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Hampden Risk Partners (formerly Verto) Syndicate 2689

Financial Statements
For the 36 Months ended 31 December 2022
2020 Underwriting Year Accounts

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Directors and Administration

Managing Agent

Asta Managing Agency Ltd

Directors

P A Jardine (Chairman)*
R P Barke
C V Barley
E M Catchpole*
K A Green*
C N Griffiths
L Harfitt
D B Jones
A J Hubbard*
L J M McMaster
S D Redmond*
K Shah*

Non-Executive Directors*

Signing Director

C V Barley

Managing Agent's Registered Office

5th Floor
20 Gracechurch Street
London
EC3V 0BG

Managing Agent's Registered Number

1918744

Active Underwriter

C P Sharp

Bankers

Barclays Plc
Citibank N.A,
RBC Dexia

Registered Auditors

Ernst & Young LLP

Signing Actuaries

Ernst & Young LLP

Managing Agent's Report for the 2020 Closing Year of Account

For the 36 months ended 31 December 2022.

The Directors of Asta Managing Agency Ltd (Asta) present their report at 31 December 2022 for the 2020 closed year of account.

This report is prepared in accordance with the Lloyd's Syndicate Byelaw (No 8 of 2005) and applicable accounting standards in the United Kingdom, comprising FRS 102 "The Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland". 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 ("Lloyd's Regulations 2008").

Underwriting year results

The syndicate generated losses of \$17,199,597 after standard personal expenses on gross written premiums of \$129,819,022 for the 2020 underwriting year.

Principle activities and review of the business

A full disclosure on the principle activities of the syndicate can be found within the managing agents report within the annual accounts on page 5, and within the Active Underwriter's report within the annual accounts on page 2.

Directors and Officers

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 and Officers from the last report were as follows:

| | |
|----------------|-----------------------------|
| N J Burdett** | Resigned 13 July 2022 |
| M D Mohn | Resigned 13 July 2022 |
| L J M McMaster | Appointed 12 September 2022 |
| J M Tighe | Resigned 23 November 2022 |
| D J G Hunt | Resigned 1 December 2022 |
| E M Catchpole | Appointed 1 January 2023 |
| D B Jones | Appointed 23 February 2023 |
| S P A Norton | Resigned 23 February 2023 |

Company Secretary**

Managing Agent's Report for the 2020 Closing Year of Account Continued

Disclosure of information to the auditors

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

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 V Barley
Director
27 February 2023

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. 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 UK 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 2008 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 2689

Opinion

We have audited the syndicate underwriting year accounts for the 2020 year of account of syndicate 2689 ('the syndicate') for the three years ended 31 December 2022 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 18, 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' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate underwriting year accounts:

- ▶ give a true and fair view of the profit/(loss) for the 2020 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 syndicate underwriting year accounts section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, 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.

Emphasis of matter – closure of the 2020 year of account

We draw attention to the Basis of preparation note 1 which explains that the 2020 year of account of syndicate 2689 has closed and all assets and liabilities transferred to the 2021 year of account by reinsurance to close at 31 December 2022.

As a result, the syndicate underwriting year accounts for the 2020 year of account of syndicate 2689 have been prepared under basis other than going concern.

Our opinion is not modified in respect of this matter.

Independent Auditor's Report to the Members' of Syndicate 2689 Continued

Other information

The other information comprises the information included in the annual report, other than the syndicate underwriting year accounts and our auditor's report thereon. The managing agent is responsible for the other information contained within the annual report.

Our opinion on the syndicate underwriting year accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the syndicate underwriting year accounts themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 4, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) 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 the syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting year 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.

Independent Auditor's Report to the Members' of Syndicate 2689 Continued

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UKGAAP) and requirements referred to by Lloyd's in the Instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate underwriting year accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.

Independent Auditor's Report to the Members' of Syndicate 2689 Continued

- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate underwriting year accounts' items.
- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Lloyd's, the FCA and the PRA.
- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the syndicate's underwriting year accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter, or detect fraud. We also considered areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, on the estimated premium income, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the syndicate underwriting year accounts were free from fraud or error.

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

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with 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 and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Robert Bruce (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

27 February 2023

Income statement

Technical account – general business

for the 36 months ended 31 December 2022

| | Notes | \$'000 | \$'000 |
|---|-------|-----------------|-----------------|
| Earned premiums, net of reinsurance | | | |
| Gross premiums written | 4 | 129,819 | |
| Outward reinsurance premiums | | <u>(14,659)</u> | 115,160 |
| Reinsurance to close premiums received, net of reinsurance | | | - |
| Allocated investment return transferred from the non-technical account | | | (687) |
| Claims incurred, net of reinsurance | | | |
| Claims paid - Gross amount | | (47,796) | |
| - Reinsurers' share | | <u>-</u> | |
| Net claims paid | | (47,796) | |
| Reinsurance to close premium payable net of reinsurance | 6 | <u>(31,961)</u> | (79,757) |
| Net operating expenses | 7 | | (51,498) |
| Balance on the technical account – general business | 5 | | <u>(16,782)</u> |

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

Income statement continued

Non-technical account - general business

| | Notes | \$'000 |
|---|-------|-----------------|
| Balance on the technical account – general business | | (16,782) |
| Investment income | 9 | 388 |
| Net realised losses on investments | 9 | (181) |
| Net unrealised losses | 9 | (884) |
| Investment manager's fees | 9 | <u>(10)</u> |
| | | (17,469) |
| Allocated investment return transferred to general business technical account | | 687 |
| Exchange losses | | <u>(418)</u> |
| Loss for the closed year of account | | <u>(17,200)</u> |

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

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

Statement of financial position

As at 31 December 2022

| | Notes | \$'000 | \$'000 |
|--|-------|-----------|---------------|
| Assets | | | |
| Investments | 10 | | 11,214 |
| Debtors | | | |
| Debtors arising out of reinsurance operations | 11 | 2,611 | |
| Other debtors, prepayments and accrued income | | <u>32</u> | 2,643 |
| Reinsurance recoveries anticipated on gross reinsurance premiums payable to close the account | | | 1,931 |
| Other Assets | | | |
| Cash at bank and in hand | 13 | | 6,402 |
| Deposits With Ceding Undertakings | | | 230 |
| Inter Year Loan | | | 7,000 |
| Other prepayments and accrued income | | | <u>27</u> |
| Total Assets | | | <u>29,447</u> |
| Liabilities | | | |
| Amounts due to / (from) members | | | (4,476) |
| Reinsurance to close premiums payable to close the Account – gross amount | | | |
| | 6 | | 33,892 |
| Creditors | | | |
| Creditors arising out of reinsurance operations | 12 | 31 | |
| Other creditors, accruals and deferred income | | <u>-</u> | 31 |
| Total Liabilities | | | <u>29,447</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 21 February 2023 and were signed on its behalf by

R P Barke
 Director
 27 February 2023

Statement of members' balances

For the 36 months ended 31 December 2022

| | \$'000 |
|---|----------------|
| Loss for the closed year of account | (17,200) |
| Members' agents' fees paid on behalf of members | (176) |
| Cash call on Members / (early collections to Members) | 12,900 |
| Members' balances at 31 December 2022 | <u>(4,476)</u> |

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

Statement of cash flows

For the 36 months ended 31 December 2022

| | Notes | \$'000 |
|---|-----------|---------------------|
| Cash flows from operating activities | | |
| Loss for the year of account | | (17,200) |
| Net unrealised losses and foreign exchange | | - |
| (Increase) in debtors | | (9,900) |
| Increase in creditors | | 31 |
| Non cash consideration received as part of RITC received | | - |
| RITC premium payable, net of reinsurance | 6 | 31,961 |
| | | <u>4,892</u> |
| Cash flows from investing activities | | |
| Net purchase of portfolio investments | 10 | (10,870) |
| Increase in overseas deposits | 10 | (344) |
| | | <u>(11,214)</u> |
| Cash flows from financing activities | | |
| Member's agents fees paid on behalf of members | | (176) |
| Cash call | | 12,900 |
| | | <u>12,724</u> |
| Net increase in cash and cash equivalents | | 6,402 |
| Cash and cash equivalent at 1 January 2020 | | <u>-</u> |
| Cash and cash equivalent at end of the year of account | 13 | <u>6,402</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 2022

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 Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") as issued in August 2014, 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 USD which is the reporting and presentational currency of the Syndicate and rounded to the nearest \$'000. The functional currency of the Syndicate is US Dollars.

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 2020 year of account which has been closed by reinsurance to close at 31 December 2022. Consequently, the statement of financial position represents the assets and liabilities of the 2020 year of account at the date of closure and the income statement and statement of cash flows reflect the transactions for that year of account during the 36 months period until closure.

As permitted by FRS 103, the Syndicate continues to apply existing accounting policies that were applied prior to this standard for its insurance contracts.

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

2. Accounting policies

Significant accounting estimates and judgements

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

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

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

Accounting policies continued

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

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

Underwriting transactions

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

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

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.

The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims and unexpired risks) relating to the closed year. 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, return premiums and other payments in respect of the closing year to the members of the successor year of account and gives them the benefit of refunds, 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).

Accounting policies continued

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 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 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.

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.

Accounting policies continued

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

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

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

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

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

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

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

Investment return

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

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. 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.

Accounting policies continued

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.

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 10% for the first £10m of profit and a rate of 7.5% of profit in excess of £10m subject to the operation of a deficit clause. Such commission does not become payable until after the appropriate year of account closes, normally at 36 months. Profit commission on naturally open years is accrued on the basis of earned profit to date.
- Pensions
The Managing Agent operates a defined contribution pension scheme and its recharges to the Syndicate in respect of salaries and related costs include an element for pension costs. These pension costs are expensed in full in the period to which the recharge relates.

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

Accounting policies continued

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.

Foreign currencies

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

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 same exchange rates have been used for the income statement and balance sheet, therefore there is no other comprehensive income.

3. Risk management

Effective from 31 December 2022, the RITC process means that Insurance, Financial, Credit, Liquidity, Market and Capital risks are transferred to the accepting 2020 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. Full disclosures relating to these risks are provided in the main Annual accounts of the Syndicate.

4. Particulars of business written

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

| | Gross Premiums Written and Earned \$'000 | Gross Claims Incurred \$'000 | Net Operating Expenses \$'000 | Reinsurance Balance \$'000 | Total \$'000 |
|----------------------------|---|---|--|---|-------------------------|
| Reinsurance Acceptances | 129,819 | (81,688) | (51,498) | (12,728) | (16,095) |
| | <u>129,819</u> | <u>(81,688)</u> | <u>(51,498)</u> | <u>(12,728)</u> | <u>(16,095)</u> |

All business is written in the United Kingdom.

Gross operating expenses are the same as net operating expenses.

5. Analysis of result by year of account

| | 2020 Pure Year \$'000 | 2020 Total \$'000 |
|--|--|----------------------------------|
| Technical account balance before allocated investment return and net operating expenses | 35,403 | 35,403 |
| Brokerage and commission on gross premium | <u>(43,349)</u> | <u>(43,349)</u> |
| | (7,946) | (7,946) |
| Net other expenses | (8,149) | (8,149) |
| Investment income | <u>(687)</u> | <u>(687)</u> |
| | <u>(8,836)</u> | <u>(8,836)</u> |
| Balance on technical account | <u>(16,782)</u> | <u>(16,782)</u> |

6. Reinsurance to close premium payable net of reinsurance

| | Reported \$'000 | IBNR \$'000 | Total \$'000 |
|------------------------------------|----------------------------|------------------------|-------------------------|
| Gross outstanding losses | (9,303) | (24,589) | (33,892) |
| Reinsurance recoveries anticipated | - | 1,931 | 1,931 |
| Net outstanding losses | <u>(9,303)</u> | <u>(22,658)</u> | <u>(31,961)</u> |

7. Net operating expenses

| | \$'000 |
|----------------------------|-----------------|
| Acquisition costs | (43,349) |
| Standard personal expenses | (2,215) |
| Administration expenses | <u>(5,934)</u> |
| | <u>(51,498)</u> |

8. Auditor's remuneration

| | \$'000 |
|--|---------------|
| Audit of these financial statements | (31) |
| Other services pursuant to Regulations and Lloyd's Byelaws | (124) |
| Other non-audit services | <u>(55)</u> |
| | <u>(210)</u> |

9. Investment income

| | \$'000 |
|--|---------------|
| Income from financial investments | 388 |
| Net losses on realisation of investments | (181) |
| Net unrealised losses on investments | (884) |
| Investment managers fees | <u>(10)</u> |
| | <u>(687)</u> |

10. Financial investments

| | Market Value \$'000 | Cost \$'000 |
|---|--------------------------------|------------------------|
| Holdings in collective investment schemes | 4,282 | 4,282 |
| Debt securities and other fixed income securities | 6,588 | 6,955 |
| Overseas deposits as investments | 344 | 344 |
| | 11,214 | 11,581 |

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

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

| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|---|---------------------------|---------------------------|---------------------------|-------------------------|
| 31 December 2022 | | | | |
| Shares and other variable yield securities and units in unit trusts | - | 2,845 | 1,437 | 4,282 |
| Debt securities and other fixed income securities | 2,840 | 3,748 | - | 6,588 |
| Overseas deposits | 39 | 305 | - | 344 |
| Total | 2,879 | 6,898 | 1,437 | 11,214 |

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 only asset in this category is the loan provided to the Lloyd's Central Fund.

11. Debtors arising out of reinsurance operations

| | \$'000 |
|---------------------|---------------|
| Due within one year | 2,493 |
| Due after one year | 118 |
| | <u>2,611</u> |

12. Creditors arising out of reinsurance operations

| | \$'000 |
|--|---------------|
| Due within one year – Reinsurance accepted | (31) |
| | <u>(31)</u> |

13. Cash and cash equivalents

| | \$'000 |
|--------------------------|---------------|
| Cash at bank and in hand | 6,402 |
| | <u>6,402</u> |

Holdings in collective investment schemes are included within financial investments

14. Disclosure of interests

Managing Agent's interest

During 2022 Asta was the Managing Agent for twelve Syndicates, two Special Purpose Arrangements and six Syndicates in a Box. Syndicates 1609, 1699, 1729, 1892 1980, 1988, 2288, 2525, 2689, 2786, 3268 and 4242 as well as Special Purpose Arrangements 1416 and 6131 and Syndicates in a Box 4747, 1796, 1902, 2880, 3456 and 5183 were managed on behalf of third party capital providers.

On 1 January 2022, Asta took on the management of Syndicate 1699.

On 1 January 2022, Asta took on the management of Syndicate in a box 1902.

On 10 February 2022, Asta took on management of Syndicate in a box 2880.

On 10 February 2022, Asta reinsured to close Syndicate 1980 into Riverstone Syndicate 3500.

On 22 March 2022, Asta took on the management of Syndicate in a box 3456.

On 13 May 2022, Asta migrated the management of 3268 to IQUW.

On 10 June 2022, Asta took on the management of Syndicate in a box 5183.

On 18 July 2022, Asta took on the management of Syndicate in a box 1796.

On 1 October 2022, Asta migrated Syndicate 1729 and SPA 6131 to Dale Managing Agency.

Disclosure of interests continued

On 1 January 2023, Asta took on the management of Syndicate 1985.

On 1 January 2023, Asta took on the management of Syndicate 1322.

The agency also provides administrative services to Syndicates and Special Purpose Arrangements, also undertaking several ancillary roles for other clients.

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

15. Related parties

The ultimate parent company of Asta Managing Agency Ltd is Tennessee Topco Ltd following the acquisition of Asta Capital Ltd by the Davies Group Ltd on 13 July 2022.

Asta provides services and support to Syndicate 2689 in its capacity as Managing Agent. The 2020 year of account was charged Managing Agency fees of \$1,297k. Asta also recharged \$2,720k worth of service charges to the 2020 year of account. As at 31 December 2022, nothing was owed to Asta in respect of this service.

Syndicate staff are employed by Hampden Syndicate Services Ltd, which is part of the Hampden Capital Plc Group. Another subsidiary of the Hampden Group, Hampden Agencies Ltd, acts as the Members Agent for the third party capital providers of the Syndicate. The Syndicate had no outstanding balances with these entities as at 31 December 2022.

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

16. Off-balance sheet items

At 31 December 2022, the Syndicate had utilised \$11m of a letter of credit facility from Barclays Bank PLC (Barclays). The total facility provided by Barclays is \$15m for 2022.

17. Funds at Lloyd's

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

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

18. Post balance sheet event

The Syndicate will collect \$4.5m from members in Q2 2023, in relation to the 2020 year of account losses.

Summary of Closed Year Results - unaudited

as at 31 December 2022

| Year of Account | 2017 | 2018 | 2019 | 2020 |
|---|---------------|----------------|---------------|---------------|
| Syndicate allocated capacity (£'000) | 49,956 | 98,320 | 69,084 | 70,303 |
| Syndicate allocated capacity (\$'000) | 65,943 | 134,698 | 93,263 | 84,364 |
| Number of Underwriting members | 842 | 742 | 625 | 521 |
| Aggregate net premiums (\$'000) | 58,830 | 93,158 | 86,120 | 71,811 |
| Results for an illustrative share of £10,000 | \$ | \$ | \$ | \$ |
| Gross premiums | 18,104 | 14,924 | 19,342 | 18,466 |
| Net premiums | 11,776 | 9,474 | 12,466 | 10,214 |
| Reinsurance to close from an earlier account | 0 | 2,956 | 11,950 | - |
| Net claims | (9,516) | (6,366) | (9,163) | (6,799) |
| Reinsurance to close | (5,817) | (8,396) | (14,703) | (4,546) |
| Profit/(Loss) on exchange | 31 | 110 | 44 | (59) |
| Syndicate operating expenses | (466) | (936) | (1,462) | (844) |
| Balance on technical account | (3,992) | (3,158) | (869) | (2,034) |
| Investment income less investment expenses and charges and investment gains less losses | 246 | 352 | 9 | (97) |
| Profit on ordinary activities | (3,746) | (2,806) | (860) | (2,131) |
| Illustrative personal expenses | | | | |
| Profit commission | - | - | - | - |
| Personal expenses | (357) | (284) | (369) | (340) |
| Profit (Loss) after illustrative profit commission and personal expenses | (4,103) | (3,090) | (1,229) | (2,472) |
| | £ | £ | £ | £ |
| Profit (Loss) after illustrative profit commission and personal expenses | (3,108) | (2,255) | (910) | (2,060) |