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SYNDICATE 1796

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2021

CONTENTS

31 December 2021

MANAGING AGENT - CORPORATE INFORMATION

Managing Agent	Ascot Underwriting Limited	
Directors	Sir Richard B Dearlove	Non-executive Chairman
	Andrew L Brooks	Chief Executive Officer
	Charles P T Cantlay	
	Katherine H E Chung	Non-executive
	Helen R Jones-Bak	
	Edward J Lloyd	Non-executive
	Aman Malik	Non-executive
	Homi P R Mullan	Non-executive
	Parth Patel	
	Mark L Pepper	
	Paul T Taylor	Non-executive
	Katy M Wilson	
Company Secretary	Elizabeth H Guyatt	
Registered Office	20 Fenchurch Street London England EC3M 3BY	
Active Underwriter	Chris J McGill	
Independent Auditor	Deloitte LLP Statutory Auditor Hill House 1 Little New Street London EC4A 3TR	

STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2021

The Directors of the managing agent, Ascot Underwriting Limited (AUL), present their strategic report for the year ended 31 December 2021. Syndicate 1796 received approval from Lloyd’s Council to underwrite business during the second half of 2020, with the first risk being bound on the 2021 underwriting year in January 2021. These financial statements cover the period from inception to 31 December 2021.

Principal activity and review of the business

Syndicate 1796 ("the Syndicate") was created under the 'Syndicate in the Box' Corporation of Lloyd's (“Lloyd’s”) scheme, with the principal activity of the Syndicate being the transaction of insurance for the storage and transportation of vaccines (including Covid-19) and other life-saving health products to developing countries under the Global Health Risk Facility (“GHRF”, launched by Parsyl Inc). Syndicate 1796 is the first public-private syndicate created to address a global health emergency in Lloyd’s 330 year history. 2021 is the first underwriting year that Syndicate 1796 has been in operation.

For the 2021 year of account Parsyl Syndicate Limited is the sole corporate member, a company incorporated in England and Wales during 2020, and ultimately owned by Parsyl Inc. The final allocated premium income capacity for the current underwriting year and the prospective year is shown below:

Year	Syndicate Capacity £m
2021	19.7
2022	18.1

The managing agent of Syndicate 1796 is Ascot Underwriting Limited (AUL). AUL continues to act as the Managing Agent of Syndicate 1796 for the foreseeable future, including beyond the third year of operation when it is expected that the Syndicate will either reapply for Syndicate-in-a-box status, or graduate to a full Syndicate.

Syndicate 1796 utilises Lloyd’s Brussels (Lloyd’s Insurance Company S.A) to underwrite European Union (EU) and European Economic Area (EEA) business following the UK’s exit from the EU.

Key performance indicators

The key performance indicator for the Syndicate would ordinarily be considered profitability, however given the fact that 2021 is the first underwriting year that the Syndicate has been actively binding risks, profitability doesn’t give a true indication of how the Syndicate is performing. Premium flows were lower than expected during 2021 being £453k versus plan of £18.8m. Whilst the Syndicate returned a small loss for the year, given the upfront nature of expenses incurred in setting a Syndicate up, this isn’t unexpected. The Syndicate has had it’s 2022 business plan approved, which is forecasting profits for the foreseeable future. The 2021 combined ratio is presented below:

	Period ended 31 December 2021
Combined ratio[1]	**110.1%**

Results and performance

The result for the 2021 financial year, as set out on pages 9 and 10, is a loss of £39k and a combined ratio of 110.0%.

Future outlook

The outlook for 1796 through 2022 looks full of opportunity. As the world transitions through stages of COVID-19, the global use of vaccines continues to support the return to 'normality'. Whilst distribution has been robust in developed nations, developing nations are still requiring significant support. As global organisations and health authorities pool resources, industry products to support remain limited and Parsyl's industry offering is entirely unique.

For 2022 underwriting year, PSL has sourced the funding for the Syndicate’s capital requirements from alternative sources, meaning the restrictions put in place by the previous ultimate capital provider are no longer relevant. This will allow 1796 to write business in a wider geographical area, as well as considering open market risks and more generally creating greater opportunity for more risk consideration. Discussions with Lloyd's to approve removing these restrictions are continuing positively. 1796 is aiming to grow the premium base significantly in 2022, with the approved SBF forecasting £7.2m of GWP ($10m).

[1] Combined ratio is defined as total costs (including claims and expenses) as a percentage of earned premiums, net of reinsurance

STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)

Principal risks and uncertainties

The following are considered to be the principal risks for the Syndicate along with a brief overview of how these risks are managed. Risks are managed through the Risk Management Framework.

The AUL Board of Directors is ultimately responsible for Risk Management. All aspects of the Risk Management Framework have been approved by the Board of Directors. Responsibility for the oversight of risk lies with the Risk Committee. There are several sub-committees that are responsible for the identification and management of certain risks (for example, the Parsyl Executive Committee (EXCO) is responsible for many of the risks that are classified as Insurance risk).

The Risk Committee members are represented on all governance committees. This allows key issues requiring the oversight and consideration of the Risk Committee from a strategic perspective to be reported by members and discussed. The Risk Committee thus forms a quasi-independent body that can monitor the workings of the other committees and ensure consistency in the approach to risk across Ascot.

The comments below represent only an overview of the key risks and some of the controls to mitigate these risks.

Insurance risk – this includes Underwriting and Reserving risk. It is the risk arising from uncertainty in the likelihood, magnitude and timing of insured losses, the risk of inadequate pricing and the risk of insufficient claims provisions. This risk is effectively the business of the Syndicate. Management of insurance risk includes a comprehensive underwriting peer review process, management information that includes aggregation management and profitability measures, independent external reserve reviews and the strict control of terms and conditions of contractual wordings to manage liabilities.

Credit risk – this is the risk of loss arising from the inability of reinsurers or intermediaries to meet their financial obligations to Ascot. The largest risk is the non-performance of the Syndicate’s reinsurers. This is managed by monitoring the concentration to and security rating of each of our reinsurance partners.

Market risk – this represents the potential loss of value or earnings arising from changes in the market price of assets as a result of external market and economic factors. The risk is managed through conservative asset allocation and concentration limits. Liquidity risk and Currency risk are part of market risk but discussed separately below.

Operational risk – the risk is that the Syndicate’s operations are adversely impacted from inadequate or failed internal processes, people or systems or from external events. Key risks considered here include Operational Resilience, Culture, Outsourcing, Legal and Regulatory risk and Information Security risk. The Risk Management Framework and Risk Register and Controls are key to managing these risks as well as Business Continuity plans e.g. disaster recovery sites.

Liquidity risk – the risk is that sufficient cash may not be available to settle obligations when due at a reasonable cost. The primary liquidity risk of Syndicate 1796 is the obligation to pay claims to policyholders following loss events. The projected settlements of these liabilities are modelled on a regular basis using actuarial techniques. To manage this the duration of the Syndicate’s cash and investable assets are shorter than the liabilities.

Currency risk – the risk is that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. The Syndicate maintains two separate currency funds: Sterling and United States dollars. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency, subject to regulatory funding requirements.

The principles of identifying and the policies in place for mitigating risk within Ascot are discussed further within note 4.

The strategic report was approved at a meeting of the Board of Directors and signed on its behalf by:

Andrew L Brooks
Chief Executive Officer
Ascot Underwriting Limited
28 February 2022

MANAGING AGENT'S REPORT FOR THE PERIOD ENDED 31 DECEMBER 2021

The directors of the managing agency, Ascot Underwriting Limited, present their report and audited annual financial statements for the period ended 31 December 2021.

This annual report is prepared using the annual basis of accounting as required by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Lloyd's Regulations").

As a result of the 2008 Lloyd's Regulations, Managing Agents are required to prepare annual financial statements which comply with the provisions of the Companies Act 2006, subject to certain modifications as specified in the regulations, for each syndicate that they manage.

Results and performance

This has been discussed in the strategic report.

Future outlook

This has been discussed in the strategic report.

Directors

The directors and officers of Ascot Underwriting Limited who held office during the year and up to the date of signing are listed below:

Sir Richard B Dearlove	Non-executive Chairman
Andrew L Brooks	Chief Executive Officer
Charles P T Cantlay	
Katherine H E Chung	Non-executive
Helen R Jones-Bak	
Edward J Lloyd	Non-executive
Aman Malik	Non-executive
Homi P R Mullan	Non-executive
Parth Patel	
Mark L Pepper	
Paul T Taylor	Non-executive
Katy M Wilson	

Company Secretary
Elizabeth H Guyatt

Active Underwriter

Chris J McGill was Active Underwriter of Syndicate 1796 throughout 2021. Mr McGill began his career in insurance in 2007 and joined Ascot the same year. He is currently Class Underwriter for Cargo on Syndicate 1414, who writes the lead line on the GHRF facility. He was appointed Active Underwriter of 1796 at its inception in 2021.

Risk management

This has been discussed in the strategic report within *Principal risks and uncertainties.*

Statement of Managing Agent's responsibilities

The directors of the Managing Agent are responsible for preparing the strategic report and the managing agent's report and the annual financial statements in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (IAD) requires the Managing Agent to prepare annual financial statements for each financial year. Under that law the directors have prepared the Syndicate annual financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including 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).

MANAGING AGENT'S REPORT FOR THE PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)

Statement of Managing Agent’s responsibilities (continued)

The IAD requires that the directors must not approve the annual financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period. In preparing these Syndicate annual financial statements, the Managing Agent is required to:

- select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 & 103 have been followed, subject to any material departures disclosed and explained in the syndicate annual financial statements; and
- prepare the annual financial statements on the basis that the Syndicate will continue to write business unless it is inappropriate to presume that the Syndicate will do so.

The directors of the Managing Agent confirm that they have complied with the above requirements in preparing the Syndicate annual financial statements.

The directors of the Managing Agent are responsible for keeping proper accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the annual financial statements comply with the IAD. They are also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the managing agent are responsible for the maintenance and integrity of the Ascot website, on which these financial statements may be published. Legislation in the UK concerning the preparation and dissemination of annual financial statements may differ from legislation in other jurisdictions.

Charitable Donations

During the year the Syndicate made donations for charitable purposes of £nil.

Disclosure of information to auditors

Each of the persons who are directors of the Managing Agent at the time this report is approved confirms that:

- as far as each of them is aware, there is no information relevant to the audit of the Syndicate’s annual financial statements for the period ended 31 December 2021 of which the auditors are unaware; and
- the directors have taken all steps that they ought to have taken in their duty as directors in order to make themselves aware of any relevant audit information and to establish that the Syndicate’s auditors are aware of that information.

Independent auditors

Deloitte LLP have expressed their willingness to act in office as auditors.

Approved by order of the board

Helen R Jones-Bak
Chief Financial Officer
Ascot Underwriting Limited

28 February 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1796

Report on the audit of the syndicate annual financial statements

Opinion

In our opinion the syndicate annual financial statements of Syndicate 1796 (the 'syndicate'):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual financial statements which comprise:

- the statement of comprehensive income;
- the statement of changes in members' balances;
- the statement of financial position;
- the statement of cash flows; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 financial statements section of our report.

We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual financial statements in the UK, including the Financial Reporting Council's (the 'FRC'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 financial statements, we have concluded that the managing agent's use of the going concern basis of accounting in the preparation of the financial statements 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 in operation for a period of at least twelve months from when the syndicate financial statements 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 annual report, other than the syndicate annual financial statements 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 annual financial statements 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 financial statements 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 themselves. 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 MEMBERS OF SYNDICATE 1796 (CONTINUED)

Responsibilities of managing agent
As explained more fully in the managing agent's responsibilities statement, the managing agent is responsible for the preparation of the syndicate annual financial statements 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 syndicate annual financial statements that are free from material misstatement, whether due to fraud or error.

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

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

A further description of our responsibilities for the audit of the syndicate annual financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the syndicate and its control environment, and reviewed the syndicate's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the syndicate operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005); and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the syndicate's ability to operate or to avoid a material penalty. These included the requirements of Solvency II.

We discussed among the audit engagement team including relevant internal specialists such as actuarial and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address them are described below:

- Valuation of technical provisions includes assumptions and methodology requiring significant management judgement and involves complex calculations, and therefore there is potential for management bias. There is also a risk of overriding controls by making late adjustments to the technical provisions. In response to these risks we involved our actuarial specialists to benchmark the assumptions used, and audited the methodology used by management.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1796 (CONTINUED)

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with Lloyd's and the PRA.

Report on other legal and regulatory requirements

Opinions on 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 strategic report and the managing agent's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the managing agent's report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the managing agent's report.

Matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 we are required to report in respect of the following matters if, in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with regulation 10 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Adam Ely, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London

28 February 2022

STATEMENT OF COMPREHENSIVE INCOME
for the period ended 31 December 2021

TECHNICAL ACCOUNT – GENERAL BUSINESS	*Note*	2021 £'000
Earned premiums, net of reinsurance		
Gross premiums written	3	453
Outward reinsurance premiums		(82)
Net premiums written		**371**
Change in the provision for unearned premiums		
Gross amount		—
Reinsurers' share		—
		—
Earned premiums, net of reinsurance		**371**
Allocated investment return transferred from the non-technical account		(1)
Total technical income		**370**
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		—
Reinsurers' share		—
Net claims paid		**—**
Change in the provision for claims		
Gross amount		26
Reinsurers' share		(19)
		7
Claims incurred, net of reinsurance		**7**
Net operating expenses	6	401
Total technical charges		**408**
Balance on the Technical Account for General Business		**(38)**

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
for the period ended 31 December 2021

NON-TECHNICAL ACCOUNT	*Note*	**2021 £'000**
Balance on the General Business Technical Account		**(38)**
Investment income		—
Investment expenses and charges		(1)
Unrealised gains on investments		—
Unrealised losses on investments		—
Total investment return		**(1)**
Allocated investment return transferred to the general business technical account		1
Non-technical account - investment return		**—**
Non-technical account – Other charges		—
Non-technical account – (loss) on exchange		(1)
Profit for the period		**(39)**
Other comprehensive income – currency translation		2
Total comprehensive income		**(37)**

Statement of Changes in Members' Balances

	2021 £'000
Members' balances at the beginning of the reporting period	**—**
Profit for the financial period	(39)
Other comprehensive income – currency translation	2
Total comprehensive income for the period	**(37)**
Cash call made	167
Other	—
Members' balances at the end of the reporting period	**130**

All items shown above derive from continuing operations. No operations were acquired or discontinued during the period.

There are no material differences between the profit for the financial period and the total comprehensive income stated above and their historical cost equivalents.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2021

ASSETS	*Note*	**2021 £'000**
Investments		
Other financial investments	9	**54**
Reinsurers' share of technical provisions		
Provision for unearned premiums		—
Claims outstanding		19
		19
Debtors		
Amounts due within one year:		
Debtors arising out of direct insurance operations		86
Debtors arising out of reinsurance operations		—
Amount due from related companies		—
Other debtors		19
Amounts due after more than one year:		
Debtors arising out of reinsurance operations		—
	10	**105**
Other Assets		
Cash at bank and in hand	11	31
Lloyd’s overseas deposits		—
		31
Prepayments and accrued income		
Accrued interest and rent		—
Deferred acquisition costs		—
Other prepayments and accrued income		118
		118
TOTAL ASSETS		**327**

STATEMENT OF FINANCIAL POSITION (CONTINUED)
as at 31 December 2021

LIABILITIES	*Note*	2021 £'000
Capital and reserves		
Members' balance		**130**
Technical provisions		
Provision for unearned premiums		—
Claims outstanding		27
		27
Creditors		
Amounts due within one year:		
Creditors arising out of direct insurance operations		—
Creditors arising out of reinsurance operations		63
Amount due to related companies		—
Amounts due after more than one year:		
Creditors arising out of reinsurance operations		—
	12	**63**
Accruals and deferred income		**107**
TOTAL LIABILITIES		**327**

The annual financial statements on pages 9 to 28 were approved at a meeting of the Board of Directors and signed on its behalf by:

Andrew L Brooks	Helen R Jones-Bak
Chief Executive Officer	Chief Financial Officer
28 February 2022	28 February 2022

STATEMENT OF CASH FLOWS
for the period ended 31 December 2021

	Note	2021 £'000
Net cash flows from operating activities	13	**(81)**
Cash flows from investing activities		
Purchase of equity and debt instruments		—
Sale of equity and debt instruments		—
Investment income received		(1)
Net cash generated from investing activities		**(1)**
Cash flows from financing activities		
Distribution (profit)/loss		—
Capital contributions from Corporate Member		167
Profit retained/(released) as Funds in Syndicate		—
Other		—
Net cash used in financing activities		**167**
Net decrease in cash and cash equivalents		**85**
Cash and cash equivalents at the beginning of the year		—
Foreign exchange on cash and cash equivalents		—
Cash and cash equivalents at the end of the year		**85**
Cash and cash equivalents consists of:		
Cash at bank and in hand		31
Short term deposits with credit institutions		54
Cash and cash equivalents at end of year		**85**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

1. Statement of compliance

The individual annual financial statements of Syndicate 1796 have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102''), Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103") and the Companies Act 2006 under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

2. Summary of significant accounting policies

Ascot Underwriting Limited is the managing agent for Syndicate 1796 at The Corporation of Lloyd's. The company is a private company limited by shares and is incorporated in England. The address of its registered office is 20 Fenchurch Street, London, England, EC3M 3BY. The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The syndicate has adopted FRS 102 and FRS 103 in these annual financial statements.

a. Basis of preparation

These annual financial statements are prepared on the basis that the Syndicate will continue to write future business, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit or loss.

The Syndicate annual financial statements have been prepared under regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (IAD) and reflect the provisions of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('SI2008/410') as modified by the IAD.

The Syndicate annual financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

b. Going concern

In arriving at a determination of going concern, the directors consider a number of risks, taking into account economic, regulatory and environmental considerations as referenced in the Strategic Report:

i. Insurance risk – this includes Underwriting and Reserving risk.
ii. Credit risk – this is the risk of loss arising from the inability of reinsurers or intermediaries to meet their financial obligations to the Syndicate.
iii. Market risk – this represents the potential loss of value or earnings arising from changes in the market price of assets as a result of external market and economic factors.
iv. Operational risk – the risk is that the Syndicate's operations are adversely impacted from inadequate or failed internal processes, people or systems or from external events.
v. Liquidity risk – the risk is that sufficient cash may not be available to settle obligations when due at a reasonable cost.
vi. Currency risk – the risk is that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates.

As well as taking into account the above risks when considering going concern, the directors have also considered the loss made during 2021, capital contributions made and performance against approved plan. The directors have concluded that the Syndicate continues to be a going concern, as trading conditions are expected to improve through 2022 for reasons set out in the strategic report, with the expectation that the Syndicate will start to turn a profit and remain profitable for the foreseeable future, being not less than one year from the signing of the accounts.

c. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no critical accounting judgements for the Syndicate.

The Syndicate makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i. The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Syndicate's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Syndicate will ultimately pay for such claims. The most significant assumptions made relate to the level of future claims, the level of future claims settlements and the legal interpretation of insurance policies.

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

Adjustments to the amounts of provision are reflected in the Financial Statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

In setting the provision for insurance liabilities, a best estimate is determined on an undiscounted basis and an allowance for risk and uncertainty is added. The method and considerations made in setting the claims provisions are discussed in more detail in note 2 (part j) of these Financial Statements.

ii. Pipeline premium

The Syndicate makes an estimate of premiums written during the year that have not yet been notified by the financial year ('pipeline premiums') end based on current year business volumes. The pipeline premium is booked as written and an assessment is made of the related unearned premium provision (note 3) and an estimate of claims incurred but not reported in respect of the earned element (note 5).

d. Basis of accounting for underwriting activities

The technical results of Syndicate 1796 are presented on an annual accounting basis in accordance with FRS 103, under which insurance profits and losses are recognised as they are earned.

e. Premiums written

Under the annual basis of accounting, written premiums comprise both inward and outward premiums on contracts incepting in the financial year. Estimates are comprised of pipeline premiums due but not yet notified. Written premiums are stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on premiums.

Outwards reinsurance premiums are accounted for in the accounting period that they incept.

f. Unearned premiums

For business accounted on an annual basis, a provision for unearned premiums is made which represents that part of gross premiums written, and the reinsurers' share of premiums written, that is estimated to be earned in the following or subsequent financial years. The provision for unearned premiums is calculated on a daily pro-rata basis.

g. Deferred acquisition costs

Acquisition costs represent the expenses, both direct and indirect, of acquiring insurance policies written during the financial year. Acquisition costs are accrued over an equivalent period to that over which the underlying business is written and are charged to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred in respect of unearned premiums at the balance sheet date.

h. Claims incurred

Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

Outwards reinsurance recoveries are accounted for in the same accounting period as the claims for the related direct or inwards reinsurance business being reinsured.

i. Claims provisions and related reinsurance recoveries

The provision for claims outstanding is based on information available at the balance sheet date. Subsequent information and events may result in the ultimate liability being less or greater than the amount provided. Any differences between provisions and subsequent settlements are dealt with in the general business technical account of later periods.

The Directors consider that the provision for gross claims and related reinsurance recoveries are fairly stated on the basis of information currently available to them.

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Syndicate. The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Syndicate, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened.

In calculating the estimated cost of unpaid claims the Syndicate uses a variety of estimation techniques. Allowance is made for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:
• changes in the legal environment;
• the effects of inflation;
• changes in the mix of business;
• the impact of large losses; and
• movements in industry benchmarks.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Syndicate has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics previously.

Where possible the Managing Agent adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

j. Unexpired risk provision

Provision has been made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

k. Expense allocation and pensions

All expenses of the Syndicate are recognised in the technical account.

l. Foreign currency

i. Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates. The Syndicate’s functional currency is the United States dollar. The Syndicate’s presentation currency is the pound sterling consistent with that of the Managing Agent.

ii. Transactions and balances

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the monthly average exchange rate prevailing at the time of the transaction and non-monetary items measured at fair value are measured using the monthly average exchange rate when fair value was determined.

Foreign exchange gains and losses, resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the non-technical profit and loss account.

In accordance with FRS 103, all assets and liabilities arising from insurance contracts are treated as monetary items.

The results and financial position of the syndicate are translated into the presentation currency as follows:
a) assets and liabilities are translated at the closing rate at the balance sheet date;
b) income and expenses are translated at the monthly average rates of exchange; and
c) all resulting exchange differences are recognised in OCI.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)

m. Financial instruments

The Syndicate has chosen to adopt the Sections 11 (Basic Financial Instruments) and 12 (Other Financial Instruments Issues) of FRS 102 in respect of financial instruments.

Basic financial assets and liabilities, including cash and bank balances, loans and investments in commercial paper are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets and liabilities are subsequently carried at amortised cost using the effective interest method. The interest rate used is generally that as stated in the loan agreement (if applicable) or a standard market rate for a similar product. The unwinding of the associated discount is subsequently recognised in the Statement of Comprehensive Income.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment. Unrealised gains and losses are tracked separately through the statement of comprehensive income based on advice from Lloyd's.

Overseas deposits are stated at market value based on quarterly statements from Lloyd's.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities, including loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Interest charges are charged to the statement of comprehensive income, reflected as Other charges in the non-technical account.

n. Investment return

Investment return comprises of interest on cash or trust funds.

Investment return is initially recorded in the non-technical account. Other than investment return on Funds in Syndicate which is shown as non-technical account income, a transfer is made from the non-technical account to the technical account to reflect the investment return on funds supporting underwriting business.

o. Taxation

No amount has been provided in these Financial Statements for UK taxation on trading income. 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 basic rate UK income tax deducted from Syndicate investment income is recoverable by managing agents.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment income. Any payments on account made by the Syndicate are recharged to the corporate member.

No provision has been made for any overseas tax payable by members on underwriting results.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)

3. Segmental information

All premiums are underwritten in the United Kingdom by Syndicate 1796 at Lloyd's.

Analysis of gross premium written, gross premium earned, gross claims incurred, gross operating expenses and the reinsurance balance are shown below.

Period ended 31 December 2021

	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Net technical result
			£’000s			
Direct						
Marine, Aviation & Transport	453	453	(26)	(421)	(43)	(37)
Total Direct	**453**	**453**	**(26)**	**(421)**	**(43)**	**(37)**
Reinsurance Acceptances	—	—	—	—	—	**—**
Total	**453**	**453**	**(26)**	**(421)**	**(43)**	**(37)**

Gross operating expenses have been allocated to class groups in proportion to their respective gross premium income. The difference between the gross operating expenses in note 4 and that on the Statement of Comprehensive Income relates to reinsurance commissions and profit participations, as detailed in note 6.

(a) The reinsurance balance comprises outward reinsurance premiums payable less reinsurance recoveries receivable less ceded commissions receivable.

(b) Brokerage and commission is deducted from gross premiums received by the Syndicate on normal commercial terms.

(c) The above segmental analysis is based on a mapping from Syndicate 1796’s own business classes to the required Prudential Regulatory Authority classes.

Geographical analysis by origin

For the purposes of segmental reporting under FRS 102 and FRS 103, the Lloyd's insurance market has been treated as one geographical segment. All premium business is concluded in the United Kingdom. For the purposes of the table below, premium income has been categorised by the office location of where the associated negotiations took place.

Geographical analysis by underwriting location

	2021
	£'000
United Kingdom	453
United States of America	—
Bermuda	—
China	—
Singapore	—
Total gross written premium	**453**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)

4. Risk management

a. Overview

The Ascot risk management programme is made up of three key elements which all contribute to managing the risks faced:

i. Risk governance – the control and management of risk and capital management
ii. Risk appetite – the measurement of risk taken
iii. Risk register – details of the risks, controls, responsibilities and reporting

Syndicate 1796 is managed by AUL and considers the business plan proposed and the risk and control environment as managed by AUL.

The ultimate governance of risk management and capital management for Syndicate 1796 is with the AUL Board of Directors. All aspects of the risk management framework have been approved by the Board of Directors. Details of the governance of risk management are described more fully below but the key committee in the daily management of risk is the Risk Committee, which reports to the AUL Board and whose terms of reference include both risk management and capital modelling.

Our approach is that every member of staff contributes to the overall risk management of the company; this is stressed to new joiners during their induction program. The business is controlled by the diligence of staff in their day to day activities, with the overlay of monitoring reports and committees contributing to the management of risk. The risk management function is responsible for sitting above these business processes and ensuring that there are no gaps between the level of control expected by the Board (as defined in the risk appetite) and the actual controls in place. We have created a positive risk management culture at Ascot, whereby all staff members understand their roles and the importance to the success of the business in carrying out those roles. Furthermore, this culture allows individuals to raise issues or areas where they believe improvements could be made with more senior members of staff and thus all areas of the business are constantly looking at ways to self-improve and better align actual practices with risk appetite.

The following risk areas are those that have an impact on or a potential impact on the financial assets and liabilities of the Syndicate and the methods of assessing the sensitivity and financial impacts of these risks are discussed further below. Areas such as operational and group risk are not discussed further under this section.

b. Insurance risk

Insurance risk for general insurance refers to the risk arising from uncertainty in the likelihood, magnitude and timing of insured losses, the risk of inadequate pricing and the risk of insufficient claims provisions. Some specific examples of insurance risk include the unexpected occurrence of multiple claims arising from a single cause (such as the Covid-19 pandemic), and the potential for expense overruns relative to pricing or the nature of the underlying exposure giving rise to claims not foreseen at point of underwriting.

The key components of Insurance risk for Ascot are:

- Underwriting risk (including underwriting cycle, gross losses, pricing)
  The risk arising from uncertainties about the ultimate amount of net cash flows from premiums, commissions, claims and claims settlement expenses paid under a contract (prospective in nature).

- Claims management
  The risk arising from the uncertainties associated with the quantum and timing of claims that will be paid out on policies underwritten.

- Catastrophes & aggregation and reinsurance risk
  The risk arising from concentration of exposures by industry, geography, line of business, a single insured or single insured event, and, in particular:
    - Risk arising from concentration of exposures exposed to catastrophe perils;
    - Clash risk, or risks arising from exposures in which multiple insureds suffer losses from the same occurrence, or the same cause of loss, such as a wild fire, a train crash, or a batch of component parts.

- Reserving risk
  The risk that the estimation of future claims payments in respect of earned premium is insufficient.

Ascot has a number of policies in place for identifying the various elements of insurance risk and mitigating the potential downside from these risks. These include:

- The classes and characteristics of insurance business that Ascot is prepared to accept;

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)

- The underwriting (including catastrophe underwriting) criteria that Ascot applies, including how these can influence its rating and pricing decisions;

- Ascot's approach to limiting significant aggregations of Insurance risk, including aggregation from concentration of catastrophe perils, for example, by setting aggregate limits and/or loss assessment that can be underwritten firm-wide, in each region, in each country, by line of business, or for one insured for Ascot's in-force portfolio;

- Ascot's approach to monitor overall aggregate risk profile at the firm-wide level, by region, by country, by profit centre, and by entity on a regular basis; and its procedures of reporting material changes in current or prospective aggregate risk to the Executive committee and Board;

- Ascot's approach to managing its expense levels, including acquisition costs, recurring costs, and one-off costs, taking account of the margins available in both the prices for products and in the technical provisions in the balance sheet;

- Ascot's approach to assessing the effectiveness of its risk transfer arrangements and managing the residual or transformed risks. For example, how it intends to handle disputes over contract wordings, and potential pay-out delays;

- A summary of the data and information to be collected and reported on underwriting, claims, and risk control (including internal accounting records), management reporting requirements, and external data for risk assessment purposes;

- The risk measurement and analysis techniques to be used for setting underwriting premiums, technical provisions in the balance sheet, and assessing capital requirements; and

- Ascot's approach to stress testing and scenario analysis of its exposures.

Ascot will identify, assess/measure, control, mitigate and monitor Insurance risk in line with the strategy and risk appetite set by the Board (and its relevant sub-committees). During the business planning process, the Parsyl Executive Committee agrees the Annual Business Plan or Syndicate Business Forecast (SBF) submission to Lloyd's. This plan will consider the performance of the portfolio, the external environment, proposed line sizes and reinsurance structure, the rating environment, and other factors.

On an ongoing basis, there are:

- Processes for identifying the underwriting risks associated with a particular policyholder or a group of policyholders. For example, processes for collecting information on the claims histories of insureds, including whether they have made any potentially false or inaccurate claims, to identify possible adverse selection or moral hazard problems;

- Processes for establishing underwriting and distribution procedures that must be followed by all classes of business and all types of distribution channels; these procedures should include details in respect of the information that must be gathered in order to assess the level of Insurance Risk that a particular contract brings to Ascot;

- Processes for identifying aggregations of risk that may give rise to a large catastrophic loss. Specific information can include, for example, risk address, locations value, construction, year built, occupancy, and number of stories. Policy information and reinsurance information must be gathered in order to assess the level of additional aggregate exposure and enable the calculation of marginal contribution to modelled loss assessment risk that a particular account or contract brings to Ascot.

The Syndicate's sensitivity to insurance risk can be demonstrated by analysing the impact of a swing in the gross and net loss ratios on the income statement: A 10% swing in the gross loss ratio would change the 2021 result by £45,303. A 10% swing in the net loss ratio would change the result by £37,125.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)

c. Credit risk

Credit risk is the risk of default of a counterparty or obligor including the risk of default under mitigating contracts like reinsurance, financial instruments, guarantees and premium payments from policyholders. It also includes the assessment and management of the aggregation or concentration of credit risk, whether by counterparty, industry or rating. Two major risks associated with credit risk relate to 1) the inability or 2) unwillingness of a counterparty to perform its contractual obligations in a timely manner.

Credit risk: ability to pay

The Syndicate mitigates credit risk through the application of detailed counterparty credit assessments. The syndicate's maximum exposure to counterparty credit risk analysed by credit quality is detailed below:

As at 31 December 2021	AAA	AA	A	BBB	BB & Below	Unrated	Total
				£'000s			
Shares and other variable yield securities and unit trusts	22	—	—	—	—	32	**54**
Reinsurers' share of technical provisions - claims outstanding	—	17	2	—	—	—	**19**
Reinsurance debtors	—	—	—	—	—	—	**—**
Cash at bank and in hand	—	—	31	—	—	—	**31**
Insurance debtors	—	—	—	—	—	86	**86**
Other debtors[2]	—	—	—	—	—	137	**137**
Total credit risk	**22**	**17**	**33**	**—**	**—**	**255**	**327**

Credit risk: willingness to pay

Unwillingness to perform contractual requirements also gives rise to credit risk. The company seeks to mitigate risk from this source by:

- Working to ensure that contractual terms are fit for purpose and that full disclosure of relevant information is made, and
- Exerting significant contractual and other credit control measures in pursuit of premium and reinsurance recoveries due. Overdue insurance receivables (i.e. those greater than 60 days) were as follows:

At 31 December 2021	Not yet due	0-90 Days	91-180 Days	181-365 Days	366+ Days	Total
			£'000s			
Shares and other variable yield securities and unit trusts	54	—	—	—	—	**54**
Reinsurer' share of claims outstanding	19	—	—	—	—	**19**
Reinsurance debtors	—	—	—	—	—	**—**
Cash at bank and in hand	31	—	—	—	—	**31**
Insurance debtors	38	48	—	—	—	**86**
Other debtors	137	—	—	—	—	**137**
Total credit risk	**279**	**48**	**—**	**—**	**—**	**327**

[2] Other debtors comprise: Other debtors and Other prepayments and accrued income. Management do not intend to impair aged debtors and are continuing to monitor support for future recoverability.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)

d. Market risk

Market risk is defined as the potential loss of value or earnings arising from changes in the market price of assets as a result of external market and economic factors including

i. Changes in the overall level of interest rates;
ii. Change in the shape of yield curve;
iii. Changes in the overall level of credit spreads;
iv. Changes in the shape of the credit spread curve; and
v. Exchange rate movements;

Market risk: interest rate risk

The Syndicate's trust funds have an exposure to interest rate risk. An increase of 100 basis points in interest yields, with all other variables constant, would decrease the valuation of the Syndicate's investments by an estimated £46 and the impact on the result would be a decrease of £46. A comparable decrease in interest rates would increase the valuation and increase the result by an estimated £4.

Market risk: currency risk

Foreign exchange risk is the risk that the value of future cash flows in the business will fluctuate due to changes in foreign exchange rates.

The Syndicate maintains two separate currency funds: Sterling and United States dollars. The Syndicate seeks to ensure an approximate currency match of assets and liabilities, subject to regulatory funding requirements.

The carrying value of total assets and total liabilities categorised by currency is as follows.

At 31 December 2021	GBP	USD	Total
		£'000s	
Financial investments	—	54	**54**
Reinsurers' share of technical provisions	—	19	**19**
Insurance and reinsurance receivables	—	86	**86**
Cash and cash equivalents	4	27	**31**
Other assets	59	78	**137**
Total assets	**63**	**264**	**327**
Technical provisions	—	(27)	**(27)**
Insurance and reinsurance payables	—	(63)	**(63)**
Other creditors[3]	(107)	—	**(107)**
Total liabilities	**(107)**	**(90)**	**(197)**
Net assets/(liabilities)	**(44)**	**174**	**130**

If the United States dollar were to weaken against sterling by 10%, with all other variables remaining constant, profit would be lower by an estimated £16k. Net assets would be reduced by £16k.

[3] Other creditors comprise: Accruals and deferred income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)

e. Liquidity Risk

Liquidity risk is the risk that Ascot is forced to sell assets at a potentially disadvantageous price in order to meet outgoing cash flow and collateral requirements. To manage this risk, the Company's and the Syndicate's investments are fairly short-term to match the tail of the claims. The following tables show the undiscounted expected timing of future cash flows in the company.

At 31 December 2021	< 1 Year	1 – 2 Years	2 – 5 Years	> 5 Years	Total
			£'000s		
Other financial investments	54	0	0	0	54
Reinsurers' share of technical provisions - claims outstanding	19	—	—	—	19
Debtors arising out of direct insurance operations	86	—	—	—	86
Debtors arising out of reinsurance operations	—	—	—	—	0
Cash at bank and in hand	31	—	—	—	31
Overseas deposits	—	—	—	—	0
Assets analysed	**190**	**—**	**—**	**—**	**190**
Claims outstanding	27	—	—	—	27
Creditors arising out of direct insurance operations	—	—	—	—	—
Creditors arising out of reinsurance operations	63	—	—	—	63
Liabilities analysed	**90**	**—**	**—**	**—**	**90**
Net assets analysed	**100**	**—**	**—**	**—**	**100**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)

5. Claims development tables

The development of insurance liabilities provides a measure of the Syndicate's ability to estimate the earned value of claims. The tables below illustrate how the Syndicate's estimate of earned gross and net claims for each underwriting year has changed at successive year-ends. The tables reconcile the cumulative gross and net claims to the amounts appearing in the balance sheet.

Pure underwriting year	**2021**
Estimate of gross claims	**£'000**
At end of reporting period	27
Less: Gross claims paid	—
Gross claims reserves	27
Gross reserves in balance sheet	**27**

Pure underwriting year	**2021**
Estimate of net claims	**£'000**
At end of reporting period	8
Less: Net claims paid	—
Net claims reserves	8
Net reserves in balance sheet	**8**

6. Net Operating expenses

	2021 £'000
Technical account:	
Acquisition costs	191
Change in deferred acquisition costs	—
	191
Administrative expenses	227
Reinsurance commissions and profit participations	(20)
Other acquisition costs	—
Other Lloyd's personal expenses	3
Total net operating expenses	**401**

Administration expenses include:	**2021 £'000**
Auditor's remuneration	
-fees payable to the Syndicate's auditors for the audit of the Syndicate annual Financial Statements	43
-audit-related assurance services	36

Fees payable to Deloitte LLP for the audit of the annual accounts of AUL are £11k (2020: £11k) and for the Managing Agent's subsidiaries AIS and AUA £7k (2020: £7k) and S$45k (2020: S$31k) respectively. There were no other fees payable for the provision of other non-audit services.

Of the total acquisition costs of £191k shown above, £191k relates to direct business.

7. Staff costs

There are no staff costs incurred by the Syndicate. All Ascot staff are employed and paid by Ascot Underwriting Holdings Limited.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)

8. Emoluments of the directors of Ascot Underwriting Limited

No costs have been recharged to the Syndicate in relation to remuneration paid to directors of AUL.

9. Other financial investments

Total investments of the Syndicate, amounting to £54k, are held under the terms of Lloyd's Premium Trust Deeds. Under the terms of the deeds these assets are held as security for obligations to policyholders and amounts may only be released under certain limited circumstances.

	2021 £'000
Market value	
Shares and other variable-yield securities and units in unit trusts	54
	54
Cost	
Shares and other variable-yield securities and units in unit trusts	54
	54

For financial instruments held at fair value in the balance sheet, an analysis for each class of financial instrument is shown in the table below of the level in the fair value hierarchy into which the fair value measurements are categorised. The levels are defined as follows:

Level 1
The fair value based on the unadjusted quoted price in an active market for an identical asset.

Level 2
The fair value based on inputs other than quoted prices included within Level 1 that are developed using market data for the asset, either directly or indirectly.

Level 3
The fair value based on a valuation technique when market data is unavailable for the asset.

As at 31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
		£'000s		
Shares and other variable yield securities and units in unit trusts	**54**	—	—	54
Total	**54**	—	—	**54**

10. Debtors

The debtors arising out of direct insurance operations are all due from insurance intermediaries.

	2021 £'000
Amounts due within one year:	
Debtors arising out of direct insurance operations	86
Other debtors	19
Total debtors due	**105**

Other debtors relates to loss funds advanced to the coverholder, Parsyl Insurance Solutions LLC (PIS).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)

11. Cash at bank and in hand

	2021 £'000
Syndicate funds	
Syndicate premium trust funds	**31**

The above amounts relate to the underwriting activities of Syndicate 1796 and are held under the terms of Lloyd's Premium Trust Deeds in Premium Trust Funds (see note 10).

12. Creditors

	2021 £'000
Amounts due within one year:	
Creditors arising out of reinsurance operations	63
	63

13. Reconciliation of profit to net cash inflow from operating activities

	2021 £'000
Profit for the period	(39)
(Decrease)/Increase in gross technical provisions	27
Decrease/(Increase) in reinsurers' share of gross technical provisions	(19)
(Increase) in debtors	(224)
Increase in creditors	171
Movement in other assets/liabilities	—
Removal of investment return	1
OCI - Currency translation differences	2
Other	—
Net cash generated from operating activities	**(81)**

14. Movement in opening and closing portfolio investments net of financing

	2021 £'000
Net cash (outflow) for the year	31
Cash flow arising from movement in:	
Overseas deposits	—
Portfolio investments	54
Movement arising from cash flows	**85**
Changes in market value and exchange rates	—
Total movement in portfolio investments	**85**
Total portfolio at 1 January	**—**
Total portfolio at 31 December	**85**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)

15. Movements in cash, portfolio investments and financing

	At 1 January 2021	Cash Flow	Changes to market value & currencies	At 31 December 2021
		£'000s		
Cash at bank	—	31	—	31
Overseas deposits	—	—	—	—
Portfolio investments:				
Shares and other variable-yield securities and units in unit trusts	—	54	—	54
Debt securities and other fixed-income securities	—	—	—	—
Total portfolio investments	**—**	**54**	**—**	**54**
Total cash, portfolio investments and financing	**—**	**85**	**—**	**85**

16. Net cash outflow on portfolio investments

	2021 £'000
Sale of shares and other variable yield securities	—
Purchase of shares and other variable yield securities	(54)
Sale of debt securities and other fixed income securities	—
Purchase of debt securities and other fixed income securities	—
Sale of participation in investment pools	—
Net cash outflow on portfolio investments	**(54)**

17. Funds at Lloyd's

The Syndicate's corporate member, Parsyl Syndicate Limited (PSL), is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities and can therefore be considered as the capital supporting the operations of the syndicate. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on Prudential Regulatory Authority requirements and resource criteria. FAL is set after considering a number of factors including the nature and amount of risk to be underwritten by the member and assessment of the reserving risk in respect of business that has been underwritten.

At the balance sheet date, PSL has met its Funds at Lloyd's requirement to support its underwriting capacity by way of cash to the value of US$3.0m (£2.2m). The managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses. The managing agent believes that in the light of these capital arrangements it is appropriate to prepare the financial statements on a going concern basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021 (CONTINUED)

18. Movements in insurance liabilities and reinsurance assets

	2021		
	Gross £'000	**RI £'000**	**Net £'000**
At 1 January	—	—	—
Unearned premium net of deferred acquisition costs	—	—	—
Notified claims	—	—	—
Incurred but not reported	—	—	—
Total at 1 January	**—**	**—**	**—**
Cash paid for claims settled in period	—	—	—
Movement in provisions in period	26	(19)	7
Unearned premium net of deferred acquisition costs	—	—	—
Net exchange differences	1	—	1
Total at 31 December	**27**	**(19)**	**8**
Unearned premium net of deferred acquisition costs	—	—	—
Notified claims	5	—	5
Incurred but not reported	22	(19)	3
Total at 31 December	**27**	**(19)**	**8**

19. Related parties

The only related parties that have transacted with Syndicate 1796 are PSL and PIS. All transactions were undertaken at arm's length under standard commercial terms that would be applied to any third party.

PIS is an insurance intermediary writing business on behalf of Syndicate 1796, accounting for all of the gross written premium of 1796 in 2021 and charged the Syndicate brokerage and profit commissions of £191k. At 31 December 2021, the amount due from PIS was £87k and £19k for premium debtors and loss funds respectively.

20. Ultimate parent undertaking of Managing Agent and Corporate Member

The immediate and ultimate parent undertaking of the Corporate Member (PSL) is Parsyl Inc, incorporated in the United States with a registered office of: 1209 Orange Street, Wilmington, Delaware, United States, 19801.

The immediate parent undertaking of the Managing Agent is Ascot Underwriting Group Limited. Copies of the Ascot Underwriting Group Limited financial statements can be obtained from 20 Fenchurch Street, London, EC3M 3BY.