

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

## Accounting policies continued

### Syndicate operating expenses & profit commission

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

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

- **Salaries and Related Costs**  
According to time of each individual spent on Syndicate matters.
- **Accommodation Costs**  
According to number of personnel.
- **Other Costs**  
As appropriate in each case.
- **Profit Commission**  
Profit commission is charged by the Managing Agent at a rate of 17.5% of profit subject to the operation of a deficit clause. Such commission does not become payable until after the appropriate year of account closes, normally at 36 months.
- **Pensions**  
The Managing Agent operates a defined contribution pension scheme and its recharges to the Syndicate in respect of salaries and related costs include an element for pension costs. These pension costs are expensed in full in the period to which the recharge relates.

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

### Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic income tax deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax. It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue & Customs.

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

## Accounting policies continued

### Foreign currencies

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

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

Exchange differences are recorded in the non-technical account.

### 3. Risk management

Effective from 31 December 2017, the RITC process means that Insurance, Financial, Credit, Liquidity, Market and Capital risks are transferred to the accepting 2016 Year of Account of the Syndicate. Accordingly, these Underwriting Year accounts do not have any associated disclosures as required by section 34 of FRS 102 and FRS 103. Full disclosures relating to these risks are provided in the main Annual accounts of the Syndicate.

### 4. Particulars of business written

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

	<b>Gross Premiums Written and Earned £'000</b>	<b>Gross Claims Incurred £'000</b>	<b>Net Operating Expenses £'000</b>	<b>Reinsurance Balance £'000</b>	<b>Total £'000</b>
Direct Insurance:					
Third Party Liability	47,355	(111,494)	(16,218)	83,638	3,281
Total	<u>47,355</u>	<u>(111,494)</u>	<u>(16,218)</u>	<u>83,638</u>	<u>3,281</u>

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

Gross operating expenses are the same as net operating expenses.

### 5. Analysis of result by year of account

	<b>2014 &amp; prior years of account £'000</b>	<b>2015 Pure Year £'000</b>	<b>2015 Total £'000</b>
Technical account balance before allocated investment return and net operating expenses	9,719	9,781	19,500
Brokerage and commission on gross premium	(149)	(8,719)	(8,868)
	<u>9,570</u>	<u>1,062</u>	<u>10,632</u>
Other acquisition costs	-	(894)	(894)
Net other expenses	620	(7,076)	(6,456)
Investment income	13	503	516
Balance on technical account	<u>10,203</u>	<u>(6,405)</u>	<u>3,798</u>

## 6. Reinsurance to close premium payable net of reinsurance

	Reported £000	IBNR £000	Total £000
Gross outstanding losses	(73,321)	(16,864)	(90,185)
Reinsurance recoveries anticipated	20,975	4,956	25,931
Net outstanding losses	<u>(52,346)</u>	<u>(11,908)</u>	<u>(64,254)</u>

## 7. Net operating expenses

	£'000
Acquisition costs	(9,760)
Standard personal expenses	(1,594)
Administration expenses	(4,864)
	<u>(16,218)</u>
	£'000
The closed year profit is stated after charging:	
Auditor's remuneration:	
Fees payable to the Syndicate's auditor for the audit of these financial statements	(80)
Fees payable to the Syndicate's auditor and its associates in respect of:	
Other services pursuant to legislation	(7)
	<u>(87)</u>

## 8. Investment income

	£'000
Income from investments	1,102
Net unrealised losses on investments	(251)
	<u>851</u>
	£'000
Investment management expenses	(81)
Net realised losses on investments	(254)
	<u>(335)</u>

## 9. Investments

	Fair Value £'000	Cost £'000
Holdings in collective investment schemes	3,138	3,138
Debt securities and other fixed income securities	53,897	54,131
	<u>57,035</u>	<u>57,269</u>

There was no material change in fair value for financial instruments held at fair value attributable to own credit risk.



## Investments continued

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
31 December 2017				
Shares and other variable yield securities and units in unit trusts	-	3,138	-	3,138
Debt securities and other fixed income securities	10,121	43,776	-	53,897
Overseas deposits	7	2,271	-	2,278
Total	10,128	49,185	-	59,313

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.

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

## 10. Non cash consideration received as part of RITC received

	<b>£'000</b>
Portfolio investments	63,639
Debtors	219
Creditors	(2,183)
Non cash consideration received	<u>61,675</u>

## 11. Movement in cash and portfolio investments net of financing

	<b>At 1 January 2015</b>	<b>Received within RITC Premium</b>	<b>Cash flow</b>	<b>Unrealised losses &amp; foreign exchange</b>	<b>At 31 December 2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash	-	4,038	4,932	-	8,970
Portfolio	-	-	-	-	-
Investments	-	63,639	(4,203)	(123)	59,313
	<u>-</u>	<u>67,677</u>	<u>729</u>	<u>(123)</u>	<u>68,283</u>

## 12. Debtors Arising out of direct insurance operations

	<b>£'000</b>
Due within one year – Intermediaries	<u>20</u>
	<u>20</u>

## 13. Creditors arising out of direct insurance operations

	<b>£'000</b>
Due within one year	<u>141</u>
	<u>141</u>

## 14. Creditors arising out of reinsurance operations

	<b>£'000</b>
Due within one year	<u>(187)</u>
	<u>(187)</u>

## **15. Disclosure of interests**

### **Managing Agent's interest**

During 2017 Asta was the managing agent for ten Syndicates and three Special Purpose Arrangements. Syndicate 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).

## **16. Related parties**

Asta provides services and support to Syndicate 2525 in its capacity as Managing Agent. The 2015 year of account was charged managing agency fees of £422,250. Asta also recharged £2,085,750 worth of service charges to the 2015 year of account. As at 31 December 2017, nothing was owed to Asta in respect of this service.

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

Syndicate 2525 has recorded £805,652 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 Byelaw provisions. All transactions are entered into on an arms length basis.

## **17. Post balance sheet event**

The 2015 underwriting year result, less members' agents' fees, of £3.5m will be distributed to members during 2018.

## Summary of Closed Year Results

as at 31 December 2017

	2009 £'000	2010 £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000
<b>Syndicate allocated capacity</b>	<b>41,982</b>	<b>41,956</b>	<b>41,983</b>	<b>41,655</b>	<b>41,987</b>	<b>42,000</b>	<b>42,203</b>
Number of Underwriting members	469	496	505	518	547	547	542
Aggregate net premiums	22,658	22,379	23,475	22,963	25,501	27,510	30,558
Results for an illustrative share of £10,000							
	£	£	£	£	£	£	£
Gross premiums	9,407	8,904	8,627	8,657	9,415	10,246	11,221
Net premiums	5,397	5,334	5,592	5,513	6,074	6,550	7,241
Reinsurance to close from an earlier account	20,242	18,452	16,665	14,718	13,656	13,928	14,596
Net claims	(3,535)	(3,033)	(3,499)	(2,651)	(2,446)	(3,467)	(4,304)
Reinsurance to close	(18,504)	(16,649)	(14,670)	(13,827)	(13,764)	(14,642)	(15,225)
Profit/(Loss) on exchange	5	(15)	(127)	(52)	(32)	37	-
Syndicate operating expenses	(288)	(418)	(933)	(938)	(959)	(1,095)	(1,153)
Balance on technical account	3,317	3,671	3,028	2,763	2,527	1,311	1,155
Investment income less investment expenses and charges and investment gains less losses	442	380	183	138	116	177	122
Profit on ordinary activities	3,759	4,051	3,211	2,901	2,643	1,488	1,277
<b>Illustrative personal expenses</b>							
Managing agent's fee	75	75	75	101	100	100	100
Profit commission	632	683	537	481	432	229	191
Other personal expenses (excluding members' agents fees)	71	71	68	51	75	81	87
	778	829	680	633	607	410	378
Profit on ordinary activities after illustrative managing agent's fee and profit commission and illustrative personal expenses	2,981	3,222	2,531	2,268	2,036	1,078	899
Total of Syndicate operating expenses, managing agent's fee and profit commission	995	1,176	1,545	1,520	1,491	1,423	1,443
Capacity utilised	73.4%	72.6%	70.8%	70.1%	76.58%	83.5%	91.2%
Net capacity utilised	54.0%	53.3%	55.9%	55.1%	60.74%	65.5%	72.4%
Underwriting profit ratio	36.7%	41.2%	35.1%	31.9%	26.84%	12.8%	10.3%

### Notes

1. The summary of closed year results has been prepared from the audited accounts of the Syndicate.
2. Personal expenses have been stated at the amount which would be incurred pro rata by individual Names writing the illustrative premium income in the Syndicate irrespective of any minimum charge applicable. Corporate members may be charged at different rates. Foreign tax, which may be treated as a credit for personal tax purposes, has been excluded.
3. As regards the 2015 year of account, an illustrative share of £10,000 represents 0.0237% of the respective allocated capacity.