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SYNDICATE 1994

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Contents

Directors and administration

Managing agent

Apollo Syndicate Management Limited

Registered office

One Bishopsgate
London, EC2N 3AQ

Company registration number

09181578

Company secretary

PC Bowden

Directors

JM Cusack	(Non-Executive Chairman)
FA Buckley	(Non-Executive Director)
MEL Goddard	(Non-Executive Director)
MP Hudson	(Non-Executive Director)
AP Hulse	(Non-Executive Director)
DCB Ibeson	(Chief Executive Officer)
JD MacDiarmid	
VVV Mistry	
JR Slaughter	
SAC White	

Active Underwriter

MA Lawson

Bankers

Citibank

Natwest

Royal Bank of Canada

Registered Auditor

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

Report of the directors of the managing agent

The directors of the managing agent present their audited report, which incorporates the strategic review, for Syndicate 1994 ("the syndicate") for the year ended 31 December 2021.

This Annual Report is prepared using the annual basis of accounting as required by Statutory Instrument No. 1950 of 2008, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("Lloyd's Regulations 2008") and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS102') and Financial Reporting Standard 103: Insurance Contracts ('FRS103').

The Managing Agent does not prepare separate underwriting year accounts on the three-year accounting basis in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), as the syndicate has a single Corporate Member.

Principal activity
Syndicate 1994 is a Lloyd's legacy syndicate, established to provide bespoke solutions for Lloyd's syndicates seeking to exit lines or classes of business, in addition to syndicates in run-off and seeking to obtain finality for their capital providers. The syndicate's first year of account is 2021 and is a strategic partnership with legacy specialist Compre Group.

Syndicate 1994 trades through Lloyd's worldwide licences and rating and has the benefit of the Lloyd's brand. Lloyd's has an A (Excellent) rating from A.M. Best, A+ (Strong) from Standard & Poor's and AA- (Very Strong) from Fitch.

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

Compre Corporate Member 2 Limited is the sole corporate member on Syndicate 1994 and provides the Funds at Lloyd's backing the syndicate. A service management agreement is in place that sets out the partnership arrangements and the services and reporting provided to the Compre Group by ASML, and vice versa. The Compre Group second the Active Underwriter to the syndicate and undertake the underwriting and some of the claims handling.

Results and key performance indicators
The syndicate recognised £100.4m of gross premium in 2021. The technical result (including Expenses) of a loss of (£16.8m) is improved after a foreign exchange profit of £0.7m to give a loss for the financial year of (£16.1m). These metrics are reported, with commentary, in the quarterly management reporting to the boards and committees.

Review of the business
The syndicate has written a reinsurance to close RITC for the liabilities relating to the 2017 and prior year of accounts of Syndicate 1969 and the RITC of the 2018 year of account of Syndicate 3330 in its first year of inception. The GAAP calendar year result reflects the application of a prudent reserving policy, the outcome of a full reserving review of the Syndicate 3330 book of business and reserve strengthening in certain classes, in particular non-marine liability construction.

The total result includes administrative expenses recharged by Compre and Apollo that have been partially offset by a favourable foreign exchange impact. Syndicate expenses reflect the first year of trading and include the costs of establishing the syndicate.

Syndicate 1994

Report of the directors of the managing agent

As a legacy syndicate there is no requirement for a Syndicate Business Forecast submission to Lloyd's. However an internal plan is set for performance measurement. The core focus of the syndicate proposal is mid-market transactions (£50m - £250m of net reserves). There is an intent to underwrite around two to three transactions per year that could be a combination of RITCs and / or loss portfolio transfers (LPTs) on specific lines of Lloyd's syndicate business.

The business plan assumes the portfolio will be profitable through favourable reserve development, value creation and reserve surplus.

Investment performance
The investment objective is to invest the premium trust funds in a manner designed primarily to preserve capital values and provide liquidity.

The syndicate produced an investment loss of £0.1m in the year, this reflected very low running yields on the portfolio, together with the impact of increases in interest rates in the final quarter of the year. At the balance sheet date the fixed income portfolio holdings totalled £24.9m.

Capital
One of the advantages of operating in the Lloyd's market is the favourable capital ratios that are available due to the diversification of business written in Syndicate 1994 and in Lloyd's as a whole.

As a new syndicate the level of solvency capital requirements ("SCR") was set by Lloyd's centrally. The ultimate SCR is subject to an uplift determined by Lloyd's based on its assessment of the economic capital requirements for the Lloyd's market in total. The SCR together with the Lloyds' uplift is referred to as the Economic Capital Assessment ("ECA"). The Syndicate 1994 ECA for the 2021 and 2022 underwriting years was set by Lloyd's Benchmark Model. ASML will develop an internal capital model for syndicate 1994 in due course. As the syndicate is a run-off entity it does not have any licenced capacity.

Lloyd's unique capital structure provides excellent financial security to policyholders and capital efficiency for members. The Lloyd's chain of security underlies the financial strength that ultimately backs insurance policies written at Lloyd's and has three links:

1. All premiums received by syndicates are held in trust as the first resource for settling policyholders' claims;
2. Every member is required to hold capital in trust funds at Lloyd's which are known as Funds at Lloyd's ("FAL"); and
3. Lloyd's central assets are available at the discretion of the Council of Lloyd's to meet any valid claim that cannot be met through the resources of any member further up the chain. Lloyd's also retains the right to request a callable contribution equal to 3% of the member's capacity on the syndicate.

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

The risk appetites have been agreed as part of the syndicate business planning and are reviewed when evaluating any new legacy transaction and the capital setting process. The risk management function is also responsible for maintaining the syndicate's Own Risk and Solvency Assessment ("ORSA") process and provides regular updates to the Board. The formal ORSA report for the syndicate is provided to the Board annually for approval.

Syndicate 1994

Report of the directors of the managing agent

The managing agent recognises that the syndicate's business is to accept risk which is appropriate to enable it to meet its objectives and that it is not realistic or possible to eliminate risk entirely. The principal risks and uncertainties facing the syndicate have been identified as insurance (predominantly reserving) risk, financial risk, credit risk, liquidity risk and market risk. A description of these risks and how they are managed, with appropriate numeric analysis, is set out in note 4 to the annual accounts. The use of financial derivatives is governed by ASML risk management policies, ASML does not use derivative financial instruments for speculative purposes.

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

Emerging risks

The principal risks faced by the syndicate arise from fluctuations in the severity of claims compared with expectations, late reporting of claims, inadequate reserving and inadequate reinsurance protection (including the credit worthiness of major reinsurers). Syndicate 1994's assets and liabilities are also exposed to market risk, including the impact of changes to interest rates, fixed income bond yield fluctuations and adverse changes in exchange rates.

As the syndicate acquires portfolios of underwriting business written historically, the key emerging risks relate to potential systemic risk issues. These can include inflationary factors, both economic and social inflation, and those risks associated with climate change.

The financial risks associated with climate change continue to be an area of focus for ASML. These risks include physical, transition and liability risks.

There is consensus within the scientific community that, at a global level:

- Average temperatures (including sea surface temperatures) are increasing because of increasing levels of anthropogenic greenhouse gases in the atmosphere,
- Extended periods of drought, high rainfall and extreme temperatures are occurring at a higher frequency than in the past, and
- The frequency and severity of life-threatening weather events including storms, floods and wildfires are increasing.

Liability risks may arise if policyholders such as energy companies are held liable for losses to third parties resulting from climate risks. Legacy business is not expected to be materially exposed to increased uncertainty as a result of climate change. There is some potential for exposure with respect to climate change liability, although Apollo does not believe that such a risk is material for the current 1994 portfolio. This is an area which continues to be closely monitored.

ASML's Chief Risk Officer has been given the responsibility for advising the Board on the management of the financial risks of climate change. An agreed plan of action continues to be developed and implemented by appropriately skilled and experienced teams within the business to ensure that all material climate change-related risks within the underwriting and investment portfolios are appropriately managed.

The ongoing impact of the global pandemic and associated government actions continues to create uncertainty across all principal risk categories. At the date of this report, the syndicate's insurance liabilities are expected to be only incidentally exposed to pandemic risk, as the majority of exposure relates to periods prior to its occurrence.

Report of the directors of the managing agent

Apollo has successfully adapted its operational model and resilience in response to a series of UK "hard" and "soft" lockdowns, enabling its employees to work both remotely and from the office (per prevailing government advice). It is not anticipated that Apollo's operational risk environment is materially heightened as a result of the change in business model. Apollo continues to monitor for changes in employee attitudes and working norms as a result of a potential shift in the insurance broader market.

The ASML Board and Risk Committee continues to monitor macro geopolitical and economic factors that could directly and/or indirectly impact the syndicate's risk profile. At the time of writing, there are clear humanitarian concerns in relation to the military conflict between Russia and Ukraine. From an ASML perspective, we have assessed our financial, insurance, and operational risk positions. This will remain an area of focus for ASML as the situation develops over time. Insurance risk and asset exposures have been collated and will be monitored. For the syndicate, the overall level of insurance and asset exposure is not considered to be material. Operational considerations include an enhanced security posture to potential increase in cyber/information security threats.

Economic uncertainty may increase concerns around global inflationary pressures and supply chain issues. The ASML and Compre Group actuarial teams have worked collaboratively to understand the effects of 'conventional' and 'social' inflation on the existing legacy portfolios, which in turn contribute to the assessment of best estimate and held reserves.

Corporate governance
The ASML Board is chaired by Julian Cusack, who is supported by four further non-executive directors, all of whom are independent. Nicolas J Burkinshaw resigned from the Board on 7 May 2021. James Slaughter, Chief Underwriting Officer, was appointed to the Board on 6 July 2021. Andrew J Gray resigned as Company Secretary to the Board on 16 March 2021. Peter Bowden was appointed as his replacement on the same day. Farah Buckley was appointed as an independent Non-Executive Director on 1 July 2021. David Ibeson is the Chief Executive Officer and there were four further executive directors throughout 2021.

Defined operational and management structures are in place and terms of reference exist for all Board and executive committees. Syndicate 1994 has a specific Syndicate Management Committee.

The ASML Board meets at least four times a year and more frequently when business needs require. The Board has a schedule of matters reserved for its decision and is supported by the Audit Committee, the Risk Committee and the Remuneration and Nominations Committee. These supporting committees are comprised of independent non-executive directors.

Section 172 statement
The directors adopt the responsibilities to promote the success of the syndicate as if s172 of the Companies Act were applicable and have acted in accordance with these responsibilities during the year. The Board has identified the following key stakeholders: capital providers to the managed syndicates, employees, the shareholder of ASML, Lloyd's and regulators, policyholders and brokers. Throughout the year the board considered the wider impact of strategic and operational decisions on its stakeholders. Examples include the development and execution of the business plans for the managed syndicates; the assessment and raising of capital; communications with capital providers; and changes to Board composition. The Board considers that the interests of all stakeholders are aligned for the decision making process.

Report of the directors of the managing agent

Developing and maintaining relationships with brokers, other Lloyd's market syndicates and parent corporate entities, where appropriate, is central to the success of the syndicate. In the face of the constraints imposed by the COVID-19 pandemic, we have maintained contact with brokers and syndicates by video conference and all other communication mechanisms at our disposal. In developing legacy insurance propositions and marketing them with our broking partners and in settling claims, we always seek to treat customers fairly.

We maintain open and transparent relationships with our regulators and Lloyd's, which are managed through our compliance team. Regular meetings are held with representatives of Lloyd's and the PRA and significant regulatory engagements are reported to the Board.

Staff matters
ASML's people are a key asset and resource and their retention and development are fundamental to the success of the business. ASML's strategy is to build a strong culture of staff engagement, communication and contribution recognition. This is achieved through monthly staff briefings, a fully open plan cross-function office environment, seeking feedback, having a speak up culture and a continued focus on diversity, inclusion and also mental health. ASML strives to act as a single team where employees work closely across functions, have mutual respect and enjoy working in a collaborative environment, whether in the office or remotely. An external independent hotline and an internal mechanisms of communication mean that staff can call anonymously if they have work related concerns.

Terms and conditions offered to employees, as part of their overall remuneration package, remain competitive with the rest of the London Market insurance industry and staff are provided with opportunities to develop their skills and capabilities. The managing agent seeks to provide a good working environment for its staff that is safe, supportive and complies with relevant legislation and also actively supports flexible working. The operational effectiveness of all aspects of remote working is monitored continually by management as well as being tested and challenged by risk management and internal audit.

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

ASML aims to maintain a lean operating model utilising technology and outsourcing arrangements where flexibility is required or greater efficiency can be achieved. As a mid-sized business, ASML is able to expand and contract as market conditions dictate. Through the use of specific outsourcing, ASML maintains an appropriate support function commensurate with its underwriting capacity. We continue to invest in actuarial, risk management and data management resources in order to ensure that the discipline we aim for in underwriting is matched by the intensity of scrutiny given to pricing, reserving and second line of defence activities.

We note Lloyd's Blue Print initiatives offering a number of radical ideas for the future of the market. In our opinion there is a distance to go before these can be translated into workable options but we continue to participate in consultations actively and position ourselves as necessary to maximise the benefit to ASML, its syndicates and its capital providers.

Report of the directors of the managing agent

As a result of the COVID-19 pandemic the ASML and Compre offices have been closed for much of the year. All employees are able to work effectively, both remotely and from the office with suitable access to business systems. Whilst social distancing policies have changed the working environment significantly, all relevant ASML and Compre teams are able to continue to operate in support of stakeholders. This has been helped by the significant progress the Lloyd's market has made in recent years with electronic placement of risks and claims handling. The banking and investment operations use online processes and have not been adversely impacted by the pandemic.

Aligned with the recent Financial Conduct Authority and Prudential Regulation Authority Operational Resilience and Third Party Oversight policies, Apollo has successfully undertaken a thorough self-assessment of our operational resilience. We continue to focus on ensuring we maintain robust and resilient plans to prevent, adapt, respond and recover from operational disruptions with the primary objective to protect our customers and integrity of our business.

Environmental, Social and Governance
During 2021 ASML has developed and begun implementing a formal ESG Strategy that includes approaches to manage the financial risks associated with climate change and proactive diversity and inclusion initiatives. The majority of the ESG related activities were coordinated by the ASML Social Responsibility and Impact Group (SRIG) which comprises representatives from across Apollo, both in terms of seniority and breadth of business activities. The SRIG is chaired by an ASML Board director, and the Group helps the Board and Executive team to govern these considerations in an open, engaged, and constructive manner. Members of the SRIG have also engaged with Compre to ensure an alignment of approach and values for Syndicate 1994.

Compre is also in the process of developing a formal ESG strategy which covers Climate Related Financial Risk & Opportunities, Diversity and Inclusion, Mental Health & Wellbeing, Sustainability and Responsible Investment as core elements of the strategy. As an example, Compre has engaged with The National Centre for Diversity to run an independent and confidential survey to establish staff engagement and to ensure that D&I considerations are a feature of the business. The results have been taken into account for the purposes of inclusion in the 2022 ESG plan to further enhance these values and to address areas of potential concern. D&I is sponsored by an Executive Committee member and activity, findings and progress are reported to the Board during the quarterly meetings.

As a legacy underwriter, the Syndicate will review reinsurance portfolios on a case by case basis, and will have ESG considerations as a discrete transaction criteria. From an environmental perspective ASML and Compre are committed to a long-term sustainable approach to protecting the environment, as well as to socially responsible underwriting and sustainable investing. This now includes specific ESG related investment risk appetites from 1 January 2022 for the Syndicate 1994 asset portfolio and a public commitment from ASML to be net carbon zero by year end 2023 (for Scope 1 & 2 emissions).

At Apollo our people are at the heart of everything we do and we are committed to creating a diverse and inclusive workplace, one where difference is celebrated and everyone is welcome, included and can thrive.

We operate a zero tolerance policy to bullying and harassment and all forms of discrimination. This includes all of the protected characteristics of the Equality Act of 2010 as well as neurodiversity, parental and caring responsibilities, socio-economic status and working patterns.

ASML conducted a diversity survey which had a 91% completion rate as well. The Lloyd's Culture survey was also completed with above market average engagement and positive results when compared to Lloyd's benchmark data. ASML also provided all staff with racial awareness training, and inclusive hiring manager training and inclusive leadership training for business managers and leaders. During the 2021 calendar year, ASML began to sponsor and support six Lloyd's market inclusion networks, and has nominated "Inclusion Champions" who each

Report of the directors of the managing agent

attend one of these Lloyd's inclusion networks and provide a link back to the business. ASML also sponsored an event within the 2021 Dive In festival in relation to neurodiversity. Neurodiversity training has been undertaken by teams within ASML to further develop in-house learning.

The ASML CEO and Board Chair are both Ambassadors for Race Action through Leadership. In 2021 ASML also became a member of the Employers Network for Equality and Inclusion (ENEI) and the Employers Initiative on Domestic Abuse (EIDA). We also worked with SEO London to provide internships at Apollo and with BeMeta to provide our employees with access to weekly 30 minute sessions of mental health coaching.

We also sponsored Dive In for the first time, sponsoring the UK Workability events on neurodiversity and disability and added ACIN Recruit, the recruitment arm of the African Caribbean Insurance Network, to our list of preferred recruitment suppliers.

From a gender perspective, the ratio of female to male Board directors is 20% at year-end 2021 (11% at year-end 2020). The ratio is 26% (2020: 18%) for the Executive and direct reports (excluding executive assistants). Within the overall business the ratio of male:female employees is 65%:35%. Further details in relation to current and planned D&I activities conducted within ASML can be found on the Apollo website.

The ASML Board drives the tone for good governance and the overall ESG strategy. ASML has aligned its strategy with five of the UN Sustainable Development Goals, in the short to medium term. The Board and Executive are actively engaged in embedding ESG considerations throughout the governance committees within ASML, and have supported related considerations within ASML suppliers and outsource service partners.

At this point in time, the syndicate is not required to comply with Streamlined Energy and Carbon Reporting ('SECR') because it is not a corporate entity.

ASML will continue to develop data and formalise ESG reporting metrics, which will include the development of specific climate related stress and scenario testing. ASML has engaged an independent ESG rating specialist and will work with them to identify and continue to drive improvements throughout 2022.

Directors and directors' interests
The directors who held office at the date of signing this report are shown on page 2. Directors' interests are shown in note 19 as part of the related parties note to the accounts.

Annual General Meeting
The directors do not propose to hold an Annual General Meeting for the syndicate. If the member of the syndicate wishes to meet with them the directors are happy to do so.

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

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

Auditor
Mazars LLP has indicated its willingness to continue in office as the syndicate's auditor. The managing agent hereby gives formal notification of a proposal to re-appoint Mazars LLP as auditor of Syndicate 1994 for a further year.

Report of the directors of the managing agent

Future developments

The 2022 business plan for the syndicate focuses on writing similar RITC and legacy reinsurance deals in the future.

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

Approved on behalf of the Board.

DCB Ibeson
Chief Executive Officer
3 March 2022

Statement of managing agent's responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare financial statements at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts". The syndicate annual accounts are required by law to give a true and fair view of the state of affairs of the syndicate as at that date and of its profit or loss for that year.

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

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

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

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

Independent auditor's report to the member of Syndicate 1994

Opinion
We have audited the syndicate annual accounts of Syndicate 1994 (the "syndicate") for the year ended 31 December 2021 which comprise the Profit and loss account, the Statement of Other Comprehensive Income, the Balance sheet, the Statement of changes in Member's Balances, the Statement of cash flows and the notes to the syndicate annual accounts, 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 annual accounts:
- give a true and fair view of the state of the syndicate's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the syndicate annual 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 annual 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.

Conclusions relating to going concern
In auditing the syndicate annual accounts, we have concluded that the directors of the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the syndicate's ability to continue as a going concern for a period of at least twelve months from when the syndicate annual accounts are authorised for issue.

Our responsibilities and the responsibilities of the directors of the managing agent with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the Syndicate Annual Report and Accounts, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information. Our opinion on the syndicate annual 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.

Independent auditor's report to the member of Syndicate 1994

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual 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 annual 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.

Opinion on the other matters prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

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

- the information given in the Report of the directors of the managing agent for the financial year for which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts; and
- the Report of the directors of the managing agent has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the directors of the managing agent.

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

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- certain disclosures of the managing agent's emoluments specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the managing agent

As explained more fully in the Statement of managing agent's responsibilities set out on page 11, the managing agent is responsible for the preparation of the syndicate annual accounts 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 annual accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the syndicate annual accounts

Our objectives are to obtain reasonable assurance about whether the syndicate annual 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 annual accounts.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Independent auditor's report to the member of Syndicate 1994

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the syndicate and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the syndicate annual accounts: regulatory and supervisory requirements of the Prudential Regulation Authority and the Financial Conduct Authority, and regulations set by the Council of Lloyd's. We also considered those laws and regulations that have a direct impact on the preparation of the syndicate annual accounts such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of directors and management of the managing agent and syndicate's management as to whether the syndicate is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the syndicate which were contrary to applicable laws and regulations, including fraud.

In addition, we evaluated the directors' and management of the managing agent's and syndicate management's incentives and opportunities for fraudulent manipulation of the syndicate annual accounts (including the risk of override of controls) and determined that the principal risks were related to posting journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation the valuation of the provisions for the settlement of future claims and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management of the managing agent and syndicate management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the member of Syndicate 1994

Use of the audit report

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

Amanda Barker (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
3 March 2022

Profit and loss account
for the year ended 31 December 2021

Technical account – General business	Notes	2021 £'000
Gross premiums written	5	100,432
Outward reinsurance premiums		(1,041)
Net premiums written		99,391
Change in the provision for unearned premiums:		
Gross amount	6	(2,189)
Reinsurers' share	6	526
Change in the net provision for unearned premiums		(1,663)
Earned premiums, net of reinsurance		**97,728**
Allocated investment return transferred from the non-technical account	11	**(107)**
Claims paid		
Gross amount		(37,311)
Reinsurers' share		14,341
Net claims paid		(22,970)
Change in the provision for claims outstanding		
Gross amount	6	(131,761)
Reinsurers' share	6	44,973
Change in the net provision for claims		(86,788)
Claims incurred, net of reinsurance		**(109,758)**
Net operating expenses	7	(4,669)
Balance on the technical account - general business		**(16,806)**

All operations relate to continuing activities.

The notes on pages 23 to 46 form an integral part of these annual accounts.

Profit and loss account
for the year ended 31 December 2021

Non-technical account	Notes	2021 £'000
Balance on the technical account - general business		**(16,806)**
Investment return	11	(107)
Allocated investment return transferred to the technical account - general business		107
Exchange gains and losses		692
Loss for the financial year		**(16,114)**

Statement of Other Comprehensive Income
for the year ended 31 December 2021

	2021 £'000
Loss for the financial year	(16,114)
Foreign currency translation differences	(183)
Total recognised losses in the financial year	**(16,297)**

Balance sheet
at 31 December 2021

Assets	Notes	2021 £'000
Investments		
Financial investments	4,12	54,066
Reinsurers' share of technical provisions		
Provision for unearned premiums	6	526
Claims outstanding	6	45,182
		45,708
Debtors		
Debtors arising out of direct insurance operations	13	174
Debtors arising out of reinsurance operations	14	7,537
Other debtors		288
		7,999
Other assets		
Cash and cash equivalents	15	5,481
Overseas deposits	16	6,844
		12,325
Prepayments and accrued income		
Deferred acquisition costs	7	350
Accrued interest and rent		62
Other prepayments and accrued income		686
		1,098
Total assets		**121,196**

Balance sheet
at 31 December 2021

Liabilities	Notes	2021 £'000
Capital and reserves		
Member's balances		(16,297)
Technical provisions		
Provision for unearned premiums	6	2,198
Claims outstanding	6	131,851
		134,049
Creditors		
Creditors arising out of direct insurance operations	17	668
Creditors arising out of reinsurance operations	18	2,477
Other creditors		254
		3,399
Accruals and deferred income		45
Total liabilities		**137,493**
Total liabilities and member's balances		**121,196**

The annual accounts on pages 16 to 46 were approved by the Board of Apollo Syndicate Management Limited on 3 March 2022 and were signed on its behalf by:

JD MacDiarmid
Finance Director
3 March 2022

Statement of changes in Member's Balances
for the year ended 31 December 2021

	2021 £'000
Member's balances brought forward at 1 January	-
Loss for the financial year	(16,114)
Other recognised losses relating to the financial year	(183)
Member's balances carried forward at 31 December	**(16,297)**

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

Statement of cash flows
for the year ended 31 December 2021

	Notes	2021 £'000
Cash flows from operating activities		
Operating loss for the financial year		(16,114)
Adjustments for:		
Increase in gross technical provisions		134,049
Increase in reinsurers' share of technical provisions		(45,708)
Increase in debtors		(7,849)
Increase in creditors		3,399
Increase in other assets / liabilities		(1,054)
Investment return		107
Other		(182)
Net cash inflow from operating activities		**66,648**
Cash flows from investing activities		
Purchase of equity and debt instruments		(86,838)
Proceeds from sale of equity and debt instruments		32,772
Investment income received		(107)
Increase in overseas deposits		(6,844)
Increase in deposits received from reinsurers		(150)
Net cash outflow from investing activities		**(61,167)**
Net increase in cash and cash equivalents		**5,481**
Cash and cash equivalents at 1 January		-
Cash and cash equivalents at 31 December	**16**	**5,481**

Notes to the accounts

1. Basis of preparation
Syndicate 1994 is managed by ASML. The address of the syndicate's managing agent is One Bishopsgate, London EC2N 3AQ.

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

The syndicate commenced underwriting on 1 January 2021 and the first period reported is the year end 31 December 2021.

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

The syndicate's functional currency is US Dollars. The financial statements are presented in Pound Sterling, which is the reporting currency of the Compre Group. All amounts have been rounded to the nearest thousand unless otherwise indicated.

The directors expect that the strategic partnership with Compre Group will continue and capital support will be in place such that the syndicate will continue to write new business in future underwriting years of account. Accordingly they continue to adopt the going concern basis of accounting in preparing the annual accounts.

2. Critical accounting judgements and key sources of estimation uncertainty
In preparing these annual accounts, the directors of the managing agent have made judgements, estimates and assumptions that affect the application of the syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The measurement of the provision for claims outstanding, specifically IBNR involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the annual accounts.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which they are identified if the revision affects only that period and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

The syndicate's principal estimate is the provision for claims outstanding, in particular claims that have been incurred at the reporting date but have not yet been reported ("IBNR"), and the related reinsurers' share.

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

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date and includes IBNR. This is a 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. The estimate of IBNR is subject to a greater degree of uncertainty than that for reported claims.

Notes to the accounts

2. Critical accounting judgements and key sources of estimation uncertainty (continued)
The amount included in respect of IBNR is based on statistical techniques of estimation. These techniques normally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be expected and, for more recent underwriting years, the use of benchmarks and initial expected loss ratios from business plans. Account is taken of variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs.

Accordingly, the most critical assumptions in regards claims provisions are that the past is a reasonable indicator of the likely level of claims development, that the notified claims estimates are reasonable and that the rating and other models based on fair reflections of the likely level of ultimate claims to be incurred. The level of uncertainty with regard to the estimations within these provisions generally decreases with the length of time elapsed since the underlying contracts were on risk.

The reserve setting process is integrated within Apollo's governance framework. The proposed best estimate reserves are reviewed in detail by the Reserving Committee on a quarterly basis and confidence margins added to increase the probability that the reserves are sufficient to meet liabilities so far as they can reasonably be foreseen. These reserves, including margins, are then subject to further review by the Audit Committee on behalf of the Board. The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available.

3. Significant accounting policies

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

Gross premiums written
Premiums written comprise the reinsurance to close premium of contracts completed during the financial year. Premiums written include adjustments made in the year to pipeline premium estimates for polices transferred under reinsurance to close contracts.

Premiums are shown gross of brokerage payable and are exclusive of taxes and duties thereon.

Outwards reinsurance premiums
Premiums comprise adjustments arising in the accounting period in respect of reinsurance contracts transferred under reinsurance to close contracts. Under some policies, reinsurance premiums payable are adjusted retrospectively in the light of claims experience. Where written premiums are subject to an increase retrospectively, any potential increase is recognised as soon as there is an obligation to the reinsurer.

Provisions for unearned premiums
Written premiums are recognised as earned over the life of the underlying policies and computed using the daily pro-rata method. Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of earnings patterns reflecting the risk profile of the underlying policies or time apportionment as appropriate.

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

Notes to the accounts

3. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

The syndicate's investments comprise holdings of short dated government and corporate bonds, collective investment schemes and cash and cash equivalents. The syndicate may hold derivative financial instruments. When derivatives are liabilities they are reported with other creditors in the balance sheet.

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

Notes to the accounts

3. Significant accounting policies (continued)

Measurements

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

Derecognition of financial assets and liabilities

Financial assets are derecognised when and only when:

- the contractual rights to the cash flows from the financial asset expire or are settled;
- the syndicate transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the syndicate, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

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

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the company estimates the fair value by using a valuation technique.

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

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

Impairment of financial instruments measured at historic cost

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

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in profit and loss immediately.

Notes to the accounts

3. Significant accounting policies (continued)

Cash and cash equivalents

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

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

Investment return

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

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

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

Net operating expenses

Net operating expenses include acquisition costs, administrative expenses and member's standard personal expenses. Reinsurers' commissions and profit participations and consortia income represent contributions towards operating expenses and are reported accordingly.

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

Acquisition costs

Acquisition costs represent costs arising from the conclusion of insurance contracts such as brokerage and commission.

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

Reinsurers' commissions and profit participations

Under certain outwards reinsurance contracts the syndicate receives a contribution towards the expenses incurred. The outwards reinsurance contracts may allow the ceding of acquisition costs and in certain instances an allocation of administrative expenses. Reinsurance arrangements can also pay an overriding or profit commission.

Notes to the accounts

3. Significant accounting policies (continued)

Consortia share of expenses

Under the terms of certain consortia contracts transferred to the syndicate the participants are required to pay fees to the syndicate. These fees represent a contribution towards the expenses incurred by the syndicate managing the business of the consortia. In addition the consortium arrangements include an entitlement to profit commission based on the performance of the business managed. The syndicate accrues profit commission in accordance with the contractual terms based on the forecast performance of each consortium. Both the accrued consortium fees and accrued profit commission are included as a credit to administrative expenses.

Managing agent's fees

The managing agent charges a management fee based on premium income, this is disclosed in note 19. This expense is recognised over the 12 months following commencement of the underwriting year to which it relates.

Foreign currencies

Transactions in foreign currencies are translated into US Dollars which is the functional currency of the syndicate. Transactions in foreign currencies are translated using the exchange rates at the date of the transactions if significant or otherwise at the appropriate average rates of exchange for the period. The syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as monetary items.

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

The foreign currency translation differences arising on conversion to the presentation currency of Pound Sterling from the US dollar functional currency are recognised in the Statement of Other Comprehensive Income. The balance sheet is converted at the closing exchange rate and the profit and loss account is translated at a quarterly average exchange rate or the exchange rate on the date of a significant transaction.

Pension costs

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

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to member is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year have been included in the balance sheet under the heading 'other debtors'. No provision has been made for any other overseas tax payable by the member on the underwriting results.

Notes to the accounts

4. Risk and capital management

Introduction and overview

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

Material risk profile change

The Risk and capital management framework below has been designed on the basis of the current syndicate 1994 risk profile, which is predominantly made up of 2017 & prior reserves from syndicate 1969 (as well as a small book from syndicate 3330, 2018 & prior years). However, part of the syndicate 1994 business model is to purchase RITC portfolios from third parties, which could include new risks, classes of business, geographical locations or customer types that are not currently covered by the syndicate 1994 risk and capital management framework.

The framework and capital model have therefore designed to be as adaptable as possible in order to minimise the impact should a new portfolio be purchased which is outside of the current framework. However, it is possible that should the portfolio be materially different and of a material size that it could require an update to the existing framework and controls. The Syndicate Management Committee would consider any implications to the broader risk framework as part of the purchase process.

Risk management framework

The primary objective of the syndicate's risk management framework is to protect the syndicate's member from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. All staff providing services to the syndicate are trained to recognise the critical importance of having efficient and effective risk management systems in place.

The Board of Directors of the managing agent has overall responsibility for the establishment and oversight of the syndicate's risk management framework. The Board has established an Audit Committee and a Risk Committee which oversee the operation of the syndicate's risk management framework and review and monitor the management of the risks to which the syndicate is exposed.

ASML has established a risk management function, together with terms of reference for the Board of Directors, its committees and the associated executive management committees which identify the risk management obligations of each. The function is supported by a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers. The framework sets out the risk appetites for the syndicate and includes controls and business conduct standards.

Under the risk management framework, ASML's Risk and Capital Committee oversees the risk management function at an executive level. The management of specific risk grouping is delegated to several executive committees: the Syndicate Management Committee and the Reserving Committee are responsible for developing and monitoring insurance risk management policies; the management of aspects of financial risks is the responsibility of the Finance Committee. In addition, the syndicate is exposed to conduct and operational risks and the management of aspects of these risks is the responsibility of the Syndicate Management Committee and the Operations Committee respectively. Accordingly the risk management function and the Risk and Capital Committee operates as the second line of defence above these committees.

The risk management function reports to each meeting of the Risk Committee on its activities. The Reserving Committee, Syndicate Management Committee, Finance Committee, and Operations Committee report regularly to the Executive Committee and work closely with the risk management function on their activities as well as reporting to the Board of Directors and the relevant non-executive sub committees.

Notes to the accounts

4. Risk and capital management (continued)

The Syndicate 1994 Management Committee meets on a monthly basis. This committee has representation from all the core functions of ASML and Compre, the strategic partner on the syndicate.

Insurance Risk

Management of insurance risk

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

A key component of the management of underwriting risk for the syndicate is a disciplined selection strategy that is focused on writing quality business and not writing for volume. Robust due diligence is conducted, often in partnership with external experts, to support each legacy transaction's investigative, quote, and review stage.

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

The table below shows the gross outstanding claims by the risk location.

Gross outstanding claims analysed by location	2021 £'000
Canada	14,766
UK	6,517
Other EU countries	4,732
US	87,453
Other	18,383
Total	**131,851**

An actuarial reserving analysis is undertaken on a quarterly basis with relevant internal and external expert input. The aim of this exercise is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims and claims on unearned premium. These projections include an analysis of claims development compared to the previous 'best estimate' projections.

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

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate to increase the probability that the reserves are sufficient to meet liabilities.

The level of year end reserves is validated by external consulting actuaries through their report to management and their provision of a Statement of Actuarial Opinion to the managing agency and Lloyd's on gross and net reserves by year of account at 31 December 2021.

Notes to the accounts

4. Risk and capital management (continued)

Sensitivity to insurance risk

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

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

	2021	
	Gross £'000	**Net £'000**
5% movement	6,593	4,333

On a net of reinsurance basis the effects would be more complex depending on the nature of the loss and its interaction with other losses already incurred. The incidence of profit commission payable to intermediaries may also affect the gross and net impact on results and member's balance.

Financial risk

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

The investment management of the short dated fixed income bond portfolio is outsourced to a third party. An investment mandate reflecting the syndicate's risk appetite is in place and has been approved by the Board. Compliance with this is implemented through the investment manager's systems and monitored through the monthly and quarterly reporting process.

Credit risk

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

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

- holdings in collective investment schemes;
- short dated fixed income government and corporate bonds;
- reinsurers' share of insurance liabilities;
- amounts due from intermediaries;
- amounts due from reinsurers in respect of settled claims;
- cash and cash equivalents; and
- other debtors and accrued interest.

Notes to the accounts

4. Risk and capital management (continued)

Management of credit risk

The investment portfolio is invested in securities which are rated BBB or above. The bond portfolio is managed to single issuer limits set by credit rating and there is a limit to the overall exposure to BBB rated securities. The syndicate limits the amount of cash and cash equivalents that can be deposited with a single counterparty and maintains an authorised list of counterparties.

ASML manages reinsurer credit risk by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. The syndicate's exposure to reinsurance counterparties is monitored by the reinsurance team as part of their credit control processes. On a quarterly basis the Finance Committee reviews the credit exposures to reinsurance counterparties.

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

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

Exposure to credit risk

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

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

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

2021	AAA £'000	AA £'000	A £'000	BBB £'000	Not rated £'000	Total £'000
Financial investments	16,897	17,281	18,852	1,036	-	54,066
Reinsurers' share of claims outstanding	-	15,263	29,818	101	-	45,182
Debtors arising out of direct insurance operations	-	-	-	-	174	174
Debtors arising out of reinsurance operations	-	3,695	3,837	5	-	7,537
Cash and cash equivalents	-	-	2,152	3,329	-	5,481
Overseas deposits	3,367	629	1,329	579	940	6,844
Total	**20,264**	**36,868**	**55,988**	**5,050**	**1,114**	**119,284**

Financial assets that are past due or impaired

The financial investments, reinsurers' share of technical provisions, cash and cash equivalents and overseas deposits that are neither past due, nor impaired.

Notes to the accounts

4. Risk and capital management (continued)

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

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

2021	Debtors arising from direct insurance operations £'000	Debtors arising from reinsurance operations £'000
Past due but not impaired financial assets:		
Past due by:		
1 to 90 days	-	1,925
91 to 180 days	-	316
More than 180 days	173	2,516
Past due but not impaired financial assets	173	4,757
Neither past due nor impaired financial assets	1	2,780
Net carrying value	**174**	**7,537**

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

Liquidity risk

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

Management of liquidity risk

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

ASML's approach to managing liquidity risk is as follows:

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

Notes to the accounts

4. Risk and capital management (continued)

The syndicate holds sufficient premium trust funds in money market funds to meet daily liquidity. Holdings in money market funds are well diversified, very liquid and generally low risk. There is, however, a risk that the fund does not have sufficient liquidity to meet all redemptions in extreme conditions. The fixed income short dated government and corporate bond portfolio is relatively liquid and can be realised within a matter of days under normal market conditions.

The syndicate is able to make cash calls from the member to fund losses in the event that funds are needed ahead of closing the year of account.

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

2021	**Carrying amount** **£'000**	Less than 1 year **£'000**	1-2 years **£'000**	2-5 years **£'000**	More than 5 years **£'000**
Financial investments	54,066	29,215	8,351	16,147	353
Reinsurers' share of technical provisions	45,708	15,690	8,515	13,386	8,117
Debtors, prepayments and accrued income	9,097	3,122	1,695	2,664	1,616
Cash and cash equivalents	5,481	5,481	-	-	-
Overseas deposits	6,844	6,844	-	-	-
Total assets	**121,196**	**60,352**	**18,561**	**32,197**	**10,086**
Technical provisions	(134,049)	(46,015)	(24,972)	(39,257)	(23,805)
Creditors	(3,399)	(2,819)	(380)	(200)	-
Accruals and deferred income	(45)	(35)	(8)	(2)	-
Total liabilities	**(137,493)**	**(48,869)**	**(25,360)**	**(39,459)**	**(23,805)**

Market risk

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

Notes to the accounts

4. Risk and capital management (continued)

Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk within the framework set by the managing agent's investment policy.

Management of market risk

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

Interest rate risk

Interest rate risk arises primarily from the syndicate's exposure to financial investments and overseas deposits. Exposure to significant fluctuations in market value due to changes in bond yields is managed through investment in short duration securities; the key risk indicator is set at less than three years. Investment types include short dated fixed income bonds and money market funds.

Profit/(Loss) for the year from total interest rate risk	2021 £'000
Interest rate risk	
Impact of a 50 basis point increase	(185)
Impact of a 50 basis point decrease	185

Currency risk

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

The syndicate writes business primarily in Sterling, Euros, US Dollars and Canadian Dollars and is therefore exposed to currency risk arising from fluctuations in the exchange rates of its functional currency (US Dollars) against these currencies. If a future RITC portfolio is purchased which materially deviated from these currencies or shifted the functional currency of the syndicate away from US Dollars, then the Syndicate Management Committee will consider if new currency stress testing should be conducted.

The foreign exchange policy is to maintain assets in the currency in which the cash flows from liabilities are to be settled in order to hedge the currency risk inherent in these contracts so far as is allowed by regulatory requirements and for any profit or loss to be reflected in the net assets of the functional currency. From time to time, the syndicate may make limited use of foreign exchange derivative instruments to manage future currency cash flow requirements.

Regulatory capital requirements and liquidity impact the ability to match in currency. Regulatory funding requirements are calculated on the basis of gross data and as a result a net currency asset can arise. Net assets in currency is not a direct indication of the liquidity in a currency. The syndicate is able to undertake currency trades either to help match in currency or meet liquidity needs.

Notes to the accounts

4. Risk and capital management (continued)

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

2021	Sterling £'000	Euro £'000	US Dollar £'000	Other £'000	Total £'000
Total assets	7,226	5,011	85,991	22,968	121,196
Total liabilities	(9,975)	(4,414)	(108,522)	(14,582)	(137,493)
Net Assets / (liabilities)	**(2,749)**	**597**	**(22,531)**	**8,386**	**(16,297)**
Exchange rates at 31 December 2021	-	1.1385	1.3535	-	-

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

Profit/(Loss) for the year	2021 £'000
Currency risk	
10 percent strengthening of Sterling against US Dollar	(533)
10 percent weakening of Sterling against US Dollar	436
10 percent strengthening of Euro against US Dollar	(16)
10 percent weakening of Euro against US Dollar	13

Other price risk

The syndicate investments comprise holdings in short dated fixed income government and corporate bonds and money market funds. The bond portfolio is low risk being both short dated and predominantly credit rating A or above with a modest exposure to BBB rated securities and therefore it has limited sensitivity to market movements. A fair value hierarchy is provided in note 12 which categorises the syndicate according to the level of judgement exercised in valuation.

Capital management

Capital framework at Lloyd's

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

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

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

Notes to the accounts

4. Risk and capital management (continued)

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review and approval by Lloyd's. ASML use the Lloyd's benchmark model to calculate the SCR for syndicate 1994 as opposed to adopting a standard formula. The SCR is reviewed and approved by the Board through the Own Risk Solvency Assessment ("ORSA") processes.

The member is liable for their own share of underwriting liabilities on the syndicates on which they. Accordingly, the capital requirements that Lloyd's sets a member; operate on a similar basis. The SCR is based on the member's share of the syndicate's SCR 'to ultimate'.

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

Provision of capital by the member

A member may provide capital to meet their ECA either by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's), assets held and managed within a syndicate (Funds in Syndicate), or as the member's balances on each syndicate on which they participate.

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

Funds at Lloyd's are not under the management of the managing agent are not shown in the syndicate accounts. The managing agent is, however, able to make a call on member's FAL to meet liquidity requirements or to settle underwriting losses if required.

Claims development

The majority of the reserves held by syndicate 1994 (>90%) relate to the transfer of reserves from syndicate 1969 2017 & prior years. The level of reserving uncertainty varies significantly from class to class. The Non-Marine Liability and Marine & Energy Liability classes lengthened the tail of the Syndicate 1969 book as a whole. Whilst Syndicate 1969 wrote a significant book of property business this had a short-tailed risk profile and this business does not make up a significant proportion of the reserves.

Notes to the accounts

4. Risk and capital management (continued)
The table below shows the gross premium by class of business.

Gross claims outstanding by class of business	**2021** **£'000**
Accident and health	6,353
Fire and other damage to property	8,839
Marine, Aviation and transport	4,337
Pecuniary loss	243
Third-party liability	87,230
Reinsurance	24,849
Total	**131,851**

The following loss development table shows the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date for the syndicates reinsured to close. Syndicate 1994 has only been operating for one year and therefore the table reflects the inherited development of the business in the reinsured syndicates. The development is impacted by adjustments in the reserves pre and post the reinsurance to close transaction.

The balances are shown in the year in which the business was originally underwritten and have been translated at exchange rates prevailing at 31 December 2021 in all cases.

Gross claims development as at 31 December 2021:

Pure underwriting year	**2012** **£'m**	**2013** **£'m**	**2014** **£'m**	**2015** **£'m**	**2016** **£'m**	**2017** **£'m**	**2018** **£'m**	**Total** **£'m**
Incurred gross claims								
At end of underwriting year	28.0	37.5	40.1	43.9	63.9	132.5	246.5	
one year later	58.2	71.4	86.7	103.0	163.5	225.6	247.4	
two years later	59.5	73.2	100.1	115.5	201.4	243.7	241.6	
three years later	56.7	71.7	95.5	137.6	215.3	243.4	252.2	
four years later	55.3	70.6	95.3	136.9	215.2	250.9	-	
five years later	55.6	70.9	94.5	136.4	220.8	-	-	
six years later	55.4	70.1	93.1	137.2	-	-	-	
seven years later	55.1	69.8	94.8	-	-	-	-	
eight years later	55.1	70.8	-	-	-	-	-	
nine years later	55.8	-	-	-	-	-	-	
Incurred gross claims	55.8	70.8	94.8	137.2	220.8	250.9	252.2	1,082.5
Less gross claims paid	(54.3)	(69.0)	(88.5)	(107.1)	(183.4)	(204.3)	(244.9)	(951.5)
Gross claims outstanding for 2011 and prior years	0.9	-	-	-	-	-	-	0.9
Gross claims outstanding provision	**2.4**	**1.8**	**6.3**	**30.1**	**37.4**	**46.6**	**7.3**	**131.9**

Notes to the accounts

4. Risk and capital management (continued)

Net claims development as at 31 December 2021:

Pure underwriting year	2012 £'m	2013 £'m	2014 £'m	2015 £'m	2016 £'m	2017 £'m	2018 £'m	Total £'m
Incurred net claims								
At end of underwriting year	26.6	36.3	33.9	33.7	52.7	83.4	226.7	
one year later	51.0	69.2	65.8	82.4	126.9	152.9	229.4	
two years later	52.2	71.6	79.7	95.0	146.7	162.5	225.2	
three years later	51.0	70.2	77.6	104.9	153.3	160.8	234.6	
four years later	50.0	69.2	77.0	103.7	152.2	164.3	-	
five years later	49.7	69.5	76.2	103.9	156.0	-	-	
six years later	49.9	68.7	74.9	104.6	-	-	-	
seven years later	49.6	68.5	76.5	-	-	-	-	
eight years later	49.6	69.3	-	-	-	-	-	
nine years later	50.3	-	-	-	-	-	-	
Incurred net claims	50.3	69.3	76.5	104.6	156.0	164.3	234.6	855.6
Less net claims paid	(49.0)	(67.9)	(71.2)	(89.1)	(134.6)	(129.7)	(228.2)	(769.7)
Net claims outstanding for 2011 and prior years	0.8	-	-	-	-	-	-	0.8
Net claims outstanding provision	**2.1**	**1.4**	**5.3**	**15.5**	**21.4**	**34.6**	**6.4**	**86.7**

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

5. Analysis of underwriting result

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

2021	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expense £'000	Reinsurance balance £'000	Total £'000
Direct insurance:						
Marine, aviation and transport	5,678	5,769	(12,527)	(730)	2,152	(5,336)
Fire and other damage to property	8,286	7,829	(11,823)	361	4,334	701
Third-party liability	65,400	62,756	(103,931)	(414)	41,795	206
Motor	(57)	(52)	12	(6)	29	(17)
Pecuniary loss	199	192	(268)	(4)	64	(16)
	79,506	76,494	(128,537)	(793)	48,374	(4,462)
Reinsurance	20,926	21,749	(40,535)	(3,876)	10,425	(12,237)
	100,432	**98,243**	**(169,072)**	**(4,669)**	**58,799**	**(16,699)**

The designation reflects the class of the original business reinsured to close by the syndicate. Reinsurers' commissions and profit participations are included in the reinsurance balance and disclosed in note 7.

Notes to the accounts

6. Technical provisions

An analysis of the movement in technical provisions is set out below:

	Unearned premiums £'000	Claims outstanding £'000	Total £'000
Gross			
At 1 January 2021	-	-	-
New RITC contracts entered	4,222	152,142	156,364
Movement in provision	(2,033)	(20,381)	(22,414)
Exchange adjustments	9	90	99
At 31 December 2021	**2,198**	**131,851**	**134,049**
Reinsurance			
At 1 January 2021	-	-	-
New RITC contracts entered	1,121	53,221	54,342
Movement in provision	(595)	(8,248)	(8,843)
Exchange adjustments	-	209	209
At 31 December 2021	**526**	**45,182**	**45,708**
Net technical provisions			
At 31 December 2021	**1,672**	**86,669**	**88,341**

7. Net operating expenses

	2021 £'000
Brokerage and commission	(202)
Change in deferred acquisition costs	(349)
Gross acquisition costs	(551)
Administrative expenses	5,305
Member's standard personal expenses	71
Reinsurers' commissions and profit participations	(12)
Consortia share of expenses	(144)
Total	**4,669**

An analysis of the movement in deferred acquisition costs is set out below:	Total £'000
At 1 January 2021	-
New RITC contracts entered	784
Movement in provision	(435)
Exchange adjustments	1
At 31 December 2021	**350**

Notes to the accounts

8. Auditor's remuneration

	2021 £'000
Audit fees	
Fees payable to the syndicate's auditor for the audit of the syndicate's annual financial statements	113
Non-audit fees	
Audit related assurance services	48
	48
Total	**161**

The audit related assurance services were paid to Deloitte LLP for the half year review.

9. Staff costs

The following amounts were charged to the syndicate in respect of salary costs:

	2021 £'000
Wages and salaries	3,659
Social security costs	128
Pension costs	85
Total	**3,872**

The Syndicate and ASML have no employees. Staff are employed by Apollo Partners LLP ("APL") and Compre Services UK Limited and recharged as part of the total costs disclosed in note 19.

10. Emoluments of the directors of the managing agent

For the purposes of FRS 102, the directors of ASML are deemed to be the key management personnel.

For the year ending 31 December 2021, the directors of ASML received remuneration of £141,102 which was charged as a syndicate expense.

Included in the directors' remuneration charged to the syndicate are emoluments paid to the highest paid director amounting to £77,251.

The Active Underwriter is an employee of the Compre Group and there is no specific expense allocation of his emoluments to the syndicate.

Notes to the accounts

11. Investment income

	2021 £'000
Income from investments	203
Gains on realisation of investments	-
Unrealised gains on investments	3
	206
Losses on realisation of investments	(82)
Unrealised losses on investments	(231)
Total	**(107)**

	2021 £'000
Average amount of syndicate funds available for investment during the year (original currency)	
Sterling	1,074
Australian Dollar	3,214
Canadian Dollar	9,613
Euro	1,608
US Dollar	31,707
Total funds available for investment in Pound sterling	**33,195**
Total investment return in Pound Sterling	(107)
Annual investment yield	
Sterling	0.3%
Australian Dollar	0.8%
Canadian Dollar	0.1%
Euro	(0.2)%
US Dollar	(0.5)%
Total annual investment yields	**(0.3)%**

Notes to the accounts

12. Financial assets and liabilities

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

	2021 £'000
Financial assets	
Measured at fair value through profit and loss	
Financial investments	54,066
Measured at cost	
Cash and cash equivalents	5,481
Overseas deposits	6,844
	12,325
Measured at undiscounted amount receivable	
Debtors	7,999
Total financial assets	**74,390**
Financial liabilities	
Measured at cost	
Measured at undiscounted amount payable	
Creditors	(3,399)
Total financial liabilities	**(3,339)**

Financial investments held at fair value were acquired at a cost of £54.3m

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

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

Notes to the accounts

12. Financial assets and liabilities (continued)

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

2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Holdings in collective investment schemes	-	29,215	-	29,215
Debt securities and other fixed income securities	2,986	21,865	-	24,851
Total	**2,986**	**51,080**	**-**	**54,066**

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

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

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

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

The low risk investment portfolio is not subject to significant changes in valuation. Management monitors movements in the valuation of the investment portfolio on a quarterly basis and investigation is undertaken when these are outside of expectations. The short dated fixed income portfolio valuations are provided by the fund manager and compared with valuations provided independently by the custodian.

13. Debtors arising out of direct insurance operations

	2021 £'000
Due within one year	174

Notes to the accounts

14. Debtors arising out of reinsurance operations

	2021 £'000
Due within one year	7,537

15. Cash and cash equivalents

	2021 £'000
Cash equivalents	1,478
Cash at bank and in hand	4,003
Total	**5,481**

16. Overseas deposits

Overseas deposits are advanced as a condition of conducting underwriting business in certain countries and therefore are restricted assets.

17. Creditors arising out of direct insurance operations

	2021 £'000
Due within one year	668

18. Creditors arising out of reinsurance operations

	2021 £'000
Due within one year	2,477

19. Related parties

Apollo completed a corporate reorganisation during 2021, the effect of which was that ASML became a fully owned subsidiary of a new holding company, Apollo Group Holdings Limited ("AGHL"). Prior to 31 August 2021 ASML was a subsidiary of Apollo Partners LLP ("APL"). DCB Ibeson and SAC White, along with other members of the senior underwriting team, were partners of APL, and are shareholders of AGHL. Metacomet LLC, a US incorporated limited company, was a corporate partner of APL and is a shareholder of AGHL.

On 11 October 2021 AGHL agreed an investment by Alchemy Special Opportunities Fund IV LP ("Alchemy"). Alchemy's investment in AGHL was completed on 11 February 2022, following receipt of regulatory approvals.

Notes to the accounts

19. Related parties (continued)

APL employs all Apollo group staff, including underwriters, claims and reinsurance staff. APL provides the services of these staff and its partners to ASML to enable it to function as managing agent for the syndicate. APL also incurs a large proportion of the expenses in respect of operating the syndicate. The cost of these services and expenses are recharged to ASML which in turn recharges these to the syndicate on a basis that reflects its usage of resources, all recharges being without any mark up on cost.

In accordance with the Managing Agent's Agreement, ASML received a managing agent's fee for the management of the Syndicate 3330 business (0.75% of premium income).

Syndicate 1994 underwrote a reinsurance to close of Syndicate 1969, a syndicate managed by ASML. The reinsurance to close of Syndicate 1969 was undertaken by a split reinsurance to close of the 2018 year of account. The liabilities associated with the 2017 and prior years of account were reinsured to Syndicate 1994 therefore transferring the risk associated with the run-off of this business from Syndicate 1969. Balances due for settlement at 31 December 2021 reflect the small levels of ongoing transactions received by Syndicate 1969 but belonging to Syndicate 1994.

Compre Corporate Member 2 Limited is the sole corporate member on Syndicate 1994 and provides the Funds at Lloyd's backing the syndicate. A service management agreement is in place to set out the partnership arrangement and the services and reporting provided to the Compre Group by ASML, and vice versa.

Compre Services UK Limited second the Active Underwriter, Mark Lawson, to the syndicate and undertake a number of functions for the syndicate and make an expense recharge accordingly. Services provided by the Compre Services UK Limited include the underwriting of new legacy business, claims handling, reserving and oversight.

The related transactions and amounts outstanding at the balance sheet date are shown below:

	Syndicate 1969	**ASML**	**Compre Services UK Limited**
	£'000	**£'000**	**£'000**
RITC Premium received	91,504	-	-
Managing agent's fee	-	(71)	-
Expense recharges	-	(1,690)	(3,990)
Investment return	(17)	-	-
Other debtor	206	-	-
Other creditor	-	(287)	-

Hyperion Apollo Limited, a subsidiary of the Howden Group Holdings Limited, was a corporate partner of acquired a minority interest in APL on 31 May 2018 and is a shareholder of AGHL. DCB Ibeson is the Non-Executive Chairman of DUAL International Ltd (an unregulated holding company within the Hyperion Group).