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SYNDICATE 1994

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

AC Winther	(Non-Executive Chair)
FA Buckley	(Non-Executive Director)
SR Davies	(Non-Executive Director)
SE Hill	(Non-Executive Director)
MP Hudson	(Non-Executive Director)
DCB Ibeson	(Chief Executive Officer)
VVV Mistry	
JR Slaughter	

Run-Off Manager
GM Crowley

Bankers
Citibank
Royal Bank of Scotland
Royal Bank of Canada

Registered Auditor
Mazars LLP
Statutory Auditor
30 Old Bailey
London
EC4M 7AU

Report of the directors of the managing agent

The directors of the managing agent (together, “the Board”) present their audited report, which incorporates the strategic review, for Syndicate 1994 (“the syndicate”) for the year ended 31 December 2023.

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 solutions 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 seeking to obtain finality for their capital providers. The syndicate is a strategic partnership with legacy specialist Compre Group. The first year of account (“YoA”) was 2021.

Syndicate 1994 trades through the Society of Lloyd’s (‘’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 (‘’PRA’’). ASML is regulated by the Financial Conduct Authority (‘’FCA’’) and the PRA.

Compre Corporate Member 2 Limited is the sole member on Syndicate 1994 and provides the Funds at Lloyd’s backing the syndicate. A syndicate management agreement is in place that sets out the partnership arrangements and the services and reporting provided by Compre Group (“Compre") and ASML on behalf of the syndicate. Compre second the Run-Off Manager to ASML and undertake the underwriting, core reserving and the majority of claims handling.

Results and key performance indicators

The syndicate recognised $0.6m (2022: $1.1m) of gross premium in 2023. The financial year technical result (including expenses) is a loss of $6.1m (2022: $22.9m loss), predominantly due to unfavourable claims development during the year. This result has been adjusted for a foreign exchange loss of $0.3m (2022: $0.1m profit) to give an overall loss for the financial year of $6.4m (2022: $22.7m loss). These metrics are reported, with commentary, in the quarterly management reporting to the Board and committees.

The syndicate's key financial performance indicators during the year were as follows:

	2023 $’000	Restated 2022 $’000
Net technical provisions	92,108	110,328
Net claims incurred	(6,360)	(18,478)
Total recognised loss in the financial year	(6,376)	(22,738)

Notes
2022 was previously stated in Sterling and has been restated in US Dollars. Further information on this can be found in note 1.

Financial investments, cash and overseas deposits have decreased to $62.5m from $66.1m. Balances have reduced through the year as claims have been settled. Cash calls totalling $25.0m were received during 2023. As a result, the member’s balance deficit has decreased to $26.2m from $44.8m.

Report of the directors of the managing agent

Review of the business

The syndicate has written no new transactions in the 2023 calendar year. The calendar year result therefore reflects an underwriting loss from unfavourable claims movements in respect of two Reinsurance to Close ("RITC") transactions written in 2021: a RITC for the liabilities relating to the 2017 and prior YoAs of Syndicate 1969 and a RITC of the 2018 YoA of Syndicate 3330. Both of these transactions attach to the 2021 YoA of the syndicate. The calendar year result reflects the consistent application of the reserving policy and reserve strengthening in certain classes of the Syndicate 1969 book of business, in particular Non-Marine Liability, US Open Market and Construction sub-classes. There are two large loss reserves on the Construction class which are being continuously monitored.

The total result includes administrative expenses recharged by Compre and ASML. Syndicate expenses reflect the third year of trading and have been allocated to the 2021 YoA as no new transactions were written in 2023.

The syndicate submits an annual legacy business plan to Lloyd's which states that the core focus of the syndicate is mid-market transactions with the intent to grow gradually and carefully and with the aim of underwriting new transactions that meet defined risk appetite and pricing requirements. As a legacy syndicate, both ASML and Compre accept that, in the absence of suitable opportunities, the syndicate may not underwrite any transactions in a particular year.

During the financial year, Compre have actively engaged with brokers and insurers in connection with legacy transactions being brought to market. Whilst the syndicate has been invited to put forward a bid on a number of transactions during 2023, after due consideration and discussion of the risks, it did not proceed to conclusion on any additional transactions. This reflects a robust approach to pricing, including a disciplined approach to triaging potential transactions and undertaking the necessary due diligence to understand and evaluate the risks to the syndicate.

At the end of 2023, the 2021 YoA will be closed with a loss of $51.2m. The balance remaining for collection after $25.0m of cash calls in 2023 is $26.2m. A new 2024 YoA has been formed from 1 January 2024 for any new transactions in the 2024 calendar year and to assume the RITC of the closed 2021 YoA.

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 has reported an investment return of $2.5m (2022: investment loss of $0.7m) for the year. Improved market yields have contributed to the improvement in investment return this year. At the balance sheet date, the managed fixed income portfolio holdings totalled $28.3m (2022: $29.4m).

Capital

The solvency capital requirement for Syndicate 1994 in its first two years of operation was set by the Lloyd's Benchmark Model. During 2022, an internal capital model was developed for Syndicate 1994, which was approved by Lloyd's for capital setting from 2023. The ultimate solvency capital requirement ("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 Lloyd's uplift, is referred to as the Economic Capital Assessment ("ECA").

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

1. All premiums received by syndicates are held in trust as the first resource for settling policyholders' claims;

2. Every member is required to hold capital in trust funds at Lloyd's which are known as Funds at Lloyd's ("FAL"). FAL is intended primarily to cover circumstances where syndicate assets are insufficient to meet participating members' underwriting liabilities. FAL is set with reference to the ECAs of the syndicates that the member participates on. Since member FAL is not under the control of the managing agent, it is not shown in the syndicate accounts. The managing agent is, however, able to make a call on member's FAL to meet liquidity requirements or to settle underwriting losses if required; and

Report of the directors of the managing agent

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 5% of member's capacity on the syndicate.

Going concern

The performance of the syndicate, including the claims deterioration and losses, as detailed in the review of business, has been considered as part of the going concern assessment. A 2024 YoA has been established and has accepted the 2021 YoA reinsurance to close. ASML is satisfied that the syndicate has sufficient financial support, including FAL, to continue in operation as a going concern.

Principal risks and uncertainties

ASML has established an Enterprise Risk Management ("ERM") function for the syndicate with clear terms of reference from the ASML Board and its committees. The ASML Board and its committees review and approve the risk management policies and meet regularly to approve any commercial, regulatory and organisational requirements of these policies.

The syndicate's risk appetites have been agreed as part of the annual run-off plan process and are reviewed when evaluating any new legacy transaction and the capital setting process. The ERM function is also responsible for maintaining the syndicate's Own Risk and Solvency Assessment ("ORSA") processes and provides regular updates to the Board. The syndicate ORSA report is approved by the Board annually.

ASML 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/investment risk. A risk owner has been assigned responsibility for each risk, and it is the responsibility of that individual periodically to assess the impact of the risk and to ensure appropriate risk mitigation procedures and controls are in place and operating effectively. A description of these risks and how they are managed, with appropriate numeric analysis, is set out in note 4 of 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 key risk indicators and has approved the corresponding appetite for each measure. A traffic light indicator is used for monitoring current levels of risk based upon agreed thresholds and tolerances.

Principal risks

As the syndicate acquires portfolios of underwriting business written historically the principal risks faced by the syndicate arise from:

- Insurance operations
    - significant exposure to large claims on expired risks
    - fluctuations in the severity of claims compared with expectations
    - late reporting of claims
    - inadequate reserving
    - inadequate reinsurance protection (including the credit worthiness of major reinsurers)
- Market risk impacts
    - interest rates
    - fixed income bond yield fluctuations
    - changes in exchange rates
- Systemic risks
    - economic and social inflation
    - climate change

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. For Syndicate 1994, the main risks relate to liability risk within the existing legacy portfolios.

Report of the directors of the managing agent

As the syndicate has not written any new business in 2023, and the existing business is relatively mature, the level of exposure to physical and transition risks is relatively limited. 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 ASML does not believe that such a risk is material for the current Syndicate 1994 portfolio. This is an area which continues to be closely monitored.

Management of climate change related risks is shared amongst several executives and ASML's Chief Risk Officer has been given the responsibility for continuing to update the Board on the management of the financial risks of climate change through the ASML Board Risk Committee. ASML has incorporated climate risk within its existing ERM structures, including the addition of climate-related sub-risks which are assessed via the quarterly risk and control self-assessment processes. The ERM team regularly reports to the Risk Committee in relation to performance relative to regulatory expectations.

Inflation

A key emerging and thematic risk for the syndicate is the relatively high inflationary environment and the uncertainty it can bring to forecasting within insurance. An understanding of the impact of inflation (with the specific drivers, economic or legal awards) is important across multiple areas of the syndicate's business including reserving.

The most common ways that inflation impacts insurance is through claims inflation and exposure inflation. As the costs of goods increases the cost of indemnifying a client also increases and therefore underlying exposures can also increase (up to policy limits). Inflation can mean that future claims deviate from historical performance, both in terms of frequency and severity. A general high inflation environment could also have secondary impacts on insurance such as potential to increase a client's propensity to claim, either because a loss is more likely to exceed an excess or because they are under financial strain and require assistance so inflate a claim. Similarly, inflation can drive a gearing effect of pushing claims above an attachment point which they were previously below.

Longer-tail insurance, to which the syndicate is exposed, may also be impacted more significantly by high inflation as the ability to adapt prices may be slower. Inflation is currently thought to be at close to its maximum by the Bank of England and the US Federal Reserve, but should it remain elevated over the next few years that could have a larger impact on long-tail classes.

Economic uncertainty may increase concerns around elevated global inflationary pressures and supply chain issues. The ASML and Compre actuarial teams have worked collaboratively to understand the effects of 'conventional economic' 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 Angus Winther, who is supported by four further non-executive directors and all except Stuart Davies are independent. Julian Cusack and Anthony Hulse resigned from the Board on 30 August 2023 and 7 November 2023 respectively. The Board thanks Julian and Anthony for their years of dedicated service and contribution to building the Apollo group. Angus Winther was appointed as Non-Executive director and Chair on 30 August 2023. David Ibeson is the Chief Executive Officer and there were five further executive directors as at 31 December 2023. James MacDiarmid, Hayley Spink and Simon White resigned from the Board effective 1 January 2024. The Board thanks James, Hayley and Simon for their input and insights over their tenures and notes that they will remain on the ASML Executive Committee reporting into the Board. Taryn McHarg, the Apollo Group Chief Financial Officer, was appointed an executive director by the Board on 1 January 2024, although this appointment is pending regulatory approval.

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, comprising members from ASML and Compre, that is responsible for the day to day running of the syndicate.

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 non-executive directors and with the exception of Stuart Davies, all members of the Audit Committee and Risk Committee are independent. All members of the Remuneration and Nominations Committee are independent.

Report of the directors of the managing agent

Section 172 statement

The directors adopt the responsibilities to promote the success of the syndicate as if s172 of the Companies Act 2006 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, 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 syndicate; the assessment and raising of capital; communications with capital providers; and changes to Board composition. The Board considers that the interests of all stakeholders were aligned for these decisions.

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 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, with these relationships being 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.

Apollo's stated purpose is "Enabling a resilient and sustainable world". Through 2023 we continued our work to develop and document our Environmental, Social and Governance ("ESG") principles and standards and assess our current business model against these standards. There is a defined referral process for underwriting portfolios to adhere to our ESG appetite and manage potential reputational risk. ESG considerations are integrated into the design of the investment strategy and asset allocation decisions, and ongoing attention given to staff engagement, particularly around Diversity, Equity & Inclusion (''DEI''). Further work on ESG activities will continue through 2024.

We have put in place arrangements to assist in managing the financial risks and opportunities associated with the effects of climate change and to ensure adequate oversight and control of this area in relation to reserving, investment management and operations. The business meets the requirements for PRA Supervisory Statement 3/19. Whilst the Chief Risk Officer retains overall accountability for coordinating the approach to managing this risk within ASML, the responsibility is allocated to relevant managers of each business area. Further developments to ensure appropriate management of these risks and opportunities will continue through 2024.

Staff matters

ASML's people are a key asset and their attraction, retention and development are fundamental to the success of the business. The syndicate commits to positive employee engagement through effective communication, recognition, development opportunities and a continued focus on DEI and mental wellbeing.

ASML acts as a single team where employees have mutual respect and enjoy working in a collaborative, hybrid environment. Our shared values enable a strong ''speak up'' and "no blame" culture and relevant channels allow employees to raise concerns ensuring a safe and supportive workplace that complies with relevant legislation. Compensation, benefits and terms offered to employees as part of their overall remuneration package remain competitive with the London Market insurance industry and employees are provided with opportunities to develop their skills, capabilities and careers whilst at ASML.

Business operations

ASML aims to maintain a lean, efficient operating model utilising technology and outsourcing arrangements enabling flexibility and scalability to meet the demands of the business. We continue to invest in resources across the business in order to ensure that there is an effective operating model and robust three lines of defence activities.

Lloyd's Market Blueprint Two initiatives offer several processing efficiency gains for the market, and we believe we are well positioned to adopt the new digital services to maximise the benefit to ASML, its syndicates and its capital providers. ASML continues to successfully maintain a hybrid working environment with all employees able to work effectively, both remotely and from the office, with suitable access to business systems.

Aligned with the FCA's and PRA's Operational Resilience and Third Party Oversight policies, Apollo maintains a disciplined approach to 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 the integrity of our business.

Report of the directors of the managing agent

Environmental, Social and Governance

The syndicate's ESG strategy is driven by the ASML Board in consultation with Compre, who also have their own group ESG strategy.

During 2022 ASML published its first Board approved ESG strategy on its website and an update to the strategy was approved in August 2023. The ESG strategy covers a variety of internal and external targets and aligns with the Apollo Vision statement as well as Apollo's purpose; "Enabling a resilient and sustainable world".

The ASML Board drives the overall ESG strategy. The Board and Executive are actively engaged in embedding ESG considerations throughout the governance structures within ASML. ASML's ESG Committee, which reports directly to the Executive Committee, coordinates the majority of ESG-related activities within ASML. It seeks to identify areas of improvement as well as to ensure progress against the ESG Strategy set by the ASML Board. The Apollo Strategic Partner Syndicates ("SPS") Head of Performance is also a member of this group to ensure an alignment of approach and values between ASML and Compre relating to Syndicate 1994.

From an environmental perspective ASML is committed to a long-term sustainable approach to protecting the environment, as well as socially responsible underwriting and sustainable investing. This now includes specific ESG related underwriting risk appetites and investment appetites which were implemented during 2022 and a public commitment to be, in the short term, carbon neutral for emissions that are within ASML's control (for Scope 1 & 2 emissions). ASML is also seeking to support clients and partners as they transition to a low carbon sustainable economy.

At ASML, 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. ASML operates a zero-tolerance policy to bullying and harassment and all forms of discrimination. This includes, but is not limited to, 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 provides staff with DEI training including inclusive hiring manager training and inclusive leadership training. ASML sponsors and supports six Lloyd's market inclusion networks and has nominated "Inclusion Champions" who each represent ASML and provide links back to the business. All employees are given access to mental health and wellbeing tools via an independent partner organisation.

ASML monitors various ESG metrics across multiple business areas. These include carbon emission data across scopes 1, 2 and some elements of 3 (scope 1 & 2 emissions are those directly produced by ASML and scope 3 are indirect emissions) as well as recycling, gender and racial diversity information, employee satisfaction and governance metrics. This information will be utilised over time to ensure ASML makes progress with its broader ESG Strategy.

Compre has worked closely with the syndicate's investment managers, Goldman Sachs Asset Management, to embed ESG initiatives within its investment guidelines and revised guidelines have been approved by Compre Group's Investment Committee. An exclusions matrix has been added to the investment guidelines as part of its investments screening for all new investments as well as establishing minimum holdings in Green, Sustainable, Social Bonds (GSS Bonds). Exclusions depending on the sectors are either absolute or revenue triggers depending on the sectors.

From a gender perspective, the ratio of female to male Board directors is 27%:73% at year-end 2023 (25%:75% at year-end 2022). Following the recent changes to the Board in 2024 the ratio of female to male Board directors is 33%:67%. For the Executive Committee and direct reports (excluding executive assistants) the ratio is 32%:68% at Q4 2023 (2022: 27%:73%). Within the overall business the ratio of female to male employees is 40%:59%, 1% prefer not to say (2022: 35%:65%).

ASML will continue to develop its ESG strategy in 2024 with the assistance of external specialists, ensuring ESG remains integral to our purpose and values.

Report of the directors of the managing agent

Directors and directors' interests
The directors who held office at the date of signing this report are shown on page 2. The Directors' do not have an interest in Syndicate 1994.

Events after the balance sheet date
The Board has considered events after the balance sheet date which, by their nature, are material to the syndicate and no items have been identified for disclosure.

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.

Future developments
The focus for the 2024 business plan is writing RITC and other legacy reinsurance transactions in the future.

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

Approved by the Board.

DCB Ibeson
Chief Executive Officer
27 February 2024

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 2023 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 2023 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 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 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 managing agent is 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.

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.

Independent auditor's report to the member of Syndicate 1994

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 10, 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 the syndicate annual accounts.

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

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 the insurance sector in which it operates, we considered that non-compliance with the following laws and regulations might have a material effect on the syndicate annual accounts: permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority, and regulations set by the Council of Lloyd's.

Independent auditor's report to the member of Syndicate 1994

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 the 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;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- 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.

We also considered those laws and regulations that have a direct impact on the preparation of the syndicate annual accounts such as United Kingdom Generally Accepted Accounting Practice, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

In addition, we evaluated the directors' and management of the managing agent's and the syndicate management's incentives and opportunities for fraudulent manipulation of the syndicate annual accounts, including the risk of management override of controls and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the valuation of the claims outstanding, specifically incurred but not reported, 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;
- Addressing the risks of fraud through management override of controls by performing journal entry testing;
- Reviewing the accounting estimate in relation to valuation of Claims outstanding, specifically Incurred but not reported ('IBNR') for evidence of management bias; and
- Designing audit procedures to incorporate unpredictability around nature, timing or extent of our 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.

Use of the audit report

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

Bill Schiller (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU
27 February 2024

Profit and loss account
for the year ended 31 December 2023

Technical account – general business	Notes	2023 $'000	Restated 2022 $'000
Gross premiums written	5	627	1,091
Outward reinsurance premiums		(327)	(1,253)
Net premiums written		300	(162)
Change in the provision for unearned premiums:			
Gross amount	6	691	1,813
Reinsurers' share	6	(125)	(477)
Change in the net provision for unearned premiums		566	1,336
Earned premiums, net of reinsurance		**866**	**1,174**
Allocated investment return transferred from the non-technical account	11	**2,470**	**(717)**
Claims paid			
Gross amount		(36,626)	(43,873)
Reinsurers' share		11,930	19,645
Net claims paid		(24,696)	(24,228)
Change in the provision for claims outstanding			
Gross amount	6	28,894	14,184
Reinsurers' share	6	(10,558)	(8,434)
Change in the net provision for claims		18,336	5,750
Claims incurred, net of reinsurance		**(6,360)**	**(18,478)**
Net operating expenses	7	(3,030)	(4,847)
Balance on the technical account – general business		**(6,054)**	**(22,868)**

All operations relate to continuing activities.

The notes on pages 20 to 44 form an integral part of these annual accounts.

Profit and loss account
for the year ended 31 December 2023

Non-technical account	Notes	2023 $'000	Restated 2022 $'000
Balance on the technical account – general business		**(6,054)**	**(22,868)**
Investment return	11	2,470	(717)
Allocated investment return transferred to the technical account – general business		(2,470)	717
(Loss)/Gain on foreign exchange		(322)	130
Loss for the financial year		**(6,376)**	**(22,738)**

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

Statement of changes in member's balances
for the year ended 31 December 2023

	2023 $'000	Restated 2022 $'000
Member's balance brought forward at 1 January	**(44,796)**	**(22,058)**
Loss for the financial year	(6,376)	(22,738)
Open year cash calls	25,000	-
Member's balance carried forward at 31 December	**(26,172)**	**(44,796)**

Balance sheet
at 31 December 2023

Assets	Notes	2023 $'000	Restated 2022 $'000
Investments			
Financial investments	4,12	54,327	49,392
Reinsurers' share of technical provisions			
Provision for unearned premiums	6	102	233
Claims outstanding	6	41,681	52,101
		41,783	52,334
Debtors			
Debtors arising out of direct insurance operations	13	2,323	749
Debtors arising out of reinsurance operations	14	4,692	3,038
Other debtors	15	2,362	243
		9,377	4,030
Other assets			
Cash and cash equivalents	16	3,374	8,700
Overseas deposits	17	4,791	7,936
		8,165	16,636
Prepayments and accrued income			
Deferred acquisition costs	7	62	174
Accrued interest and rent		149	106
Other prepayments and accrued income		327	326
		538	606
Total assets		**114,190**	**122,998**

Balance sheet
at 31 December 2023

Liabilities	Notes	2023 $'000	Restated 2022 $'000
Capital and reserves			
Member's balances		(26,172)	(44,796)
Technical provisions			
Provision for unearned premiums	6	459	1,138
Claims outstanding	6	133,432	161,524
		133,891	162,662
Creditors			
Creditors arising out of direct insurance operations	18	2,416	738
Creditors arising out of reinsurance operations	19	3,952	4,099
Other creditors	20	74	287
		6,442	5,124
Accruals and deferred income		29	8
Total liabilities		**140,362**	**167,794**
Total liabilities and member's balances		**114,190**	**122,998**

The annual accounts on pages 14 to 44 were approved by the Board of Apollo Syndicate Management Limited and were signed on its behalf by:

DCB Ibeson
Chief Executive Officer
27 February 2024

Statement of cash flows
for the year ended 31 December 2023

	Notes	2023 $'000	Restated 2022 $'000
Cash flows from operating activities			
Operating loss for the financial year		(6,376)	(22,738)
Adjustments for:			
Decrease in gross technical provisions		(28,771)	(18,777)
Decrease in reinsurers' share of technical provisions		10,551	9,532
(Increase)/decrease in debtors		(5,347)	4,151
Increase in creditors		1,318	3,171
Increase in other assets / liabilities		90	826
Investment return		(2,470)	717
Net cash outflow from operating activities		**(31,005)**	**(23,118)**
Cash flows from investing activities			
Purchase of equity and debt instruments		(39,639)	(81,404)
Proceeds from sale of equity and debt instruments		35,584	105,193
Investment income received/(paid)		1,649	(674)
Decrease in overseas deposits		3,145	1,327
Other		(60)	(43)
Net cash inflow from investing activities		**679**	**24,399**
Cash flows from financing activities			
Open year cash calls		25,000	-
Net (decrease)/increase in cash and cash equivalents		**(5,326)**	**1,281**
Cash and cash equivalents at 1 January		8,700	7,419
Cash and cash equivalents at 31 December	**16**	**3,374**	**8,700**

Notes to the accounts

1. Basis of preparation

Syndicate 1994 is managed by ASML. The address of the syndicate's managing agent, Apollo Syndicate Management Limited, 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, Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and Financial Reporting Standard 103 Insurance Contracts ("FRS 103") issued by the Financial Reporting Council.

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

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

From 1 January 2023 the syndicate has changed its presentation currency from Sterling to US Dollars. Comparatives have been restated in US Dollars. The syndicate predominantly pays claims denominated in US Dollars and alignment of the reporting currency with the US Dollars functional currency will improve comparability between years and reduce the volatility in the reported results. The 2022 member's balances have been restated from opening of £16,297,000 to $22,058,000 (using the opening foreign exchange rate of $1.35) and closing of £37,019,000 to $44,796,000 (using the closing foreign exchange rate of $1.21). The 2022 loss for the financial year has been restated from £20,772,000 to $22,738,000 (using the foreign exchange rates prevailing during the year). All amounts have been rounded to the nearest thousand and are stated in US Dollars 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 YoAs. 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. Several of the estimates are based on actuarial assumptions underpinned by historical experience, market data 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 where the revision affects only that period, and in future periods where the revision affects both current and future periods.

Critical judgements in applying the syndicate's accounting policies

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), in the process of applying the syndicate's accounting policies.

Key sources of estimation uncertainty

The key assumptions 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 relate principally to claims outstanding, in particular the provision for 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 recoveries requires assumptions to be made about the future that have a 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 and a confidence margin. 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 generally 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 applied by the managing agent's in-house actuaries in conjunction with the Compre actuarial team. These techniques normally involve projecting the development of claims over time based on past experience to form a view of the likely ultimate claims to be expected. Where there is limited prior experience of the specific business written, considerable use is made of information obtained in the course of pricing individual risks accepted and experience of analogous business. 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 to claims provisions are that the past is a reasonable indicator of the likely level of claims development in the future, that the notified claims estimates are reasonable and that the rating, inflation and other models used for current business are based on fair reflections of the likely level of ultimate claims to be incurred. The level of uncertainty with regard to the estimations within these provisions generally decreases with the length of time elapsed since the underlying contracts were on risk. The reserving uncertainty will be greatest for liability business which is described as long-tail, reflecting the time it takes for losses to be identified by claimants and settled.

The reserve setting process is integrated into Apollo's governance framework. The proposed best estimate reserves are reviewed in detail by the Reserving Committee on a quarterly basis and a confidence margin 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. The ultimate liability will vary as a result of subsequent information and events, which may result in significant adjustments to the amounts provided. The estimate of the provision for claims outstanding will develop over time and the estimated claims expense will continue to change until all the claims are paid. The historical development of claims incurred estimates is set out in the loss development triangles by the inherited pure YoA in note 4. The adjustment in the current year for the revision to the prior year estimate of the provision for claims outstanding is disclosed in note 6.

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.

RITC received from a third party syndicate

When the syndicate accepts a RITC premium from another syndicate it records the premium and associated claims movements in the technical account and the assets and liabilities transferred in the balance sheet at fair value on the date the RITC agreement is effective. Any unearned gross and reinsurance premiums included in the RITC transaction are deferred and earned over the remaining lives of the relevant contracts. The RITC transaction has no impact on the syndicate's profit or net assets at the time it is first recorded.

Gross premiums written

Gross premiums written comprise third party RITC premiums received from contracts completed during the financial year and subsequent adjustments to premiums on policies transferred under RITC contracts.

Gross premium adjustments include changes made in the year to pipeline premium estimates, including amounts due to the syndicate not yet received or notified, for polices transferred under RITC 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 RITC 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.

Notes to the accounts

3. Significant accounting policies (continued)

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 using a time apportionment earnings pattern reflecting the risk profile of the underlying policies.

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

Claims provisions and related recoveries

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

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

The provision for claims outstanding is assessed on an individual case by case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of IBNR claims as well as claims incurred but not enough reported ("IBNER") and a confidence margin above best estimate.

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 for risk management purposes in line with the investment strategy. When derivatives are determined to be liabilities, they are reported within 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 amortised cost. The syndicate does not hold any non-current debt instruments.

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 2A.1 - 2A.6 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). More information on the hierarchy is included in note 12.

Impairment of financial instruments measured at amortised cost

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

Where indicators exist for a reversal in impairment loss, and the reversal 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.

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.

Notes to the accounts

3. Significant accounting policies (continued)

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 (net of transaction costs).

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their net 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 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.

Managing agent's fees

The managing agent charges a management fee based on premium income; this is disclosed in note 21. This expense is recognised over the 12 months following commencement of the underwriting year to which it relates. In the absence of a new legacy transaction attaching to a YoA (as is the case for the 2023 YoA in calendar year 2023) the management fee will be charged as 5% of total managing agency expenses.

Foreign currencies

Transactions in foreign currencies are translated into US Dollars which is the functional and presentational currency of the syndicate. Transactions in foreign currencies are translated using the exchange rates at the date of the transactions 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. All assets and liabilities arising from insurance contracts are treated as monetary items. 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 amortised cost are translated to the functional currency at the exchange rate on the transaction date. 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.

Notes to the accounts

3. Significant accounting policies (continued)

Pension costs

ASML 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 the 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 on behalf of the member 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.

4. Risk and capital management

Introduction and overview

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

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

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 relating to the 2014 & prior pure years). However, 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 been 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. 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.

Enterprise Risk Management framework

The ASML ERM framework has been adopted and embedded by the syndicate. The primary objective of the ERM framework is to protect the syndicate's member from events that could impede sustainable growth and achievement of consistent financial performance, including failing to maximise opportunities through informed and appropriate risk taking. All staff providing services to the syndicate are trained to recognise the critical importance of having efficient and effective ERM systems in place.

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

Notes to the accounts

4. **Risk and capital management (continued)**

ASML has established an ERM function, together with terms of reference for the Board, 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 authorities and responsibilities from the Board to Executive Management Committees and senior managers using a standard ‘three lines of defence’ model. The framework sets out the risk appetites for the syndicate and includes controls and business conduct standards.

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

The ERM function reports quarterly to the ASML Board and Risk Committee on its activities during the quarter and provides a forward-looking view of the upcoming assurance activities. The Reserving Committee, Underwriting Committee, Finance Committee, and Operations and Change Committee report regularly to the Executive Committee and work closely with the ERM function on their activities as well as reporting to the Board and the relevant Board committees. 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.

Climate risk relates to the range of complex physical, transition and liability risks arising from climate change. This includes the risk of higher claims due to more frequent and more intense natural catastrophes; the financial risks which could arise from the transition to a lower-carbon economy; and the risk that those who have suffered loss from climate change might then seek to recover those losses from others who they believe may have been responsible. Climate change-related risk is not considered a standalone risk, but a cross-cutting risk with potential to amplify each existing risk type. Specific climate sub-risks are incorporated into the quarterly ERM processes to ensure they receive appropriate attention.

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.

Notes to the accounts

4. Risk and capital management (continued)

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

Gross outstanding claims analysed by location	2023 $'000	Restated 2022 $'000
Canada	4,801	9,478
EU	4,808	6,442
UK	7,749	7,383
US	104,253	108,885
Other	11,821	29,336
Total	**133,432**	**161,524**

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.

In arriving at the level of claims provisions a confidence margin is applied over and above the actuarial best estimate to increase the probability that the reserves are sufficient to meet liabilities. This considers the risks associated with the business and inflation.

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 YoA at 31 December 2023.

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

	2023		Restated 2022	
	Gross $'000	**Net $'000**	**Gross $'000**	**Net $'000**
10% increase in claims	(13,343)	(9,175)	(16,152)	(10,942)
10% decrease in claims	13,343	9,175	16,152	10,942

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

Notes to the accounts

4. Risk and capital management (continued)

Financial risk

The financial risk faced by the syndicate is managed by 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. ASML currently implements a relatively low-risk investment policy 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 ASML's risk appetite is in place and has been approved by the Board. Compliance with this is controlled 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.

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 through outwards reinsurance purchase guidelines. The guidelines place limits on exposure to a single counterparty, the credit rating of the counterparty, and the counterparty's market reputation and recent performance. 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 against the terms of business agreements by the compliance function. The status of intermediary debt collection is reported to the Finance Committee.

Exposure to credit risk

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

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

Debtors arising out of direct and reinsurance operations are comprised of pipeline premiums 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.

Notes to the accounts

4. Risk and capital management (continued)

2023	AAA $'000	AA $'000	A $'000	BBB $'000	Not rated $'000	Total $'000
Financial investments	11,427	18,635	23,697	568	-	54,327
Reinsurers' share of claims outstanding	-	588	40,084	213	796	41,681
Debtors arising out of direct insurance operations	-	-	-	-	2,323	2,323
Debtors arising out of reinsurance operations	-	638	4,042	12	-	4,692
Cash and cash equivalents	-	-	3,374	-	-	3,374
Overseas deposits	2,795	418	392	344	842	4,791
Total	**14,222**	**20,279**	**71,589**	**1,137**	**3,961**	**111,188**

Restated 2022	AAA $'000	AA $'000	A $'000	BBB $'000	Not rated $'000	Total $'000
Financial investments	18,043	933	29,512	904	-	49,392
Reinsurers' share of claims outstanding	20	7,100	44,763	218	-	52,101
Debtors arising out of direct insurance operations	-	-	-	-	749	749
Debtors arising out of reinsurance operations	-	937	2,096	5	-	3,038
Cash and cash equivalents	-	-	8,700	-	-	8,700
Overseas deposits	4,406	1,073	861	641	955	7,936
Total	**22,469**	**10,043**	**85,932**	**1,768**	**1,704**	**121,916**

Financial assets that are past due or impaired

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

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

Notes to the accounts

4. Risk and capital management (continued)

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

2023	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	-	1,195
91 to 180 days	-	452
More than 180 days	2,252	133
Past due but not impaired financial assets	2,252	1,780
Neither past due nor impaired financial assets	71	2,912
Net carrying value	**2,323**	**4,692**

Restated 2022	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	7	777
91 to 180 days	-	114
More than 180 days	737	340
Past due but not impaired financial assets	744	1,231
Neither past due nor impaired financial assets	5	1,807
Net carrying value	**749**	**3,038**

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

Liquidity risk

Liquidity risk is the risk that the syndicate's assets are insufficient to fund the obligations arising from its insurance contracts and financial liabilities as they fall due or can only be met by incurring additional costs. The syndicate is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts and its ongoing expenses.

Notes to the accounts

4. Risk and capital management (continued)

Management of liquidity risk

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

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.
- liquidity stress testing is performed for the syndicate, looking both at cash flow liquidity and shock loss scenarios.

The syndicate holds sufficient premium trust funds in cash, US treasuries, and a Euro money market fund, 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 Euro money market 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 Compre Corporate Member 2 Limited, to fund losses in the event that funds are needed ahead of closing the YoA. In extreme circumstances, ASML Syndicates could also apply to utilise the Lloyd's Central Fund as a last resort to pay liabilities.

The maturity analysis presented in the table below shows the remaining contractual maturities for the syndicate's insurance contracts and syndicate's 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 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.

2023	Carrying amount $'000	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Technical provisions	(133,891)	(56,002)	(22,302)	(39,791)	(15,796)
Creditors	(6,442)	(6,442)	-	-	-
Accruals and deferred income	(29)	(29)	-	-	-
Total liabilities	**(140,362)**	**(62,473)**	**(22,302)**	**(39,791)**	**(15,796)**

Notes to the accounts

4. Risk and capital management (continued)

Restated 2022	Carrying amount $'000	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Technical provisions	(162,662)	(58,687)	(38,590)	(55,168)	(10,217)
Creditors	(5,124)	(3,954)	(890)	(280)	-
Accruals and deferred income	(8)	(6)	(2)	-	-
Total liabilities	**(167,794)**	**(62,647)**	**(39,482)**	**(55,448)**	**(10,217)**

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.

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

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

Interest rate risk
Interest rate risk arises primarily from the syndicate's 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	2023 $'000	Restated 2022 $'000
Interest rate risk		
Impact of a 200 basis point increase	(1,033)	(931)
Impact of a 200 basis point decrease	1,033	931

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 liabilities are primarily in Sterling, Euros, US Dollars, Australian 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 management will consider if new currency stress testing should be conducted.

Notes to the accounts

4. Risk and capital management (continued)

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. Occasionally, 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 are 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.

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

2023	Sterling $'000	Euro $'000	US Dollar $'000	Other $'000	Total $'000
Total assets	4,972	1,793	95,084	12,341	114,190
Total liabilities	(5,963)	(3,910)	(121,941)	(8,548)	(140,362)
Net assets/(liabilities)	**(991)**	**(2,117)**	**(26,857)**	**3,793**	**(26,172)**
Exchange rates at 31 December 2023	1.2731	1.1531	-	-	-

Restated 2022	Sterling $'000	Euro $'000	US Dollar $'000	Other $'000	Total $'000
Total assets	4,286	3,159	95,720	19,833	122,998
Total liabilities	(7,259)	(5,825)	(142,504)	(12,206)	(167,794)
Net assets/(liabilities)	**(2,973)**	**(2,666)**	**(46,784)**	**7,627**	**(44,796)**
Exchange rates at 31 December 2022	1.2101	1.1281	-	-	-

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	2023 $'000	Restated 2022 $'000
Currency risk		
20% strengthening of Sterling against US Dollar	(248)	(743)
20% weakening of Sterling against US Dollar	165	496
20% strengthening of Euro against US Dollar	(529)	(667)
20% weakening of Euro against US Dollar	353	444

Notes to the accounts

4. Risk and capital management (continued)

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 relatively 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.

The money market funds are near cash and therefore have minimal exposure 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

Lloyd's is a regulated undertaking and subject to supervision by the 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 complies 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 respectively at overall and member level only, not at syndicate level. Accordingly, the capital requirement in respect of the syndicate's member is not disclosed in these annual accounts.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its 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 uses an approved internal 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 ORSA processes and an independent annual internal model validation process.

The member is liable for its own share of underwriting liabilities on the syndicates on which it participates. 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 the SCR, 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.

Notes to the accounts

4. Risk and capital management (continued)

Claims development

The majority of the reserves held by Syndicate 1994 (>90%) relate to the transfer of reserves from Syndicate 1969's 2017 & prior YoAs. The level of reserving uncertainty varies significantly from class to class. The Third Party Liability class, which comprises both Non-Marine Liability and Marine & Energy Liability books, 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.

The table below shows the gross claims outstanding by class of business.

Gross claims outstanding by class of business	2023 $'000	Restated 2022 $'000
Accident and health	5,919	6,839
Fire and other damage to property	3,794	5,157
Marine, Aviation and transport	2,060	8,656
Third-party liability	103,334	122,210
Reinsurance	18,325	18,662
Total	**133,432**	**161,524**

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 three years 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 2023 in all cases.

Gross claims development as at 31 December 2023:

Pure underwriting year	2013 $'m	2014 $'m	2015 $'m	2016 $'m	2017 $'m	2018 $'m	Total $'m
Gross claims*							
At end of underwriting year	50.4	53,8	58.8	85.5	178.6	313.9	
one year later	95.8	116.6	138.5	219.7	303.9	315.0	
two years later	98.4	134.4	155.3	270.6	328.3	307.6	
three years later	96.2	128.3	185.2	289.6	328.0	321.0	
four years later	94.7	128.0	184.3	289.5	341.5	317.5	
five years later	95.1	126.9	183.5	299.5	360.9	316.7	
six years later	94.1	125.0	186.7	308.8	377.4	-	
seven years later	93.7	127.7	186.9	303.6	-	-	
eight years later	95.1	128.7	185.4	-	-	-	
nine years later	96.3	130.0	-	-	-	-	
ten years later	96.0	-	-	-	-	-	
Gross claims	96.0	130.0	185.4	303.6	377.4	316.7	1,409.1
Less gross claims paid*	(94.5)	(126.2)	(170.1)	(265.2)	(310.7)	(310.8)	(1,277.5)
Gross claims outstanding for 2012 and prior years	1.8	-	-	-	-	-	1.8
Gross claims outstanding provision	3.3	3.8	15.3	38.4	66.7	5.9	133.4

*Includes inherited development of the business in the reinsured syndicates.

Notes to the accounts

4. Risk and capital management (continued)

Net claims development as at 31 December 2023:

Pure underwriting year	2013 $'m	2014 $'m	2015 $'m	2016 $'m	2017 $'m	2018 $'m	Total $'m
Net claims*							
At end of underwriting year	48.8	45.5	45.1	70.5	112.4	288.6	
one year later	92.9	88.4	110.8	170.4	205.8	292.1	
two years later	96.1	107.0	127.8	197.0	218.8	286.6	
three years later	94.2	104.3	141.2	206.0	216.6	299.7	
four years later	92.9	103.4	139.6	204.6	217.6	296.4	
five years later	93.4	102.3	139.7	205.3	228.1	296.3	
six years later	92.2	100.6	142.2	212.4	246.8		
seven years later	92.0	103.1	141.2	215.1			
eight years later	93.2	104.2	143.3				
nine years later	94.5	105.5					
ten years later	94.3						
Net claims*	94.3	105.5	143.3	215.1	246.8	296.3	1,101.3
Less net claims paid	(92.9)	(102.5)	(132.1)	(191.8)	(201.2)	(290.7)	(1,011.2)
Net claims outstanding for 2012 and prior years	1.7	-	-	-	-	-	1.7
Net claims outstanding provision	**3.1**	**3.0**	**11.2**	**23.3**	**45.6**	**5.6**	**91.8**

*Includes inherited development of the business in the reinsured syndicates.

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:

2023	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	44	93	115	(141)	(16)	51
Fire and other damage to property	269	566	(2,024)	(249)	(30)	(1,737)
Third-party liability	(17)	(35)	(5,817)	(2,111)	1,180	(6,783)
Motor	3	5	(1)	(1)	(2)	1
Pecuniary loss	1	1	0	(5)	-	(4)
	300	630	(7,727)	(2,507)	1,132	(8,472)
Reinsurance	327	688	(5)	(523)	(212)	(52)
	627	1,318	(7,732)	(3,030)	920	(8,524)

Commission on direct insurance gross premiums written during 2023 was $36,000 (2022: $226,000).

Notes to the accounts

5. Analysis of underwriting result (continued)

Restated 2022	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	2	4	759	(5)	300	1,058
Fire and other damage to property	107	285	21	(542)	1,731	1,495
Third-party liability	239	637	(33,780)	(1,881)	7,192	(27,832)
Motor	7	19	(16)	(24)	3	(18)
Pecuniary loss	-	-	329	-	102	431
	355	945	(32,687)	(2,452)	9,328	(24,866)
Reinsurance	736	1,959	2,998	(2,395)	153	2,715
	1,091	**2,904**	**(29,689)**	**(4,847)**	**9,481**	**(22,151)**

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.

6. Technical provisions

No new business was written during 2023 and therefore the net claims incurred of $6.4m (2022: $18.5m) represents a deterioration in the claims reserves established at the prior year end.

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

	Unearned premiums $'000	Claims outstanding $'000	Total $'000
Gross			
At 1 January 2023	1,138	161,524	162,662
Exchange adjustments	12	802	814
Movement in provision	(691)	(28,894)	(29,585)
At 31 December 2023	**459**	**133,432**	**133,891**
Reinsurance			
At 1 January 2023	233	52,101	52,334
Exchange adjustments	(6)	138	132
Movement in provision	(125)	(10,558)	(10,683)
At 31 December 2023	**102**	**41,681**	**41,783**
Net technical provisions			
At 31 December 2023	**357**	**91,751**	**92,108**
At 31 December 2022 (Restated)	**905**	**109,423**	**110,328**

Notes to the accounts

7. Net operating expenses

	2023 $'000	Restated 2022 $'000
Brokerage and commission	(130)	(213)
Change in deferred acquisition costs	114	298
Gross acquisition costs	(16)	85
Administrative expenses	3,303	4,686
Member's standard personal expenses	113	164
Reinsurers' commissions and profit participations	(225)	2
Consortia share of expenses	(145)	(90)
Total	**3,030**	**4,847**

An analysis of the movement in deferred acquisition costs is set out below:	2023 $'000	Restated 2022 $'000
At 1 January	174	475
Movement in provision	(114)	(298)
Exchange adjustments	2	(3)
At 31 December	**62**	**174**

8. Auditor's remuneration

	2023 $'000	Restated 2022 $'000
Audit fees		
Fees payable to the syndicate's auditor for the audit of the syndicate's annual financial statements	261	193
Non-audit fees		
Audit related assurance services	68	63
Total	**329**	**256**

Notes to the accounts

9. Staff costs

All staff are employed by a related company of ASML and Compre. The following amounts were incurred by the syndicate in respect of salary costs:

	2023 $'000	Restated 2022 $'000
Wages and salaries	2,139	3,004
Social security costs	231	238
Pension costs	133	129
Total	**2,503**	**3,371**

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 21.

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 2023, the directors of ASML received remuneration of $81,000 (2022: $196,000) 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 $60,000 (2022: $59,000).

The Run-Off Manager, and previously the Active Underwriter, are employees of the Compre Group seconded to ASML and there is no specific expense allocation of their emoluments to the syndicate.

11. Investment income

	2023 $'000	Restated 2022 $'000
Income from investments	1,494	872
Gains / (losses) on realisation of investments	156	(419)
Unrealised gains / (losses) on investments	881	(1,127)
Investment management expenses	(61)	(43)
Total	**2,470**	**(717)**

Notes to the accounts

11. Investment income (continued)

	2023 '000	Restated 2022 '000
Average amount of syndicate funds available for investment during the year (original currency)		
Sterling	1,392	1,683
Australian Dollar	4,224	5,899
Canadian Dollar	12,840	17,709
Euro	1,872	2,819
US Dollar	48,068	54,884
Total funds available for investment in US Dollars	**64,476**	**77,028**
Total investment return in US Dollars	2,470	(717)
Annual investment yield		
Sterling	2.7%	0.4%
Australian Dollar	3.4%	(0.9)%
Canadian Dollar	4.0%	1.2%
Euro	1.8%	(0.1)%
US Dollar	4.0%	(1.6)%
Total annual investment yields	**3.9%**	**(0.9)%**

12. Financial assets and liabilities

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

	2023 $'000	Restated 2022 $'000
Financial assets		
Measured at fair value through profit and loss		
Financial investments	54,327	49,392
Measured at cost		
Cash and cash equivalents	3,374	8,700
Overseas deposits	4,791	7,936
	8,165	16,636
Measured at undiscounted amount receivable		
Debtors	9,377	4,030
Total financial assets	**71,869**	**70,058**
Financial liabilities		
Measured at undiscounted amount payable		
Creditors	(6,442)	(5,124)
Total financial liabilities	**(6,442)**	**(5,124)**

Financial investments held at fair value were acquired at a cost of $54.8m (2022: $50.9m).

Notes to the accounts

12. Financial assets and liabilities (continued)

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.

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.

2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Holdings in collective investment schemes	-	26,046	-	26,046
Debt securities and other fixed income securities	11,183	17,098	-	28,281
Total	**11,183**	**43,144**	**-**	**54,327**

Restated 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Holdings in collective investment schemes	-	20,030	-	20,030
Debt securities and other fixed income securities	-	29,362	-	29,362
Total	**-**	**49,392**	**-**	**49,392**

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.

Notes to the accounts

12. Financial assets and liabilities (continued)

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

Management 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

	2023 $'000	Restated 2022 $'000
Due within one year	2,323	749

14. Debtors arising out of reinsurance operations

	2023 $'000	Restated 2022 $'000
Due within one year	4,692	3,034
Due after one year	-	4
Total	**4,692**	**3,038**

15. Other Debtors

	2023 $'000	Restated 2022 $'000
Deposits with ceding undertakings	264	81
Claims float	443	162
US Federal Income Tax estimate	1,563	-
Amounts due from other Apollo syndicates	92	-
Total	**2,362**	**243**

16. Cash and cash equivalents

	2023 $'000	Restated 2022 $'000
Cash at bank and in hand	3,374	8,700

17. Overseas deposits

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

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18. Creditors arising out of direct insurance operations

	2023 $'000	Restated 2022 $'000
Due within one year	2,416	738

19. Creditors arising out of reinsurance operations

	2023 $'000	Restated 2022 $'000
Due within one year	3,952	4,099

20. Other Creditors

	2023 $'000	Restated 2022 $'000
Amounts due to group companies	74	287

21. Related parties

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

ASML is a wholly owned subsidiary of Apollo Group Holdings Limited ("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.

Apollo Partners LLP ("APL") is a wholly owned subsidiary of AGHL which employs all Apollo group staff, including underwriters, claims and reinsurance staff. APL provides the services of these staff 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 (5% of total costs of the managing agent).

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 YoA. The liabilities associated with the 2017 and prior YoA were reinsured to Syndicate 1994 therefore transferring the risk associated with the run-off of this business from Syndicate 1969. The reinsurance to close agreement included a provision to pay 50% of loss funds recovered to Syndicate 1969. Balances due for settlement at 31 December 2023 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.

Notes to the accounts

21. Related parties (continued)

Compre Services (UK) Limited has seconded Gary Crowley to ASML as Run-Off Manager since 1 January 2023 and the cost has been recharged to the syndicate. Prior to this Mark Lawson was seconded as active underwriter. Services provided by Compre Services (UK) Limited include the underwriting of new legacy business, claims handling, reserving and oversight.

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

2023	Syndicate 1969 $'000	ASML $'000	Compre Services (UK) Limited $'000
Managing agent's fee	-	(113)	-
Expense recharges	-	(2,026)	(1,472)
Loss fund rebate	(53)	-	-
Other debtor / (creditor)	92	(74)	30

Restated 2022	Syndicate 1969 $'000	ASML $'000	Compre Services (UK) Limited $'000
Managing agent's fee	-	(164)	-
Expense recharges	-	(3,176)	(1,920)
Loss fund rebate	(543)	-	-
Other creditor	-	(267)	(20)

Cash calls totalling $25.0m were made from Compre Corporate Member 2 Limited during 2023. A revolving credit facility ran from 4 November 2022 and expired on 4 October 2023. This was an agreement between Syndicate 1994 through Compre Corporate Member 2 Limited (the Borrower), Compre Holdings Limited (the Lender) and ASML (the Managing Agent). The agreement provided liquidity of up to $15m. The interest rate was set at USD LIBOR (SOFR from June 2023) plus 3.25%. The revolving credit facility was not utilised during 2023.