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**Dale Underwriting Partners
Special Purpose Arrangement 6131**

Financial Statements
For the 36 Months ended 31 December 2022
2020 Closing Year Report and Accounts

Contents

Directors and Administration	1
Managing Agent's report for the 2020 closing year of account	2
Statement of Managing Agent's Responsibilities	4
Independent Auditor's Report to the Members of SPA 6131	5
Income Statement: Technical account – General business	9
Income Statement: Non-technical account	10
Statement of Financial Position	11
Statement of members' balances	12
Statement of cash flows	12
Notes to the financial statements	13

Directors and Administration

Managing Agent

Dale Managing Agency Limited

Directors

J P Hastings-Bass (Chairman)*
D H Dale
A Grant*
J Hume*
C A McCarthy
H R McKinlay*
D G Peters

Non-Executive Directors*

Company Secretary

C Chow

Managing Agent's Registered Office

6 Bevis Marks
London
EC3A 7BA

Managing Agent's Registered Number

13526063

Active Underwriter

D G Peters

Registered Auditors

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Signing Actuary

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

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

For the 36 months ended 31 December 2022

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

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

Underwriting year results

The SPA generated losses of £1.9m after standard personal expenses on gross written premiums of £9.8m for the 2020 underwriting year. The Stamp Capacity for the 2020 underwriting year is £12m. The result is a 16.1% loss on Stamp Capacity, before Members' Agents fees.

Principle activities and review of the business

The SPA Lloyd's vehicle was established in January 2018 as a whole account quota share of its host, Dale Underwriting Partners Syndicate 1729. For the 2020 Year of account the SPA assumes 60% of the Specialty insurance class written through host Syndicate 1729.

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

	2020 Underwriting Year £'000
Specialty Insurance	<u>9,801</u>
	<u>9,801</u>

Directors

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

J P Hastings-Bass	Appointed 1 October 2022
D H Dale	Appointed 22 July 2021
A E Grant	Appointed 1 October 2022
J Hume	Appointed 1 October 2022
C A McCarthy	Appointed 1 October 2022
H R McKinlay	Appointed 1 October 2022
D G Peters	Appointed 29 October 2021
M Channell	Appointed 29 October 2021 Resigned 30 September 2022

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

Disclosure of Information to the Auditor

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

The Board of Directors of the Managing Agent has overall responsibility for the establishment and oversight of the SPA's risk and capital management.

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

C Chow
Company Secretary
27 February 2023

Statement of Managing Agent's Responsibilities

The Directors of the Managing Agent are responsible for preparing the SPA underwriting year accounts in accordance with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw. They have elected to prepare the accounts in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 the Directors of the Managing Agent must not approve the underwriting year accounts unless they are satisfied that they give a true and fair view of the result of the underwriting year at closure. In preparing these accounts, the Directors of the Managing Agent are required to:

- select suitable accounting policies and then apply them consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable between the members of the SPA affected is used;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;
- assess the SPA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so. As explained in note 1 the Directors of the Managing Agent do not believe that it is appropriate to prepare the underwriting year accounts on a going concern basis.

The Directors of the Managing Agent are responsible for keeping adequate and proper accounting records that are sufficient to show and explain the SPA's transactions and disclose with reasonable accuracy at any time the financial position of the SPA and enable them to ensure that the underwriting year accounts comply with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of SPA 6131

Opinion

We have audited the syndicate underwriting year accounts for the 2020 year of account of syndicate 6131 ('the syndicate') for the three years ended 31 December 2022 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate underwriting year accounts:

- give a true and fair view of the (loss) for the 2020 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate underwriting year accounts section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – closure of the 2020 year of account

We draw attention to the Basis of preparation note 1 which explains that the 2020 year of account of Syndicate 6131 has closed and all assets and liabilities transferred to the 2021 year of account by reinsurance to close at 31 December 2022.

As a result, the syndicate underwriting year accounts for the 2020 year of account of Syndicate 6131 have been prepared under basis other than going concern.

Our opinion is not modified in respect of this matter.

Other information

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

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

Independent Auditor's Report to the Members of SPA 6131 continued

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate underwriting year accounts or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the syndicate underwriting year accounts themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 4, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting year accounts, the managing agent is responsible for assessing the syndicate's ability to realise its assets and discharge its liabilities in the normal course of business, disclosing, as applicable, any matters that impact its ability to do so.

Auditor's responsibilities for the audit of the syndicate underwriting year accounts

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate underwriting year accounts.

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

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

Independent Auditor's Report to the Members of SPA 6131 continued

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

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UKGAAP) and requirements referred to by Lloyd's in the Instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate underwriting year accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate underwriting year accounts' items.
- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Lloyd's, the FCA and the PRA.
- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the syndicate's underwriting year accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter, or detect fraud. We also considered areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, on the valuation of claims outstanding, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the syndicate underwriting year accounts were free from fraud or error.

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

Independent Auditor's Report to the Members of SPA 6131 continued

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Robert Bruce (Senior statutory auditor)

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

London

27 February 2023

Income Statement:

Technical account – General business

For the 36 months ended 31 December 2022

	Notes	£'000	£'000
Earned premiums, net of reinsurance			
Gross premiums written	4	9,801	
Outward reinsurance premiums		<u>(2,747)</u>	
			7,054
Reinsurance to close premiums received, net of reinsurance	6		913
Allocated investment return transferred from the non-technical account			-
Claims incurred, net of reinsurance			
Claims paid - Gross amount		(5,114)	
- Reinsurers' share		<u>2,088</u>	
Net claims paid		(3,026)	
Reinsurance to close premium payable net of reinsurance	7	<u>(2,058)</u>	
			(5,084)
Net operating expenses	8		(4,949)
Balance on the technical account – general business	5		<u>(2,066)</u>

The notes on pages 13 to 21 form part of these financial statements.

Income Statement: Non-technical account

For the 36 months ended 31 December 2022

	Notes	£'000
Balance on the technical account – general business		(2,066)
Investment Income	10	-
Allocated investment return transferred to general business technical account		-
Exchange Losses		137
Loss for the closed year of account		<u>(1,929)</u>

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

The notes on pages 13 to 21 form part of these financial statements.

Statement of Financial Position

As at 31 December 2022

	Notes	£'000	£'000
Assets			
Debtors			
Debtors arising out of reinsurance operations	11	<u>2,361</u>	2,361
Reinsurance recoveries anticipated on gross reinsurance premiums payable to close the account	7		424
<i>Total assets</i>			<u>2,785</u>
Liabilities			
Amounts due from members			(1,929)
Reinsurance to close premiums payable to close the Account – gross amount	7		2,482
Creditors			
Creditors arising out of reinsurance operations	12	<u>2,232</u>	2,232
<i>Total liabilities</i>			<u>2,785</u>

The notes on pages 13 to 21 form part of these financial statements.

The SPA underwriting year accounts were approved by the Board of Dale Managing Agency Ltd on 23 February 2023 and were signed on its behalf by

C A McCarthy
Finance Director
27 February 2023

Statement of members' balances

For the 36 months ended 31 December 2022

	£'000
Loss for the closed year of account	(1,929)
Members' balances at 31 December 2022	<u>(1,929)</u>

Statement of cash flows

	Notes	£'000
Cash flows from operating activities		
Loss for the year of account		(1,929)
(Decrease) in debtors		220
Increase in creditors		(2,537)
Non cash consideration received as part of RITC received	13	2,188
RITC premium receivable, net of reinsurance	7	2,058
Investment return	10	-
<i>Net cash (outflow) from operating activities</i>		<u>-</u>
Cash flows from investing activities		
Investment income received		-
<i>Net cash inflow from investing activities</i>		<u>-</u>
Cash flows from financing activities		
Members' agents fees paid on behalf of members		-
Cash call received from members		-
<i>Net cash inflow from financing activities</i>		<u>-</u>
Net increase in cash and cash equivalents		-
Cash and cash equivalent at 1 January 2020		-
Cash and cash equivalent at end of the year of account		<u>-</u>

The notes on pages 13 to 21 form part of these financial statements.

Notes to the financial statements

For the 36 months ended 31 December 2022

1. Basis of preparation

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

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

The SPA's functional currency is USD. The financial statements are prepared in GBP which is the reporting and presentational currency of the SPA and rounded to the nearest \$'000.

Members participate on a SPA by reference to a year of account and each SPA year of account is a separate annual venture. These accounts relate to the 2020 year of account which has been closed by reinsurance to close at 31 December 2022. Consequently, the balance sheet represents the assets and liabilities of the 2020 year of account at the date of closure and the profit and loss account reflects the transactions for that year of account during the 36 months period until closure.

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

2. Accounting policies

Significant accounting estimates and judgements

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

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

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

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

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

Accounting policies continued

Underwriting transactions

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

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

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

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

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

The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims and unearned premiums, net of deferred acquisition costs and unexpired risks) relating to the closed year and to all previous closed years reinsured therein. Although this estimate of net outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the premium so determined. The reinsurance to close premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year to the members of Syndicate 6131, 2020 year of account and gives them the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts.

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

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

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

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

Accounting policies continued

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

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

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

Financial assets and liabilities

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

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

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

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

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

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

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

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

Accounting policies continued

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

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

Investment return

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

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

The SPA operates on a funds withheld basis and therefore holds no investments. However, in accordance with the SPA Agreement, applicable investment income is allocated to the SPA from the host Syndicate using the experience account balances as a measure of income due.

SPA operating expenses & profit commission

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

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

- Salaries and Related Costs
According to time of each individual spent on SPA matters.
- Accommodation Costs
According to number of personnel.
- Other Costs
As appropriate in each case.
- Profit Commission
Profit commission is charged by the Managing Agent at a rate of 17.5% of profit subject to the operation of a 2 year deficit clause. Such commission does not become payable until after the appropriate year of account closes, normally at 36 months. Profit commission on naturally open years is accrued on the basis of earned profit to date.
- Pensions
The Managing Agent operates a defined contribution pension scheme and its recharges to the SPA in respect of salaries and related costs include an element for pension costs. These pension costs are expensed in full in the period to which the recharge relates.

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

Accounting policies continued

Funds Withheld

The quota share with the host operates on a funds withheld basis and in the normal course of business the profit and loss under the contract is settled with the host when the SPA year of account closes after three years. The quota share does allow for early cash calls by the host under certain circumstances. Reinsurance protection is purchased “in common” with the host and therefore the host and the SPA show their respective share. The relevant asset and liabilities are shown within the SPA’s financial statements as due when the host expects to receive or pay the balances, notwithstanding the fact that any cash settlement of these balances from the SPA’s perspective may only occur when the quota share contract with the host is settled, on closure of the SPA’s relevant year of account.

Premium receivable from the host, is disclosed gross of Claims outstanding. Claims outstanding are the SPA’s share of the claims outstanding recognised within the host and the maturity disclosures in note 21 in the hosts annual accounts reflects the maturity profile of the underlying outstandings, notwithstanding the fact that any cash settlement of these balances, from the SPA’s perspective, may only occur when the quota share contract with the host is settled, on closure of the SPA’s relevant year of account.

Taxation

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

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

Foreign currencies

The SPA’s functional currency is USD and the reporting and presentational currency is GBP.

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

Exchange differences are recorded in the non-technical account.

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

3. Risk management

Investments are held on the SPA’s behalf by the host Syndicate in accordance with the funds withheld arrangement.

Effective from 31 December 2022, the RITC process means that Insurance, Financial, Credit, Liquidity, Market and Capital risks are transferred to the accepting 2021 Year of Account. Accordingly, these Underwriting Year accounts do not have any associated disclosures as required by section 34 of FRS 102 and FRS 103. Full disclosures relating to these risks are provided in the main Annual accounts of the SPA.

4. Particulars of business written

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

	Gross Premiums Written and Earned £'000	Gross Claims Incurred £'000	Net Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Reinsurance accepted	9,801	(5,547)	(4,949)	(1,371)	(2,066)
Total	<u>9,801</u>	<u>(5,547)</u>	<u>(4,949)</u>	<u>(1,371)</u>	<u>(2,066)</u>

5. Analysis of result by year of account

	2018 Pure Year £'000	2019 Pure Year £'000	2020 Pure Year £'000	2020 Total £'000
Technical account balance before allocated investment return and net operating expenses	(138)	(269)	3,290	2,883
Brokerage and commission on gross premium	-	(63)	(2,217)	(2,280)
	<u>(138)</u>	<u>(332)</u>	<u>1,073</u>	<u>603</u>
Other acquisition costs	-	-	(558)	(558)
Net other expenses	(2)	(10)	(2,099)	(2,111)
Investment income	-	-	-	-
Balance on technical account	<u>(140)</u>	<u>(342)</u>	<u>(1,584)</u>	<u>(2,066)</u>

6. Reinsurance to close premium received net of reinsurance

	Reported £'000	IBNR £'000	Total £'000
Gross outstanding losses	(698)	(1,351)	(2,049)
Reinsurance recoveries anticipated	800	336	1,136
Net outstanding losses	<u>102</u>	<u>(1,015)</u>	<u>(913)</u>

7. Reinsurance to close premium payable net of reinsurance

	Reported £'000	IBNR £'000	Total £'000
Gross outstanding losses	(1,108)	(1,374)	(2,482)
Reinsurance recoveries anticipated	221	203	424
Net outstanding losses	<u>(887)</u>	<u>(1,171)</u>	<u>(2,058)</u>

8. Net operating expenses

	£'000
Acquisition costs	(2,838)
Standard personal expenses	(191)
Administration expenses	(1,920)
	<u>(4,949)</u>

9. Auditor's remuneration

	£'000
Audit of the financial statements	(41)
Other services pursuant to Regulations and Lloyd's Byelaws	(28)
Other services relating to actuarial review	(12)
	<u>(81)</u>

The Auditor did not receive any other remuneration other than that stated above.

10. Investment income

	£'000
Income from investments	-
	<u>-</u>

11. Debtors arising out of reinsurance operations

	£'000
Due within one year	2,361
	<u>2,361</u>

12. Creditors arising out of reinsurance operations

	£'000
Due within one year – Reinsurance Accepted	2,145
Due within one year – Reinsurance Ceded	87
	<u>2,232</u>

13. Non cash consideration received as part of RITC received

	£'000
Debtors	2,581
Creditors	(4,769)
	<u>(2,188)</u>

14. Disclosure of interests

Managing Agent's interest

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

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

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

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

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

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

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

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

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

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

Asta also provides administrative services to Syndicates and Special Purpose Arrangements, also undertaking a number of ancillary roles for other clients.

The Financial Statements of Asta Managing Agency can be obtained by application to the Registered Office at 5th Floor, 20 Gracechurch Street, London, EC3V 0BG.

From the 1st October, the Managing Agent changed from Asta to Dale Managing Agency who is the Managing Agent for Syndicate 1729 and Special Purpose Arrangement 6131.

15. Related parties

Asta provided services and support to the SPA in its capacity as Managing Agent up until 30 September 2022. The 2020 year of account was charged Managing Agency fees of £0.1m. Asta also recharged £0.4m worth of service charges to the 2020 year of account.

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

Dale Underwriting Partners Syndicate 1729 provide underwriting services to the SPA. The 2020 year of account was charged £1.3m and are included within Administration expenses. As at 31 December 2022 nothing was owed to Dale Underwriting Partners in respect of services provided.

Dale Partners Limited (DPL), a company registered in England and Wales, is the parent company of the Dale Group. Dale Syndicate Services Limited (DSSL), a company registered in England and Wales, is a service company within that Group, set up to provide services to Syndicate 1729 and SPA 6131. It is the employing company of all staff who work for the Syndicate and Managing Agency.

16. Post balance sheet event

The SPA will RITC into the 2021 YOA. The host will collect £1,928,893 from the member in 2023, in relation to the 2020 year of account losses in US Dollars. The RITC value will be passed through to the 2021 YOA via the experience account.