Syndicate Annual Report & Accounts

31 December 2018

D L Dale Syndicate **2525**

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Directors and Administration

Managing Agent:

Managing Agent
Asta Managing Agency Ltd

Directors
T A Riddell (Chairman)*
R P Barke
C V Barley
L Harfitt
A J Hubbard*
D J G Hunt
P A Jardine*
M D Mohn*
S P A Norton
J W Ramage*
K Shah*
R A Stevenson*
J M Tighe

*Non Executive Directors**

Company Secretary
N Burdett

Managing Agent's Registered Office
5th floor
Camomile Court
23 Camomile Street
London
EC3A 7LL

Managing Agent's Registered Number
1918744

Active Underwriter
D L Dale

Bankers
Barclays Plc
Citibank N.A,
RBC Dexia

Investment Managers
Amundi (UK) Limited

Registered Auditors
Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Active Underwriter's Report

2016 Year of Account

Allocated Capacity	£50m
Capacity Utilisation	83%
Profit in 2018	£9.7m

Calendar year profit was £9.7m generated mainly from the positive development of the 2015 and prior years. The Syndicate continues to experience reserve redundancy demonstrating the realistic approach to the setting of its outstanding liabilities.

Both stamp capacity and the Syndicate's SBF estimated written income increased for 2016 largely in response to the increased income on the international account and the improved utilisation on the core account experienced since 2013; the latter in response to various market failures in the UK casualty sector. Signed gross income exceeded £40m for the first time in a decade.

For the first time since 2003 the Syndicate recorded a more than de minimis increase in year on year premium rates which can be seen in the table provided below. As in previous years, terms, conditions, and primary excesses remained sensible and within risk appetite. Most of the Syndicate's broker support came from the medium sized to small entities although on the international account a greater level of support comes from the larger national companies.

The business mix remained broadly similar to previous years and within the tolerances set by the Syndicate. On the core account delegated underwriting authority was restricted to one small specialist scheme whilst on the international account twenty five percent of the business came through from that source. All the international binders were previously underwritten by the international team prior to joining the Syndicate with a large proportion of the risks written being within the SME sector.

2017 Year of Account

Stamp Capacity	£50m
Forecast Utilisation	94%
Profit in 2018	£2.4m

Both stamp capacity and SBF estimated written income remained unchanged as trading conditions remained challenging. In March of the year the UK government finally announced its decision regarding the Ogden discount rate which sent reverberations through the UK casualty market. The decision had a noticeable effect on pricing both within the insurance and reinsurance markets and allowed for a more realistic world view of risk versus reward; please refer to the rating guide below which demonstrates the increase in rating levels achieved.

Within the core account' terms and conditions continued to remain sensible aligned to realistic excesses on the primary account. Risk appetite as in previous years remained unaltered with broker support coming mainly from the independent specialist Lloyd's brokers and their counterparts in the regions.

The international account continued to grow which was given added impetus by the recent Lloyd's business planning process. This had a positive effect on the written income in the latter stages of the year of account. Whilst in many ways the account mirrors the risk appetite of the core account there is a greater proportion of the larger multi-national and mutli-disciplined risks that find their way to the London market and hence into the 2525 account.

Binder income remained largely unchanged and mainly for business at the lesser end of the risk spectrum, whilst a larger proportion of excess of loss income was written compared to that on the core account.

At this relatively early stage the 2017 year of account is registering a small profit with premium utilisation being at its highest level since 2005.

2018 Year of Account

Stamp Capacity	£65m
Forecast Utilisation	68%
Loss in 2018	£3.1m

Following positive income development over the last few years together with the employment of two new underwriters early in the year the Syndicate took the decision to increase both stamp capacity and the SBF income estimate for 2018.

For the first time since 2003 the Syndicate was able to effect premium increases on clean renewals. The positive effect following the Ogden decision in 2017 was given greater impact by the tough stance Lloyd's has taken for 2019 with regard to the poor performers within syndicates' overall class portfolios. Although the combined overall rate rise was slightly lower than the Syndicate's estimated SBF number the aggregate amount of such over the last few years has been significant and should bear fruit as the account develops.

The international account, the main beneficiary of the Lloyd's push for greater profits through better management of decile 10 performers. It has continued to grow and become a more significant part of the whole. As a percentage of the whole account the international book will be approximately 25% for 2018 with a similar number of those risks accepted through binders and delegated underwriting. It must be stressed that over 70% of the latter emanates from two contracts that have a smaller line profile and with a stronger bias towards SME business than the rest of the international account.

The core account has remained stable and within risk appetite with similar business ratios to previous years. Terms and conditions having remained generally realistic through the soft market are subject to review and change on a per risk basis together with reasonable premium uplifts.

As reported last year, due to difficulties in projecting from immature data, the long tail nature of the account, provisions made for unearned premiums, lack of investment return and rising regulatory costs, it is prudent to forecast a loss at this early stage for the 2018 of account.

The Syndicate's philosophy with regard to its reinsurance treaty protections is to treat such as a long-term venture. This ensures that there is fair and reasonable thought given to the risks that are borne by them on behalf of Syndicate for the consideration provided. As a result this important process has a degree of stability which has been beneficial for the Syndicate and which allows the treaty to be renewed with the same markets and on a similar basis.

Below is the renewal rate monitor which shows how premium rates have moved year on year and the effect this has had on the rating environment over time:

2007	-5.8%
2008	-4.4%
2009	-0.2%
2010	-0.93%
2011	-1.12%
2012	+0.57%
2013	+0.01%
2014	+0.03%
2015	-0.35%
2016	+1.73%
2017	+5.75%
2018	+6.30%
2019	+2.5% (SBF)

This table shows that premium rates have levelled out since 2012 and how the rating environment has improved following the discount rate decision in 2017 and a more robust business planning process by Lloyd's for 2019. The expected rate rise agreed in the SBF for 2019 (see above) is likely to be exceeded given current market indicators.

Finally, included is a table of ultimate gross written premium after brokers' commissions together with year on year increases/reductions in percentage terms:

Year of account	Premium (£m)	Reduction/ Increase (%)
2007	36.3	-6.40
2008	34.4	-5.20
2009	30.1	-12.50
2010	30.1	–
2011	29.6	-1.67
2012	29.4	-0.68
2013	32.8	+11.56
2014	34.8	+6.09
2015	37.9	+8.91
2016	40.9	+7.92
2017	45.5 Est	+11.24
2018	63.0 Est	+38.46
2019	68.0 Est	+7.94

The Syndicate has managed to achieve sensible growth over the last six years and this momentum has been given greater impetus in 2017 and 2018 due to reasons espoused above. The Syndicate has moved from a position of being barely able to tread water in 2012 to one in which income development is relatively easy although I use that word with a cautionary tone. The hard work undertaken by Lloyd's on behalf of the market and the need to instil greater discipline as a result has placed the Syndicate at a pivotal point in its development. The next step is an important juncture for us and I hope and expect that it is taken with same sense of realism and sound underwriting judgement that has been the hallmark of 2525.

D L Dale
Active Underwriter
22 March 2019

Managing Agent's Report

The Syndicate's Managing Agent is a company registered in England and Wales. The directors of the Managing Agent present their report for the year ended 31 December 2018.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("Lloyd's Regulations 2008").

Results

The total recognised result for calendar year 2018 is a profit of £9,058,548 (2017: profit £750,651).

The Syndicate presents its results under FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. In accordance with FRS 102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS 103.

Principal activity and review of the business

The Syndicate's principal activity continues to be the underwriting of direct insurance and reinsurance business in the Lloyd's market.

The Syndicate writes predominately employers' and public liability insurance primarily in the United Kingdom.

A full review is included in the Active Underwriter's Report.

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

	2018 £'000	2017 £'000
Employers' liability	30,962	27,333
Public liability	39,141	27,450
	70,103	54,783

The Syndicate's key financial performance indicators during the year were as follows;

	2018 £'000	2017 £'000	Change %
Gross written premiums	70,103	54,783	28.0%
Profit for the financial year	9,059	751	1,106.3%
Combined ratio	82.9%	97.8%	14.9%

The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned. Lower ratios represent better performance.

The return on capacity for the 2016 closed year of account at 31 December 2018 is shown below together with forecasts for the two open years of account.

	2018 YOA Open	2017 YOA Open	2016 YOA Closed
Capacity (£'000)	65,000	50,000	50,000
Result/forecast (£'000)	(1,657)	(2,165)	3,217
Forecast return/return on capacity (%)	(2.6%)	(4.3%)	6.4%

Principal risks and uncertainties

The Syndicate sets risk appetite annually, which is approved by the Agency as part of the Syndicate's business planning and Solvency Capital Requirement ('SCR') process. The Agency Risk and Solvency Committee meets at least quarterly to oversee the risk management framework. The Syndicate Board, a sub-committee of the Agency Board, reviews the risk profile as reflected in the risk register, and monitors performance against risk appetite using a series of key risk indicators. The principal risk and uncertainties facing the Syndicate are as follows:

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Syndicate Board manages insurance risk through the approved business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Syndicate Board then monitors performance against the business plan through the year. Reserve adequacy is monitored through quarterly review by the Syndicate actuary and the Reserving Committee.

Credit risk

The key aspect of credit risk is reinsurance counterparty risk which is the risk of default by one or more of the Syndicate's reinsurers and intermediaries. The Syndicate Board's policy is that the Syndicate will only reinsure with approved reinsurers, supported by collateralisation, where required. The Agency Reinsurance Security Committee monitors reinsurer ratings and is required to approve all new reinsurers before business is placed with them.

Market risk

Market risk exposure impacting the Syndicate relates to fluctuations in interest rates or exchange rates. The Syndicate is exposed to foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Agency's policy is to maintain received income or incurred expenditure in the core currencies in which they were received or paid. Any surplus or deficit in a core currency would be subject to review by the Syndicate Board.

Exposure to changes in interest rates comes from the Syndicate's investment portfolio. The Agency seeks to minimise this risk through investing in either fixed interest securities or high quality floating rate notes.

In addition, an Investment Committee which reports to the Syndicate Board, ensures that the Syndicate's investment portfolio is managed by the external investment manager in accordance with the Syndicates risk appetite and to guidelines as approved by the Syndicate Board.

Liquidity risk

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash or can only meet obligations at excessive cost. To mitigate this risk the Syndicate Board and Investment Committee reviews cash flow projections regularly and ensures that, where needed, the Syndicate has liquidity facilities in place or has utilised the option of a cash call from capital providers.

Operational risk

This is the risk that errors caused by people, processes, systems and external events lead to losses to the Syndicate. The Agency seeks to manage this risk through the use of an operational risk and control framework throughout the Syndicate, detailed procedures manuals and a structured programme of testing of processes and systems by internal audit. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulatory Authority (PRA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. The Agency has a compliance officer who manages a team of four that monitor business activity and regulatory developments and assesses any effects on the Agency.

The Syndicate has no appetite for failing to treat customers fairly. The Syndicate manages and monitors its conduct risk through a suite of risk indicators and reporting metrics as part of its documented conduct risk framework.

Managing Agent's Report (continued)

Group/strategic risk

This is the risk of contagion that arises from being associated with key stakeholders and the impact that activities and events that occur within other connected or third parties has on the business.

Strategic risk covers the risks faced by the Syndicate due to changes in underlying strategy of the business or that of its key stakeholders (including strategic conflicts of interest).

Outlook for 2019 – Investment

Growth across developed markets has moderated and is expected to continue around trend in 2019, down from the above potential pace seen in 2018.

In the UK, the March Brexit date is approaching. A short Article 50 extension is likely to be accepted by the EU as MPs increasingly back May's deal who will pass it at the last minute. The Bank of England has a bias to raising rates, with unemployment close to its 40 year low, but further changes to rates are now path-dependent on the shape of Brexit resolution.

The Sterling portfolio is conservatively positioned into the crunch Brexit discussions with a geographically diversified mix of corporate bonds. Gilt yields have been range trading for some time and duration is being extended on any increases in yields. In Euro, the portfolio is using corporate bonds to minimise the drag from negative yields and holding cash to hedge when yields are rising. In Canada, where yields are higher, duration is close to neutral with spread coming from industrial and financial corporate bonds.

Future developments

The Syndicate will continue to transact the current classes of general direct insurance and reinsurance business. If opportunities arise to write new classes of business, these will be investigated at the appropriate time.

The capacity for the 2019 year of account is £69.9m (2018 year of account £65.0m).

Significant uncertainty remains associated with the UK's planned exit from the European Union. The risks to UK economic growth remain significant as the terms of the UK's exit from the EU remain unclear.

To mitigate the risk of losing access to EEA business and mitigate the impact of the Lloyd's syndicates losing EEA passporting rights, Lloyd's have set up an EU regulated insurance company (LIC) in Brussels to underwrite EEA-exposed business from 1 January 2019. This is a fully operational, capitalised insurance company under Solvency II. It is authorised and regulated by the National Bank of Belgium and regulated by the Financial Services and Markets Authority and licensed to write non-life risks across the EEA and the UK.

Writing business via Lloyd's Brussels has necessitated a number of operational changes that syndicates have had to make to enable them to be able to write EEA business via a reinsurance arrangement with LIC. The Managing Agency has been working with the Syndicate to implement these changes to ensure that the Syndicate was set up to write business via Lloyd's Brussels from 1 January 2019.

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 at the front. Changes to directors were as follows:-

R P Barke	Appointed 01 January 2018
P A Jardine	Appointed 01 November 2018
R A Stevenson	Appointed 01 November 2018
C Chow*	Resigned 28 February 2019
N J Burdett*	Appointed 01 March 2019

**Company Secretary*

Disclosure of Information to the Auditor

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

Auditors

The Managing Agent intends to reappoint Mazars LLP as the Syndicate's auditor.

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members before 26 April 2019.

On behalf of the Board

N Burdett
Company Secretary
22 March 2019

Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the financial statements in accordance with applicable law and regulations.

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

In preparing the financial statements, the Managing Agent is required to:

- select suitable accounting policies and then apply them consistently subject to changes arising on the adoption of new accounting standards in the year;
- 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 notes to the Syndicate accounts; and
- prepare the Syndicate accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

The Managing Agent is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

To the members of Syndicate 2525

Opinion

We have audited the annual financial statements of Syndicate 2525 (the "Syndicate") for the year ended 31 December 2018 which comprise the Income statement, the Statement of Changes in Members' Balances, the Statement of financial position, the Statement of cash flows and the related notes, 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" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the annual financial statements:

- give a true and fair view of the state of affairs of Syndicate 2525 as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis of 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 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 financial statements in the UK, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties due to the United Kingdom exiting the European Union on our audit

The managing agent's view on the impact of Brexit is disclosed on page 6. The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Syndicate's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Syndicate as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Syndicate's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Syndicate and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the managing agent's use of the going concern basis of accounting in the preparation of the annual financial statements is not appropriate; or
- the managing agent has not disclosed in the annual financial statements any identified material uncertainties that may cast significant doubt on the Syndicate's ability to continue to operate for a period of at least twelve months from the date when the annual financial statements are authorised for issue.

Other information

The managing agent is responsible for the other information. The other information comprises the information included in the Syndicate Annual Report and Accounts, other than the annual financial statements and our auditor's report thereon. Our opinion on the 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.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

- the information given in the Managing Agent's Report for the financial year for which the annual financial statements are prepared is consistent with those annual financial statements; and
- the Managing Agent's Report has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified material misstatements in the Managing Agent's Report.

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

- the managing agent in respect of the Syndicate has not kept adequate accounting records; or
- the annual financial statements are not in agreement with the accounting records; or
- certain disclosures relating to amounts recharged to the Syndicate in respect of the emoluments of the active underwriter and the directors of the managing agent are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 8, the managing agent is responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

Use of the audit report

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

Steve Liddell (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London E1W 1DD

Income Statement
Technical Account – General Business

For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Gross premiums written	3	70,103	54,783
Outward reinsurance premiums		(11,441)	(6,211)
Net written premiums		58,662	48,572
Change in the provision for unearned premiums			
Gross amount		(9,021)	(4,022)
Reinsurers' share		1,768	(1,140)
	4	(7,253)	(5,162)
Earned premiums, net of reinsurance		51,409	43,410
Allocated investment return transferred from the non-technical account		739	557
Claims paid			
Gross amount		(24,035)	(21,646)
Reinsurers' share		9,548	3,168
		(14,487)	(18,478)
Changes in the provision for claims outstanding			
Gross amount		(9,581)	(778)
Reinsurers' share		571	(5,754)
	4	(9,010)	(6,532)
Claims incurred, net of reinsurance		(23,497)	(25,010)
Net operating expenses	5	(19,112)	(17,452)
Balance on technical account – general business		**9,539**	**1,505**

All the amounts above are in respect of continuing operations.

The notes on pages 17 to 35 form part of these financial statements.

Non-Technical Account – General Business

For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Balance on technical account – general business		9,539	1,505
Investment income	9	2,020	1,236
Unrealised losses on investments	9	(696)	(307)
Investment expenses and charges	9	(585)	(372)
Allocated investment return transferred to the general business technical account	9	(739)	(557)
Exchange (losses)		(480)	(754)
Profit for the financial year		**9,059**	**751**

There were no recognised gains and losses in the year other than those reported in the Income Statement and hence no Statement of Other Comprehensive Income has been presented.
All the amounts above are in respect of continuing operations.

Statement of Changes in Members' Balances

For the year ended 31 December 2018

	2018 £'000	2017 £'000
Members' balances brought forward at 1 January	(8,441)	(4,710)
Profit for the financial year	9,059	751
Members' agent's fees	(350)	(268)
Payments of profit to members' personal reserve funds	(3,476)	(4,214)
Members' balances carried forward at 31 December	**(3,208)**	**(8,441)**

Members participate on Syndicates by reference to years of account (YOA) and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

The notes on pages 17 to 35 form part of these financial statements.

Statement of Financial Position

As at 31 December 2018

	Notes	2018 £'000	2017 £'000
ASSETS			
Investments			
Other financial investments	10	88,073	82,038
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	6,013	4,245
Claims outstanding	4	44,972	44,338
		50,985	48,583
Debtors			
Debtors arising out of direct insurance operations	11	20,063	14,207
Debtors arising out of reinsurance operations	12	1,216	527
Other debtors		90	49
		21,369	14,783
Cash and other assets			
Cash at bank and in hand	15	23,213	15,680
		23,213	15,680
Prepayments and accrued income			
Deferred acquisition costs	4	8,438	5,457
Other prepayments and accrued income		536	323
		8,974	5,780
TOTAL ASSETS		192,614	166,864

The notes on pages 17 to 35 form part of these financial statements.

Statement of Financial Position (continued)

As at 31 December 2018

	Notes	2018 £'000	2017 £'000
MEMBERS' BALANCE AND LIABILITIES			
Capital and reserves			
Members' balances		(3,208)	(8,441)
Liabilities			
Technical provisions			
Provision for unearned premiums	4	36,250	27,364
Claims outstanding	4	155,425	145,785
		191,675	173,149
Creditors			
Creditors arising out of direct insurance operations	13	622	121
Creditors arising out of reinsurance operations	14	2,108	280
Other creditors		685	805
		3,415	1,206
Accruals and deferred income		732	950
Total liabilities		195,822	175,305
TOTAL MEMBERS' BALANCES AND LIABILITIES		**192,614**	**166,864**

The financial statements on pages 12 to 35 were approved by board of directors on 19 March 2019 and were signed on its behalf by:

D J G Hunt
Director
22 March 2019

The notes on pages 17 to 35 form part of these financial statements.

Statement of Cash Flows

For the period ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Cash flows from Operating activities			
Profit on ordinary activities		9,059	751
Increase in gross technical provisions		18,526	4,355
(Increase)/Decrease in reinsurers' share of gross technical provisions		(2,402)	7,192
(Increase) in debtors		(6,586)	(283)
(Increase)/Decrease in creditors		2,209	(2,794)
Movement in other asset/liabilities		(3,412)	(995)
Changes to market value and currency		210	(125)
Investment Return		(739)	(557)
Net cash inflow from operating activities		16,865	7,544
Cash flows from investing activities			
Purchase of other financial investments		(58,442)	(60,305)
Sale of other financial investments		55,466	54,847
Investment income received		1,435	883
(Increase)/Decrease in overseas deposits		(3,572)	1,150
Net cash (outflow) from investing activities		(5,113)	(3,425)
Cash flows from financing activities			
Payments of profit to members' personal reserve fund		(3,476)	(4,214)
Members' agents fee advances		(350)	(268)
Net cash outflow from financing activities		(3,826)	(4,482)
Net Increase/(Decrease) in cash and cash equivalents		7,926	(173)
Foreign exchange on cash and cash equivalents		–	(190)
Cash and cash equivalents at beginning of year		23,358	23,721
Cash and cash equivalents at end of year	15	31,284	23,358

Notes to the Financial Statement

For the year ended 31 December 2018

1. Basis of Preparation

Statement of compliance

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value. The financial statements are prepared in GBP which is the functional and presentational currency of the Syndicate and rounded to the nearest £'000.

2. Accounting Policies

Use of estimates

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

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

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

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. There has been no discounting of 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.

Significant accounting policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate's financial statements.

Gross premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates, primarily relating to binder business, are judgemental and could result in misstatements of revenue recorded in the financial statements.

The main assumption underlying future premium, is that past premium development can be used to project future premium development.

Reinsurance premiums

Reinsurance written premiums comprise the total premiums payable for the whole cover provided by contracts entered into the period, including portfolio premiums payable, and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

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

Claims incurred

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the reporting date, but not reported until after the year end.

The provision for claims comprises amounts set aside for claims notified and claims incurred, but not yet reported (IBNR).

Notes to the Financial Statement (continued)

For the year ended 31 December 2018

2. Accounting Policies (continued)

The amount included in respect of IBNR is based on statistical techniques of estimation applied by 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. The provision for claims also includes amounts in respect of internal and external claims handling costs. 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 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 and the claims experience for the year. The Syndicate uses a number of statistical techniques to assist in making these estimates.

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

Adjustments to the amounts of claims provisions established in prior years 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.

Provisions for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. In respect of general insurance business, written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Unexpired risks

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

The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return.

At 31 December 2018 the Syndicate did not have an unexpired risk provision.

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as the administrative expenses connected with the processing of proposals and the issuing of policies.

Deferred acquisition costs are costs arising from conclusion of insurance contracts that are incurred during the reporting period but which relate to a subsequent reporting period, and which are carried forward to subsequent reporting periods.

Deferred acquisition costs are amortised over the period in which the related premiums are earned.

Reinsurance assets

The Syndicate cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Syndicate may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2018 or 2017.

Ceded reinsurance arrangements do not relieve the Syndicate from its obligations to policyholders.

2. Accounting Policies (continued)

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are de-recognised when the de-recognition criteria for financial assets have been met.

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Foreign currencies

The Syndicate's functional currency 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 following balance sheet rates of exchange have been used in the preparation of these accounts:

	2018 Year End	2017 Year End
USD	1.27	1.35
CAD	1.74	1.70
EUR	1.11	1.13
AUD	1.81	1.73
ZAR	18.30	16.74

Financial assets and liabilities

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

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

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

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

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

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

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

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

Notes to the Financial Statement (continued)

For the year ended 31 December 2018

2. 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.

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Interest income on financial assets measured at amortised cost is recognised using the effective interest method. For the purpose of separately presenting investment income and unrealised gains and losses for financial assets at fair value through profit or loss, interest income is recognised as it accrues on the next coupon payment.

For investments at fair value through profit or loss, realised gains and losses represent the difference between the net proceeds on disposal and the purchase price. For investments measured at amortised cost, realised gains and losses represents the difference between the net proceeds on disposal and the latest carrying value (or if acquired after the last reporting date, the purchase price).

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price. Movements in unrealised investment gains and losses comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period, or the valuation at the beginning of the year; as well as the reversal of previously recognised unrealised gains and losses in respect of investments disposed of in the current period.

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

Cash and cash equivalents

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

Fair value measurement of investments

Financial instruments that are classified as fair value through the profit or loss account are assigned a level using a fair value hierarchy that reflects the significance of the inputs used in these measurements.

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

Level 1 financial instruments comprise government bonds that are regularly traded, deposits with credit institutions and collective investment schemes which comprise Money Market Funds.

- Bonds have been valued at fair value using bid prices in an active market.

Level 2 financial instruments are less regularly traded government and agency bonds, supranational bonds, corporate bonds, currency derivatives, bond futures, and fund investments.

- Bonds are included in the balance sheet at bid price using prices supplied by the custodian or by the investment managers, who obtain market data from numerous independent pricing services. The prices used are reconciled against a common market pricing source.
- Investments in regulated collective investment schemes are valued on the NAVs of each of the individual funds as published publicly by the managers.
- Investments in pooled investments in unregulated investment schemes (hedge funds) are valued based on the underlying NAVs of each of the individual funds. Hedge fund NAVs are provided by the administrators of the schemes.
- Investments in investment pools are valued on the valuations supplied by the investment manager (Lloyd's).

Level 3 financial instruments have a fair value derived from inputs that are not based on observable market data. The Syndicate does not currently hold any level 3 financial instruments.

2. Accounting Policies (continued)

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax (currently at 20%) deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any other overseas tax payable by members on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

Profit commission

Profit commission is charged by the managing agent at a rate of 17.5% of profit subject to the operation of a two year deficit clause. Such commission is recognised when the year of account becomes profitable but does not become payable until after the appropriate year of account closes normally at 36 months.

Pension costs

The Managing Agent operates a defined contribution scheme. Pension contributions to Syndicate staff are charged to the Syndicate and included within net operating expenses.

Syndicate operating expenses

Where expenses are incurred by the Managing Agent or on behalf of the Managing Agent on the administration of managed Syndicates, these expenses are apportioned using various methods depending on the type of expense. Expenses which are incurred jointly for the Managing Agent and managed Syndicates are apportioned between the Managing Agent and the Syndicates depending on the amount of work performed, resources used and volume of business transacted.

Notes to the Financial Statement (continued)

For the year ended 31 December 2018

3. Particulars of business written

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

2018	Gross Written Premiums £'000	Gross Premiums Earned £'000	Gross Claims Incurred £'000	Net Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Insurance:						
Direct insurance:						
Third-party liability	67,873	59,279	(32,468)	(18,604)	458	8,665
Reinsurance Acceptances	2,230	1,803	(1,148)	(508)	(12)	135
	70,103	**61,082**	**(33,616)**	**(19,112)**	**446**	**8,800**

2017	Gross Written Premiums £'000	Gross Premiums Earned £'000	Gross Claims Incurred £'000	Net Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Insurance:						
Third Party Liability	53,413	50,190	(21,959)	(17,158)	(9,936)	1,137
Reinsurance Acceptances	1,370	571	(465)	(294)	(1)	(189)
	54,783	**50,761**	**(22,424)**	**(17,452)**	**(9,937)**	**948**

Commissions on direct insurance gross premiums written during 2018 were £12.8 million (2017: £9.7 million).

All premiums were concluded in the UK.

Gross operating expenses are the same as net operating expenses shown in the income statement, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses for 2018.

4. Technical Provisions

	2018			2017		
	Gross Provisions £'000	Reinsurance Assets £'000	Net £'000	Gross Provisions £'000	Reinsurance Assets £'000	Net £'000
Claims outstanding						
Balance at 1 January	145,785	(44,338)	101,447	145,134	(50,390)	94,744
Change in claims outstanding	9,581	(571)	9,010	778	5,754	6,532
Effect of movements in exchange rates	59	(63)	(4)	(127)	298	171
Balance at 31 December	**155,425**	**(44,972)**	**110,453**	**145,785**	**(44,338)**	**101,447**
Claims notified	117,104	(30,330)	86,774	108,934	(32,129)	76,805
Claims incurred but not reported	38,321	(14,642)	23,679	36,851	(12,209)	24,642
Balance at 31 December	**155,425**	**(44,972)**	**110,453**	**145,785**	**(44,338)**	**101,447**
Unearned premiums						
Balance at 1 January	27,364	(4,245)	23,119	23,660	(5,385)	18,275
Change in unearned premiums	9,021	(1,768)	7,253	4,022	1,140	5,162
Effect of movements in exchange rates	(135)	–	(135)	(318)	–	(318)
Balance at 31 December	**36,250**	**(6,013)**	**30,237**	**27,364**	**(4,245)**	**23,119**
Deferred acquisition costs						
Balance at 1 January	5,457	–	5,457	4,690	–	4,690
Change in deferred acquisition costs	3,036	–	3,036	822	–	822
Effect of movements in exchange rates	(55)	–	(55)	(55)	–	(55)
Balance at 31 December	**8,438**	**–**	**8,438**	**5,457**	**–**	**5,457**

There were favourable movements during the year of £17.9m (2017: £26.6m), on prior year gross claims reserves, held at 31 December 2017.

5. Net Operating Expenses

	2018 £'000	2017 £'000
Acquisition costs	(15,291)	(10,949)
Change in deferred acquisition costs	3,036	822
Administration expenses	(6,857)	(7,325)
Net operating expenses	**(19,112)**	**(17,452)**

Members' standard personal expenses amounting to £1.773 million (2017: £1.681 million) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, managing agent's fees and profit commission.

Notes to the Financial Statement (continued)

For the year ended 31 December 2018

6. Staff Costs

	2018 £'000	2017 £'000
Wages and salaries	(2,400)	(1,621)
Social security costs	(305)	(200)
Other pension costs	(215)	(187)
	(2,920)	**(2,008)**

The average number of employees of the Managing Agent, working during the year for the Syndicate were as follows:

	2018	2017
Administration	3	3
Underwriting	9	7
Claims	10	9
	22	**19**

7. Auditor's Remuneration

	2018 £'000	2017 £'000
Audit of the Financial statements	(91)	(85)
Other services pursuant to Regulations and Lloyd's Byelaws	(75)	(20)
	(166)	**(105)**

Auditor's remuneration is included as part of the administrative expenses in note 5 to the financial statements.

8. Emoluments of the Directors of Asta Managing Agency Ltd

The aggregate emoluments of the Directors and staff of the Managing Agency are met by Asta Managing Agency Ltd and are disclosed within the financial statements of that company, with the exception of J. M. Tighe, S.P.A. Norton, D.J.G. Hunt and L Harfitt. J.M. Tighe and S.P.A Norton's remuneration is disclosed in the financial statements of Asta Capital Ltd and the remuneration of D.J.G. Hunt and L Harfitt is disclosed in the financial statements of Asta Insurance Markets Ltd and were all charged in the accounts of Asta Managing Agency Ltd.

No emoluments of the Directors or staff of Asta Managing Agency Ltd were directly charged to the Syndicate.

No other compensation was payable to key management personnel.

The Active Underwriter received the following aggregate remuneration, charged as a Syndicate expense:

	2018 £'000	2017 £'000
Active Underwriter's emoluments	(395)	(299)
	(395)	**(299)**

9. Investment Return

	2018 £'000	2017 £'000
Income from other financial investments	2,012	1,230
Gains on realisation of investments		
– Fair value through profit or loss designated upon initial recognition	8	6
Total investment income	2,020	1,236
Losses on realisation of investments		
– Fair value through profit or loss designated upon initial recognition	(508)	(300)
Investment expenses and charges	(77)	(72)
	(585)	(372)
Unrealised losses on investments		
– Financial instruments at fair value through profit and loss	(696)	(307)
Total investment return	**739**	**557**
Average amount of funds available for investing during the year:		
Sterling	72,766	70,598
United States dollars	5,857	5,178
Canadian dollars	21,563	13,706
Euros	8,898	8,286
Australian dollars	7,832	5,276
South African rand	41,799	28,475
Combined in sterling	**104,133**	**94,685**
Gross calendar year investment yield:		
Sterling	293	345
United States dollars	103	56
Canadian dollars	379	97
Euros	(21)	0
Australian dollars	160	67
South African rand	1,381	1,411
Combined in sterling	**739**	**557**

"Average fund" is the average of bank balances, overseas deposits and investments held at the end of each quarter during the calendar year. For this purpose, investments are revalued at month-end market prices, which include accrued income where appropriate. Income from financial investments is all interest income, there is no dividend income.

10. Financial Investments

	2018		
	Carrying value £'000	Purchase price £'000	Listed £'000
Shares and other variable yield securities and units in unit trusts			
– Loans and receivables	15,702	15,702	15,702
Debt securities and other fixed income securities			
– Designated at fair value through profit or loss	72,371	73,068	71,872
	88,073	**88,770**	**87,574**

Notes to the Financial Statement (continued)

For the year ended 31 December 2018

10. Financial Investments (continued)

	2017 Carrying value £'000	2017 Purchase price £'000	2017 Listed £'000
Shares and other variable yield securities and units in unit trusts			
– Loans and receivables	11,737	11,737	11,737
Debt securities and other fixed income securities			
– Designated at fair value through profit or loss	70,301	70,606	69,266
	82,038	**82,343**	**81,003**

Amounts included within shares and other variable securities include money market funds. These are treated as cash equivalents with the carrying value and purchase price being the same.

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31 December 2018				
Shares and other variable yield securities and units in unit trusts	57	15,645	–	15,702
Debt securities and other fixed income securities	14,476	57,895	–	72,371
Total	**14,533**	**73,540**	**–**	**88,073**

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31 December 2017				
Shares and other variable yield securities and units in unit trusts	36	11,701	–	11,737
Debt securities and other fixed income securities	13,202	57,099	–	70,301
Total	**13,238**	**68,800**	**–**	**82,038**

Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Syndicate, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's own models whereby the significant inputs into the assumptions are market observable.

Included in the level 3 category, are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's own data. The Syndicate does not have any financial investments that meet level 3 criteria.

11. Debtors Arising out of Direct Insurance Operations

	2018 £'000	2017 £'000
Due from intermediaries (within one year)	20,063	14,207
	20,063	**14,207**

12. Debtors Arising out of Reinsurance Operations

	2018 £'000	2017 £'000
Due from intermediaries (within one year)	1,216	527
	1,216	**527**

13. Creditors Arising out of Direct Insurance Operations

	2018 £'000	2017 £'000
Direct Business - Intermediaries (within one year)	622	121
	622	**121**

14. Creditors Arising out of Reinsurance Operations

	2018 £'000	2017 £'000
Reinsurance ceded (within one year)	2,108	280
	2,108	**280**

15. Cash and Cash Equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	23,213	15,680
Investments in money and market funds	8,071	7,678
	31,284	**23,358**

Notes to the Financial Statement (continued)

For the year ended 31 December 2018

16. Related Parties

Asta provides services and support to Syndicate 2525 in its capacity as Managing Agent. During the year, managing agency fees of £0.650 million (2017: £0.500 million) were charged to the Syndicate. Asta also recharged £1.950 million (2017: £2.202 million) worth of service charges in the year and as at 31 December 2018 an amount of £Nil (2017: £0.329 million) was owed to Asta in respect of this service. Syndicate staff are employed and paid by a service company, Asta Management Services Limited.

Syndicate 2525 has recorded an accrual of £0.682 million (2017: £0.805 million) for profit commission.

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

17. Disclosure of Interests

Managing Agent's interest

During 2018 Asta was the Managing Agent for ten Syndicates and three Special Purpose Arrangements. Syndicates 1729, 1897, 1980, 2357, 2525, 2689, 2786, 3268, 4242 and 5886 as well as Special Purpose Arrangements 6123, 6126 and 6131 were managed on behalf of third party capital providers.

On 1 January 2018, Asta took on management of Syndicate 1980 and Syndicate 3268. Asta also took on management of Special Purpose Arrangement 6131.

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

The Financial Statements of the Managing Agency can be obtained by application to the Registered Office.

18. Funds at Lloyd's

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

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

19. Off-balance Sheet Items

The Syndicate has not been party to an arrangement, which is not reflected in its statement of financial position, where material risks and benefits arise for the Syndicate.

20. Risk Management

a) Governance framework

The Syndicate's risk and financial management framework aims to protect the Syndicate's members' capital from events that might otherwise prevent the Syndicate from meeting its policyholder obligations, while maximising the returns to its members. The directors recognise the critical importance of having efficient and effective risk management systems in place.

Asta maintains a risk management function for the Syndicate with clear terms of reference from the Syndicate Board, its committees and sub committees. Asta supplements this with a clear organisational structure with documented delegated authorities and responsibilities from the main Asta managing agency board to the Syndicate who perform the underwriting activities. Lastly, the Syndicate policy framework sets its risk management and control, and business conduct standards for operations. Asta reviews and monitors each policy to ensure compliance with the policy throughout the Syndicate.

20. Risk Management (continued)

The Syndicate board approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the Syndicate goals, and specify reporting requirements. The Syndicate board places significant emphasis on the assessment and documentation of risks and controls, including the articulation of the Syndicate's risk appetite.

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and is subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000.

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

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly the capital requirement in respect of 2525 is not disclosed in these financial statements.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each Syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The Syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each Syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2018 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), held within and managed within a Syndicate (funds in Syndicate) or as the member's share of the member's balances on each Syndicate on which it participates. Accordingly, the ending members balances reported on the statement of financial position on page 14, represent resources available to meet members' and Lloyd's capital requirements.

c) Insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Syndicate purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on a non-proportional basis. Non-proportional reinsurance is excess-of-loss reinsurance designed to mitigate the Syndicate's net exposure to large losses. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

Notes to the Financial Statement (continued)

For the year ended 31 December 2018

20. Risk Management (continued)

Sub committees of the Syndicate board oversee the management of reserving risk. The use of standardised and internal modelling techniques, as well as benchmarking and the review of claims development are key in mitigating reserving risk.

The purpose of these underwriting, reinsurance and reserving strategies is to limit exposure to catastrophes or large losses based on the Syndicate's risk appetite as decided by the Syndicate board.

The Syndicate uses both its own and commercially available risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an un-modelled event are greater than those arising from a modelled event.

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows hypothetical claims arising out of the RDS on the Syndicates in-force exposure at 31 December 2018.

	Estimated Gross loss £'000	Estimated Net loss £'000
Alternative RDS A	26,000	2,000
Alternative RDS B	25,000	1,250
Loss of Major Complex	30,000	1,500

Key assumptions

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each underwriting year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The Syndicate reviewed the Ogden discount rate for reserves for large bodily injury claims and used an assumed rate of 0% for the purposes of reserving. The impact on the change in Ogden rate from prior year is not significant on a net basis.

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The table below has been prepared for Third party liability only as Reinsurance acceptances are immaterial on this account.

2018	Five Percent increase £'000	Five Percent decrease £'000
Third party liability	(7,175)	7,175

2017	Five Percent increase £'000	Five Percent decrease £'000
Third party liability	(6,353)	6,353

20. Risk Management (continued)

Concentration risk

The Syndicate predominately writes direct UK liability business, with 88% (2017 83%) of contracts relating to risks in the UK. The value of these contracts equates to 72% (2017 79%) of the premium income.

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Claims development table

The tables below show the Syndicate's cumulative incurred claims development, including both claims notified and IBNR for each underwriting year, together with the cumulative payments to date on a gross and net of reinsurance basis at the balance sheet date.

The Syndicate has elected to translate estimated claims and claims payments at a consistent rate of exchange as determined by the balance sheet date.

Underwriting year	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000
Estimate of cumulative gross claims incurred:							
At end of first underwriting year	8,053	8,235	9,775	10,075	26,432	12,832	15,797
One year later	32,202	24,413	27,770	34,468	55,837	37,179	
Two years later	31,374	30,696	40,022	33,798	59,072		
Three years later	25,563	29,399	35,299	28,473			
Four years later	23,941	21,184	31,145				
Five years later	21,608	19,032					
Six years later	19,231						
Less cumulative gross paid	(13,029)	(12,663)	(12,906)	(5,781)	(23,655)	(1,875)	(127)
Liability for gross outstanding claims (2012 to 2018)	6,202	6,369	18,239	22,692	35,417	35,304	15,670
Liability for gross outstanding claims (2011 and before)							15,532
Total gross outstanding claims (all years)							155,425

Underwriting year	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000
Estimate of cumulative net claims incurred:							
At end of first underwriting year	6,815	6,566	8,308	8,386	11,118	10,672	12,562
One year later	22,132	22,538	23,799	24,803	28,926	28,186	
Two years later	25,453	23,741	28,605	29,409	30,684		
Three years later	21,737	19,817	25,184	26,046			
Four years later	18,275	17,801	22,575				
Five years later	16,608	15,705					
Six years later							15,054
Less cumulative net paid	(11,847)	(11,714)	(12,906)	(5,781)	(5,245)	(1,875)	(127)
Liability for net outstanding claims (2012 to 2018)	3,207	3,991	9,669	20,265	25,439	26,311	12,435
Liability for net outstanding claims (2011 and before)							9,136
Total net outstanding claims (all years)							110,453

Notes to the Financial Statement (continued)

For the year ended 31 December 2018

20. Risk Management (continued)

The uncertainty associated with the ultimate claims experience of an underwriting year is greatest when the underwriting year is at an early stage of development and the margin for future experience potentially being more adverse than assumed is at its highest. As claims develop, and the ultimate cost of the claims becomes more certain, the relative level of margin should decrease. Due, however, to the uncertainty inherent in the claims estimation process, initial reserves may not always be in a surplus.

d) Financial risk

The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The goal of the investment management process is to optimise the risk-adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the exposure to credit risk:

- Investment guidelines are established setting out the quality of investments to be included within the Syndicate's portfolio. The policy is monitored by the Investment Committee and/or Syndicate Board.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits. If the counterparty is downgraded or does not have a good credit rating, then collateral is sought to mitigate any risk. This is monitored by the Reinsurance Security Committee, a sub committee of the Syndicate Board.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross.

		£'000		
2018	**Neither past due or impaired**	**Past due but not impaired**	**Impaired**	**Total**
Shares and other variable yield securities	8,071	–	–	8,071
Debt Securities	72,371	–	–	72,371
Overseas Deposits	7,631	–	–	7,631
Reinsurers share of claims outstanding	44,972	–	–	44,972
Debtors arising out of direct insurance operations	20,063	–	–	20,063
Debtors arising out of reinsurance insurance operations	1,216	–	–	1,216
Other debtors	15,077	–	–	15,077
Cash at bank and in hand	23,213	–	–	23,213
Total	192,614	–	–	192,614

		£'000		
2017	**Neither past due or impaired**	**Past due but not impaired**	**Impaired**	**Total**
Shares and other variable yield securities	7,679	–	–	7,679
Debt Securities	70,301	–	–	70,301
Overseas Deposits	4,058	–	–	4,058
Reinsurers share of claims outstanding	44,338	–	–	44,338
Debtors arising out of direct insurance operations	14,207	–	–	14,207
Debtors arising out of reinsurance insurance operations	527	–	–	527
Other debtors	10,074	–	–	10,074
Cash at bank and in hand	15,680	–	–	15,680
Total	166,864	–	–	166,864

20. Risk Management (continued)

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2018 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

2018	AAA	AA	A	BBB	BBB or less	Not Rated	Total
				£'000			
Shares and other variable yield securities	–	–	8,071	–	–	–	8,071
Debt Securities	26,509	23,064	14,229	8,569	–	–	72,371
Overseas Deposits	4,762	1,239	616	564	394	56	7,631
Reinsurers share of claims outstanding	–	10,864	34,108	–	–	–	44,972
Debtors arising out of reinsurance operations	–	–	1,216	–	–	–	1,216
Cash at bank and in hand	–	–	23,213	–	–	–	23,213
Total	**31,271**	**35,167**	**81,453**	**9,133**	**394**	**56**	**157,474**

2017	AAA	AA	A	BBB	BBB or less	Not Rated	Total
				£'000			
Shares and other variable yield securities	23	704	6,952	–	–	–	7,679
Debt Securities	21,757	27,042	17,060	4,442	–	–	70,301
Overseas Deposits	1,889	439	380	1,350	–	–	4,058
Reinsurers share of claims outstanding	–	2,931	41,407	–	–	–	44,338
Debtors arising out of reinsurance operations	–	–	527	–	–	–	527
Cash at bank and in hand	–	–	15,680	–	–	–	15,680
Total	**23,669**	**31,116**	**82,006**	**5,792**	**–**	**–**	**142,583**

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business.

During the year, no credit exposure limits were exceeded.

2) **Liquidity risk**

Liquidity risk is the risk that the Syndicate may not have enough cash to pay insurance claims and other liabilities. The Syndicate tries to reduce this risk by reviewing its expected cash obligations on a quarterly basis and keeping adequate cash on deposit to meet those obligations.

Notes to the Financial Statement (continued)

For the year ended 31 December 2018

20. Risk Management (continued)

The table below summarises the maturity profile of the Syndicate's financial liabilities based on remaining undiscounted contractual obligations, including interest payable and outstanding claim liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

			£'000			
2018	**No stated maturity**	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Claims outstanding	–	46,780	59,194	27,396	22,055	155,425
Creditors	–	3,415	–	–	–	3,415
Total	**–**	**50,195**	**59,194**	**27,396**	**22,055**	**158,840**

			£'000			
2017	**No stated maturity**	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Claims outstanding	–	41,042	56,619	27,445	20,679	145,785
Creditors	–	1,206	–	–	–	1,206
Total	–	42,248	56,619	27,445	20,679	146,991

3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Syndicate exposures to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

a) Currency risk

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

The Syndicate's functional currency is GBP and its exposure to foreign exchange risk arises primarily with respect to transactions in Euro, US and Canadian dollars. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

The table below summarises the exposure of the financial assets and liabilities to foreign currency exchange risk at the reporting date, as follows:

2018	**GBP**	**USD**	**EUR**	**CAD**	**AUD**	**OTH**	**Total**
Total Assets	139,827	7,087	16,115	20,336	5,737	3,512	192,614
Total Liabilities	(148,922)	(2,930)	(14,036)	(21,270)	(3,327)	(5,337)	(195,822)
Net Assets	**(9,095)**	**4,157**	**2,079**	**(934)**	**2,410**	**(1,825)**	**(3,208)**

2017	**GBP**	**USD**	**EUR**	**CAD**	**AUD**	**OTH**	**Total**
Total Assets	129,200	6,671	14,683	10,186	4,273	1,851	166,864
Total Liabilities	(143,815)	(2,098)	(14,154)	(10,620)	(1,237)	(3,381)	(175,305)
Net Assets	**(14,615)**	**4,573**	**529**	**(434)**	**3,036**	**(1,530)**	**(8,441)**

The Syndicate matches its currency position so it holds net assets across a number of currencies. The Syndicate takes into consideration the underlying currency of the Syndicate's required capital and invests its assets proportionately across these currencies so as to protect the solvency of the Syndicate, against variation in foreign exchange rates. As a result, the Syndicate holds a significant proportion of its assets in foreign currency investments.

20. Risk Management (continued)

Sensitivity to changes

The table below gives an indication of the impact on profit of a percentage change in the relative strength of Sterling against the value of the US dollar, Canadian dollar and Euro simultaneously. The analysis is based on the information as at 31st December 2018.

Impact on profit and member's balance

	2018 £'000	2017 £'000
Sterling weakens		
10% against other currencies	589	909
20% against other currencies	1,177	1,796
Sterling strengthens		
10% against other currencies	(589)	(940)
20% against other currencies	(1,177)	(1,923)

b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

The Syndicate has no significant concentration of interest rate risk.

Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

	2018 £'000	2017 £'000
Interest Rate Risk		
Impact of 50 basis point increase on result	(405)	(488)
Impact of 50 basis point decrease on result	405	424
Impact of 50 basis point increase on net assets	(405)	(488)
Impact of 50 basis point decrease on net assets	405	424

The method used for deriving sensitivity information and significant variables did not change from the previous period.

21. Post balance sheet events

The Syndicate will distribute the 2016 year of account profits to members during 2019.

There are no other post balance sheet events.

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Financial Statements

For the 36 Months ended 31 December 2018

Closing Year Report and Accounts

2016

D L Dale Syndicate 2525

Underwriter's report for the 2016 closing year of account

For the 36 months ended 31 December 2018

2016 closing year comments

I am pleased to confirm a positive return for the 2016 year of account on the traditional Lloyd's three-year accounting basis. The profit before members' agents fees is £3.2m which equates to a return on capacity of 6.5%.

Stamp Allocated Capacity	£50m
Capacity Utilisation	82.8%
Result (as a percentage of capacity) before Members' Agents Fees	6.5%
Total Result	£3.2m

Underwriter's Commentary as follows:

The Syndicate has seen sensible growth over the last six years and has seen its stamp capacity increase from £40m to £69m over the last four years. The increased income has been in response to various market failures in the UK casualty space, the addition of a new primary international account from late 2014 and the employment of two new underwriters on the core account in early 2018. This together with market wide average results, the Ogden discount rate decision in 2017, and latterly, Lloyd's robust business planning process, has caused a definite change in risk appetite and particularly so in the London market. This is demonstrated by the year on year rating guide which has created a healthier premium environment although this still needs more impetus to bring greater sustainability.

As referred to earlier in this report I made reference to 2525's response to the current state of the market and indeed what lies ahead in the Syndicate's development. As a more traditional Syndicate, albeit one that has to exist and survive in the modern world, it does beg the question just how do we and our capital providers want the business to evolve? Being a regulated entity there is a push pull effect between the different objectives of the regulators. On the one hand we are encouraged not to take unnecessary risk unless the consideration for such is adequate but on the other to be fair and reasonable to our customer base. How is it then that we must proceed with this delicate balancing act? For my part I have always urged our staff that our main objective is to make a return for our investors and that size, growth, and indeed scale, should not therefore be the drivers that mould the business and its future. However, we have reached a point where the size of the business is large enough to consider this in more detail and to be more prescriptive as we move into 2019.

Scale is certainly good where it brings economies of scale and a lower cost base but size itself is not of itself better - better is better! A business that is not growing could be viewed as in decline whilst growth prevents obsolescence, affords opportunity and attracts and retains talent and is the most certain path to sustainability. However, there is a caveat to this, growth assumes healthy growth and not growth for the sake of growth. Growth should never demand the sacrifice of one's values, quality, or culture, it must add value and not dilute it, and it should never outpace capability or be a substitute for quality. The real question therefore is not whether or not to grow, but how to grow?

Growth should therefore be led by design, with purpose, intent and great focus and this is the Syndicate's current challenge. I do sense that it is the right time for the Syndicate to grow and I do believe that this can be done without sacrificing any of its values, expertise or objectives. I have confidence that this can be done without diluting the value of the Syndicate's product, a product that has been designed to provide real benefits for our clients. The value we add comes at a higher cost and therefore has a greater potential to satisfy those who choose to invest in 2525. It is a delicate balance but one that I think that is achievable. We do however, each of us who is employed to accept risk on behalf of the Syndicate, have to obey the common sense laws of probabilities and statistics and to ensure that each risk we underwrite is able to stand on its own whilst at the same time not be influenced by other players in the market. The Syndicate's underwriter works in Lloyd's because there is a genuine belief in the professionalism, expertise and knowledge that can be attained to enable better understanding of risk and therefore a more positive outcome.

D L Dale
Active Underwriter
22 March 2019

Managing Agent's report for the 2016 closing year of account

For the 36 months ended 31 December 2018

The Directors of Asta Managing Agency Ltd ("Asta") present their report at 31 December 2018 for the 2016 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.

Business review

A summary of the 2016 year of account performance is given in the accompanying Underwriter's Report on page 38.

Directors

Details of the Directors of the Managing Agent that served during
Details of the Directors of the Managing Agent that served during
the year and up to the date of signing of the financial statements are provided at the front. Changes to directors were as follows:-

R P Barke	Appointed 1 January 2018
P A Jardine	Appointed 1 November 2018
R A Stevenson	Appointed 1 November 2018
C Chow	Resigned 28 February 2019
N J Burdett	Appointed 01 March 2019

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 Syndicate's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself 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 Syndicate's risk and capital management.

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

N J Burdett
Company Secretary
22 March 2019

Statement of Managing Agent's Responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare Syndicate underwriting year accounts at 31 December in respect of any underwriting year which is being closed by reinsurance to close which give a true and fair view of the result of the underwriting year at closure. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005).

In preparing the Syndicate underwriting year accounts, the Managing Agent is required to:-

- select suitable accounting policies and apply them consistently throughout each underwriting year and from one underwriting year to the next, subject to changes from newly adopted accounting standards. Where items affect more than one underwriting year, the Managing Agent must ensure that the Syndicate treats the affected member equitably. In particular, the premium charged for reinsurance to close should be equitable between the reinsured and reinsuring members of the Syndicate;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

The Managing Agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate underwriting year accounts comply with the Lloyd's Regulations and Syndicate Accounting Byelaw. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the business website. Legislation in the UK governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Syndicate 2525

2016 Closed Year of Account

Opinion

We have audited the syndicate underwriting year accounts of Syndicate 2525 (the "Syndicate") for the three years ended 31 December 2018 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Members' Balances, the Statement of Cash Flows, the related notes, including a summary of significant accounting policies, and the Statement of Managing Agent's Responsibilities. 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" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2016 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 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 underwriting year accounts in the UK, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate underwriting accounts on the basis that the recorded assets and liabilities will be realised and discharged in the normal course of business is not appropriate; or
- the managing agent has not disclosed in the syndicate underwriting accounts any identified material uncertainties that may cast doubt on the ability of the syndicate to realise its assets and discharge its liabilities in the normal course of business.

Other information

The managing agent is responsible for the other information. The other information comprises the information included in the Financial Statements for the 36 months ended 31 December 2018, other than the syndicate underwriting year accounts and our auditor's report thereon. Our opinion on the syndicate underwriting year accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the syndicate underwriting year accounts, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the syndicate underwriting year accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 40, the managing agent is responsible for the preparation of the syndicate underwriting year accounts and for being satisfied that they give a true and fair view of the result for the 2016 closed year of account, and for such internal control as the managing agent determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report to the Members of Syndicate 2525 (continued)

2016 Closed Year of Account

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.

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

Use of the audit report

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

Steve Liddell (Senior Statutory Auditor)

for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St. Katharine's Way
London E1W 1DD
22 March 2019

Profit and loss account: Technical account – General business

For the 36 months ended 31 December 2018

	Notes	£'000	£'000
Earned premiums, net of reinsurance			
Gross premiums written	4	50,300	
Outward reinsurance premiums		(7,165)	
			43,135
Reinsurance to close premiums received, net of reinsurance			64,055
Allocated investment return transferred from the non-technical account			544
Claims incurred, net of reinsurance			
Claims paid – Gross amount		(35,408)	
– Reinsurers' share		20,121	
Net claims paid		(15,287)	
Reinsurance to close premium payable net of reinsurance	6	(71,707)	
			(86,994)
Net operating expenses	7		(16,902)
Balance on the technical account – general business			**3,838**

The underwriting year closed and therefore all items relate to discontinued operations.

The notes on pages 48 to 55 form part of these financial statements.

Profit and loss account: Non-technical account

For the 36 months ended 31 December 2018

	Notes	£'000
Balance on the technical account – general business	5	**3,838**
Investment Income	8	1,705
Unrealised gains on investments		31
Unrealised losses on investments		(636)
Investment expenses and charges	8	(556)
		4,382
Allocated investment return transferred to general business technical account		(544)
Exchange gains		(621)
Profit for the closed year of account		**3,217**

The underwriting year closed and therefore all items relate to discontinued operations.

There were no recognised gains or losses other than those included in the profit and loss account. Therefore no statement of other comprehensive income has been presented.

The notes on pages 48 to 55 form part of these financial statements.

Balance sheet

As at 31 December 2018

	Notes	£'000	£'000
ASSETS			
Investments	9		61,535
Debtors			
Debtors arising out of direct insurance operations	12	26	
Other debtors, prepayments and accrued income		446	
			472
Reinsurance recoveries anticipated on gross reinsurance premiums payable to close the account	6		32,744
Other Assets			
Cash at bank and in hand			14,545
TOTAL ASSETS			**109,296**
LIABILITIES			
Amounts due to members			2,836
Reinsurance to close premiums payable to close the account – gross amount	6		104,451
Creditors			
Creditors arising out of direct insurance business	13	281	
Creditors arising out of reinsurance operations	14	988	
Profit commission		685	
Accruals		55	
			2,009
TOTAL LIABILITIES			**109,296**

The Syndicate underwriting year accounts were approved by the Board of Asta Managing Agency Ltd on 19 March 2019 and were signed on its behalf by

D J G Hunt
Director
22 March 2019

The notes on pages 48 to 55 form part of these financial statements.

Statement of members' balances

For the 36 months ended 31 December 2018

	£'000
Profit for the closed year of account	3,217
Members' agents' fees paid on behalf of members	(381)
Members' balances carried forward at 31 December 2018	**2,836**

The notes on pages 48 to 55 form part of these financial statements.

Statement of cash flows

	Notes	£'000
Cash flows from operating activities		
Profit for the year of account		3,217
Net unrealised losses and foreign exchange		160
Increase in debtors		(174)
Decrease in creditors		1,158
Non cash consideration received as part of RITC received	10	(58,760)
RITC premium payable, net of reinsurance		71,707
Net cash inflow from operating activities		17,308
Cash flows from investing activities		
Net purchase of portfolio investments		(2,382)
Cash flows from financing activities		
Members' agents fees paid on behalf of members		(381)
Net increase in cash and cash equivalents		14,545
Cash and cash equivalent at 1 January 2016		–
Cash and cash equivalent at end of the year of account	11	**14,545**

The notes on pages 48 to 55 form part of these financial statements.

Notes to the financial statements

For the 36 months ended 31 December 2018

1. Basis of preparation

The Syndicate underwriting year accounts have been prepared
The Syndicate underwriting year accounts have been prepared under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Lloyd's Regulations") and in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, including 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").

Members participate on a Syndicate by reference to a year of account and each Syndicate year of account is a separate annual venture. These accounts relate to the 2016 year of account which has been closed by reinsurance to close at 31 December 2018. Consequently the balance sheet represents the assets and liabilities of the 2016 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 Syndicate year of account is a separate annual venture, there are no comparative figures.

2. Accounting policies

Significant accounting estimates and judgements

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

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

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

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

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

Underwriting transactions

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

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

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 being produced.

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 (and previous closed years reinsured therein) to the members of the successor 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.

2. Accounting policies (continued)

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 Syndicate'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.

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

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

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 Syndicate has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).

Financial assets and financial liabilities at fair value through profit and loss comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition.

Investments in shares and other variable yield securities, units in unit trusts, and debt and other fixed income securities are designated as at fair value through profit or loss on initial recognition, as they are managed on a fair value basis in accordance with the Syndicate's investment strategy.

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

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

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

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

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

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

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

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the

Notes to the Financial Statements (continued)

For the 36 months ended 31 December 2018

2. Accounting policies (continued)

reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Investment return

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

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Interest income on financial assets measured at amortised cost is recognised using the effective interest method. For the purpose of separately presenting investment income and unrealised gains and losses for financial assets at fair value through profit or loss, interest income is recognised as it accrues on the next coupon payment.

For investments at fair value through profit or loss, realised gains and losses represent the difference between the net proceeds on disposal and the purchase price. For investments measured at amortised cost, realised gains and losses represents the difference between the net proceeds on disposal and the latest carrying value (or if acquired after the last reporting date, the purchase price).

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price. Movements in unrealised investment gains and losses comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period, or the valuation at the beginning of the year; as well as the reversal of previously recognised unrealised gains and losses in respect of investment disposed of in the current period.

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

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Interest income on financial assets measured at amortised cost is recognised using the effective interest method. For the purpose of separately presenting investment income and unrealised gains and losses for financial assets at fair value through profit or loss, interest income is recognised as it accrues on the next coupon payment.

For investments at fair value through profit or loss, realised gains and losses represent the difference between the net proceeds on disposal and the purchase price. For investments measured at amortised cost, realised gains and losses represents the difference between the net proceeds on disposal and the latest carrying value (or if acquired after the last reporting date, the purchase price).

Syndicate operating expenses & profit commission

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

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

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

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

2. Accounting policies (continued)

Taxation

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

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

Foreign currencies

The Syndicate's functional currency 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.

3. Risk management

Effective from 31 December 2018, the RITC process means that Insurance, Financial, Credit, Liquidity, Market and Capital risks are transferred to the accepting 2017 Year of Account of the Syndicate. Accordingly, these Underwriting Year accounts do not have any associated disclosures as required by section 34 of FRS 102 and FRS 103. Full disclosures relating to these risks are provided in the main Annual accounts of the Syndicate.

4. Particulars of business written

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

	Gross Premiums Written and Earned £'000	**Gross Claims Incurred £'000**	**Net Operating Expenses £'000**	**Reinsurance Balance £'000**	**Total £'000**
Direct Insurance:					
Third Party Liability	50,300	(139,859)	(16,902)	109,755	3,294
Total	**50,300**	**(139,859)**	**(16,902)**	**109,755**	**3,294**

All business is written in the United Kingdom. Analysis by destination is not materially different from the analysis above.

Gross operating expenses are the same as net operating expenses.

Notes to the Financial Statements (continued)

For the 36 months ended 31 December 2018

5. Analysis of result by year of account

	2015 & prior years of account £'000	2016 Pure Year £'000	2016 Total £'000
Technical account balance before allocated investment return and net operating expenses	8,737	11,458	20,195
Brokerage and commission on gross premium	(48)	(8,993)	(9,041)
	8,689	2,465	11,154
Other acquisition costs	–	(900)	(900)
Net other expenses	383	(7,342)	(6,959)
Investment income	23	520	543
Balance on technical account	**9,095**	**(5,257)**	**3,838**

6. Reinsurance to close premium payable net of reinsurance

	Reported £000	IBNR £000	Total £000
Gross outstanding losses	(84,540)	(19,911)	(104,451)
Reinsurance recoveries anticipated	25,506	7,238	32,744
Net outstanding losses	**(59,034)**	**(12,673)**	**(71,707)**

7. Net operating expenses

	£'000
Acquisition costs	(9,941)
Standard personal expenses	(1,581)
Administration expenses	(5,380)
	(16,902)

	£'000
The closed year profit is stated after charging:	
Auditor's remuneration:	
Fees payable to the Syndicate's auditor for the audit of these financial statements	(58)
Fees payable to the Syndicate's auditor and its associates in respect of:	
Other services pursuant to legislation	(7)
	(65)

8. Investment income

	£'000
Income from investments	1,705
Net unrealised losses on investments	(605)
	1,100

	£'000
Investment management expenses	(111)
Net realised losses on investments	(445)
	(556)

9. Investments

	Fair Value £'000	Cost £'000
Holdings in collective investment schemes	3,681	3,681
Debt securities and other fixed income securities	53,234	53,747
Overseas Deposits	4,620	2,278
	61,535	**59,706**

There was no material change in fair value for financial instruments held at fair value attributable to own credit risk.

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31 December 2018				
Shares and other variable yield securities and units in unit trusts	–	3,681	–	3,681
Debt securities and other fixed income securities	10,648	42,586	–	53,234
Overseas deposits	34	4,586	–	4,620
Total	**10,682**	**50,853**	**–**	**61,535**

Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry syndicate, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's own models whereby the significant inputs into the assumptions are market observable.

The level 3 category is financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's own data. The Syndicate does not have any financial investments that meet level 3 criteria.

Notes to the Financial Statements (continued)

For the 36 months ended 31 December 2018

10. Non cash consideration received as part of RITC received

	£'000
Portfolio investments	59,313
Debtors	298
Creditors	(851)
Non cash consideration received	58,760

11. Movement in cash and portfolio investments net of financing

	At 1 January 2016 £'000	Received within RITC Premium £'000	Cash flow £'000	Unrealised losses & foreign exchange £'000	At 31 December 2018 £'000
Cash	–	8,970	5,642	(67)	14,545
Portfolio Investments	–	59,313	2,382	(160)	61,535
	–	68,283	8,024	(227)	76,080

12. Debtors Arising out of direct insurance operations

	£'000
Due within one year – Intermediaries	26
	26

13. Creditors Arising out of direct insurance operations

	£'000
Due within one year	(281)
	(281)

14. Creditors arising out of reinsurance operations

	£'000
Due within one year	(988)
	(988)

15. Disclosure of interests

Managing Agent's interest

During 2018 Asta was the managing agent for ten Syndicates and three Special Purpose Arrangements. Syndicate 1729, 1897, 1980, 2357, 2525, 2689, 2786, 3268, 4242 and 5886 as well as Special Purpose Arrangements 6123, 6126 and 6131 were managed on behalf of third party capital providers.

On 1 January 2018 Asta took on management of Syndicate 1980 and Syndicate 3268. Asta also took on management of Special Purpose Arrangement 6131.

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

The Financial Statements of the Managing Agency can be obtained by application to the Registered Office.

16. Related parties

Asta provides services and support to Syndicate 2525 in its capacity as Managing Agent. The 2016 year of account was charged managing agency fees of £0.500m. Asta also recharged £2.064m worth of service charges to the 2016 year of account. As at 31 December 2018, nothing was owed to Asta in respect of this service.

There was no residual inter-company balance at the period end.

Syndicate 2525 has recorded £0.682m for profit commission.

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

17. Post balance sheet event

The 2016 underwriting year result, less members' agents' fees, of £2.8m will be distributed to members during 2019.

Summary of Closed Year Results

as at 31 December 2018

	2010 £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000
Syndicate allocated capacity	**41,956**	**41,983**	**41,655**	**41,987**	**42,000**	**42,203**	**49,827**
Number of Underwriting members	496	505	518	547	547	542	544
Aggregate net premiums	22,379	23,475	22,963	25,501	27,510	30,558	33,193
Results for an illustrative share of £10,000							

	£	£	£	£	£	£	£
Gross premiums	8,904	8,627	8,657	9,415	10,246	11,221	10,095
Net premiums	5,334	5,592	5,513	6,074	6,550	7,241	6,662
Reinsurance to close from an earlier account	18,452	16,665	14,718	13,656	13,928	14,596	12,855
Net claims	(3,033)	(3,499)	(2,651)	(2,446)	(3,467)	(4,304)	(3,068)
Reinsurance to close	(16,649)	(14,670)	(13,827)	(13,764)	(14,642)	(15,225)	(14,391)
Profit/(Loss) on exchange	(15)	(127)	(52)	(32)	37	–	(124)
Syndicate operating expenses	(418)	(933)	(938)	(959)	(1,095)	(1,153)	(1,080)
Balance on technical account	3,671	3,028	2,763	2,527	1,311	1,155	854
Investment income less investment expenses and charges and investment gains less losses	380	183	138	116	177	122	109
Profit on ordinary activities	4,051	3,211	2,901	2,643	1,488	1,277	963
Illustrative personal expenses							
Managing agent's fee	75	75	101	100	100	100	100
Profit commission	683	537	481	432	229	191	137
Other personal expenses (excluding members' agents fees)	71	68	51	75	81	87	80
	829	680	633	607	410	378	317
Profit on ordinary activities after illustrative managing agent's fee and profit commission and illustrative personal expenses	3,222	2,531	2,268	2,036	1,078	899	646
Total of Syndicate operating expenses, managing agent's fee and profit commission	1,176	1,545	1,520	1,491	1,423	1,443	1,317
Capacity utilised	72.6%	70.8%	70.1%	76.6%	83.5%	91.2%	82.8%
Net capacity utilised	53.3%	55.9%	55.1%	60.7%	65.5%	72.4%	66.6%
Underwriting profit ratio	41.2%	35.1%	31.9%	26.8%	12.8%	10.3%	8.5%

Notes

1. The summary of closed year results has been prepared from the audited accounts of the Syndicate.
2. Personal expenses have been stated at the amount which would be incurred pro rata by individual Names writing the illustrative premium income in the Syndicate irrespective of any minimum charge applicable. Corporate members may be charged at different rates. Foreign tax, which may be treated as a credit for personal tax purposes, has been excluded.
3. As regards the 2016 year of account, an illustrative share of £10,000 represents 0.0201% of the respective allocated capacity.

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