Syndicate Annual Report & Accounts

31 December 2021

A Ive Syndicate **2525**

Contents

Annual Report and Accounts
31 December 2021

Financial Statements
for the 36 Months Ended 31 December 2021
2019 Closing Year Report and Accounts

Directors and Administration

Managing Agent:

Managing Agent
Asta Managing Agency Ltd

Directors
P A Jardine (Chairman)*
R P Barke
C V Barley
K A Green*
C N Griffiths
L Harfitt
A J Hubbard*
D J G Hunt
M D Mohn*
S P A Norton
S D Redmond*
K Shah*
J M Tighe

*Non Executive Directors**

Company Secretary
N J Burdett

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

Managing Agent's Registered Number
1918744

Active Underwriter
A Ive

Bankers
Barclays Plc
Citibank N.A,
RBC Dexia

Investment Managers
Amundi (UK) Limited

Registered Auditor
Mazars LLP

Signing Actuary
Lane Clark and Peacock

Active Underwriter's Report

2019 Year of Account

Allocated Capacity	£69.6m
Capacity Utilisation	95.5%
Profit in 2021	£6.78m

I am pleased to report a calendar year profit of £11.4m which is in the top quartile of the forecast range provided through 2021 and the 2019 year of account, on the traditional Lloyd's three-year accounting basis, has closed with a profit of £10.2m which equates to a return on capacity of 14.70%.

As we continue to navigate our way through the pandemic, and in the year that I assumed the role of Active Underwriter, it is especially pleasing to report that 2019 was the first year to make a Pure Underwriting Profit in many years, contributing £5.1m to the result.

It is important to note that the result has been determined on a basis consistent with our usual reserving approach and by our external actuaries, Lane, Clark & Peacock LLP. We continue to hold comfortable levels of IBNR on 2019, 2020, 2021 and 2022 to include a provision specifically for COVID-19 losses despite, to date, having received only a single formal claim alleging workplace contraction of COVID-19.

2020 Year of Account

Allocated Capacity	£79.4m
Capacity Utilisation	87.9%
Profit in 2021	£4.47m

2020 also made a good start and its development appears to be closely tracking 2019 YoA. After 24 months, all indications are that it will return a similar level of profit to 2019.

Conscious, though, that 2019 and 2020 YoAs have materially more International income included, we continue with extreme caution around the International account, recognising that this account develops more slowly than the Syndicate's traditional "Core" account. We produce more granular triangles and it is clear that the more predictable and shorter tailed Core account (UK & Ireland), particularly the UK Employers Liability (EL), is the main driver for profit. Even some adverse development in the coming year is unlikely to produce loss ratios anywhere near those experienced in 2017 or 2018.

We reassessed our appetite and 2020 saw the introduction of more strict International Underwriting Guidelines which led to the Syndicate withdrawing from some poorer performing areas of the account and reducing line sizes across the board.

Whilst it is early days, this remediation so far appears to have had the desired effect with no large international losses stressing our reinsurance treaty and, by reducing the volatility, I would hope to see a reduction in the cost of our reinsurance in time.

2021 Year of Account

Allocated Capacity	£86m
Capacity Utilisation	87.9%
Profit in 2021	£0.15m

One advantage of attaching risks to 'Master Lineslips' is that premium receipts are accounted for in the inception year of the lineslip. This means we continue to receive premium into 2021, which allows us to utilise all surplus capacity and I anticipate reaching

Stamp Capacity in 2021, which will ultimately ease any capacity issues that might occur on 2022.

I am as confident as I have been in a long time that the 2021 rating is now at a level that should return a satisfactory result for the Syndicate and its investors. The International account has seen significant rate increases on all YoAs since 2018 and, though on a more gradual incline, UK rates have increased year on year since 2016

In addition to the good rating environment on the International account, our Head of International, Charlie Harcus, has now had two full years of working at the syndicate and has done an excellent job in restoring confidence in this account, both internally and externally.

The results I anticipate in the coming years will demonstrate that underwriting discipline and portfolio management have been maintained and this will follow on from an extremely challenging period, to which I thank the Syndicate for all of their hard work during this time.

Tony Ive
18th February 2022

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 2021.

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

Results

The total recognised result for calendar year 2021 is a profit of £11,399,434 (2020: profit £5,967,644). These figures may be subject to rounding within the Financial Statements.

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;

	2021 £'000	2020 £'000
Employers' Liability	44,131	35,371
Public Liability	69,255	54,499
	113,386	89,870

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

	2021 £'000	2020 £'000	Change %
Gross written premiums	113,386	89,870	26.2%
Profit for the financial year	11,398	5,968	91.0%
Combined ratio	86.5%	93.6%	(7.5%)

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 2019 closed year of account at 31 December 2021 is shown below together with forecasts for the two open years of account.

	2021 YOA Open	2020 YOA Open	2019 YOA Closed
Capacity (£'000)	85,968	79,359	69,625
Forecast/Result (£'000)	6,832	4,324	10,209
Forecast return/return on capacity (%)	7.9%	5.4%	14.7%

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 Asta Actuarial team 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

Managing Agent's Report (continued)

that the Syndicate will only reinsure with approved reinsurers, supported by collateralisation where required. The Agency Reinsurance Security Committee sets approval and usage criteria, monitors reinsurer ratings and is required to approve and oversee the application of the reinsurer approval policy.

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 Syndicate's 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 procedure manuals, a thorough training programme 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 customer risk through a suite of risk indicators and reporting metrics as part of its documented customer risk framework. The customer risk framework is consistently applied across all Asta syndicates and is overseen by the Conduct Oversight Group (COG), which is an Asta Board Committee that includes a non-executive director as a member who fulfils the role of Customer Champion.

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).

Review of 2021 and Outlook for 2022 – Investment

2021 was the second full year of the COVID crisis, starting in the middle of a spike in cases due to the Delta variant. Economies were in much better shape to weather ongoing COVID waves, as witnessed in lower drops in activity in subsequent lockdowns. A huge global vaccination drive was rolled out following the rapid approval of a number of vaccines in Q4 2020 which brought cases and deaths to materially lower levels from Q1. With COVID risks to health reduced, lockdowns were gradually stepped back. Significant fiscal stimulus was deployed in Q1 with the US $1.9trn coronavirus relief package including direct payments of up to $1,400 to most Americans, and in the UK an extension to key support programmes in March. The Bank of England became progressively more hawkish throughout the year, initially as growth and employment rebound and latterly as inflation accelerated. After a communications mishap in November, the Bank of England raised rates at the December meeting by 0.1% to 0.25%. The Federal Reserve kept the Funds target range at 0-0.25% throughout the year, but turned progressively more hawkish through Q3 and Q4 as inflation proved less "transitory" than expected. Rates were also kept on hold in Europe and Canada, the other key portfolio currencies for the Syndicate. Government bond purchases through Quantitative Easing programmes were eased: Tapering began in Canada in Q4, the Bank of England's programme concluded at year-end, and in the US tapered in November and doubled its pace of reduction in December.

Government bond yields rose over the year, and sharply in Q4 as the markets began to price future rate hikes. In the UK the Gilt curve started 2021 with negative yields to beyond 6-year maturities, however the 2 year yield ended the year at 0.66% after rising 84bps. In the US, the 2 year Treasury yield rose from 0.12% to 0.77%. This rise in government bond yields caused losses to key fixed income indices. New uncertainties arose around the Omicron variant in Q4 but this was short lived, however we saw some limited widening of short dated corporate bond spreads, back to pre-crisis levels which were already tight on any historical basis.

Portfolios were positioned with a relative short duration to benchmarks to provide protection from rising yields. Corporate bond holdings helped bolster returns by adding carry with a consistent strategy throughout the year focussed on optimising carry within each rating and sector buckets. Each of the 4 portfolios beat benchmarks, significantly so in GBP, CAD and USD. Overall for the year, returns were a small positive (with the exception of EUR due to ongoing negative rates) and well above negative returning benchmarks. The low level of return was consistent with the low starting point for yields, low credit spreads and despite rising interest rates.

Inflation will be the key theme in 2022 as central banks normalise the extraordinary stimulus put in place to fight the COVID crisis. This will be a challenging backdrop for risk assets (for example, technology equities, crypto currencies) which have seen a strong rally since mid-2020. Corporate bond balance sheets are in good shape and earnings, on the whole, are robust. Consumers are facing a squeeze from higher prices but unemployment is low, wages are rising, and savings remain high. Barring risk of a more deadly COVID variant outbreak, or a significant geopolitical event, we expect yields to trend higher and credit spreads to widen but in a controlled manner. Rising yields are rapidly improving the running yields of the portfolios which is increasingly offsetting the mark-to-market drag on performance from higher underlying government bond yields.

Post Balance Sheet events

During February 2022, Russia instigated military action in Ukraine. This is a non-adjusting post balance sheet event. Please see note 22 for the Board's consideration of this matter and other post balance sheet events.

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 2019 year of account will close by reinsurance to close into the 2020 year of account.

The capacity for the 2022 year of account is £92.4m (2021 year of account £86.0m).

Environmental, Social and Governance (ESG)

In 2020 Asta initiated work to identify ESG priorities and build out its ESG framework, incorporating sections covering Asta's own ESG framework and the framework for its managed syndicates. This work will be built out in 2022 and used to inform the ESG frameworks for managed syndicates. The framework is aligned to Lloyd's ESG guidance from October 2021, and to Asta's climate change work detailed below.

The investment portfolio managed by Amundi has been in operation for the whole of 2021 with restrictions tighter than those currently detailed by Lloyds within its' ESG guidance.

Asta's complete ESG assessment can be found in the accounts of the Managing Agency.

Managing Agent's Report (continued)

Climate change

Following the Prudential Regulation Authority's (PRA) Supervisory Statement in 2019 and subsequent Dear CEO letter in 2020, Asta have built a climate change framework, applicable to all syndicates, covering the physical, transition and liability climate change risks, based on the underlying business written by each syndicate. Asta and its managed syndicates accept climate change risk where it is an inherent part of an insurance business model, providing it is understood, managed and controlled and/or compensated. There is no appetite for uncontrolled, unmanaged exposure to the financial risks of climate change.

A measure for climate change exposure within insurance risk appetites has been implemented to highlight where time and resource is most required in order to manage the potential exposure and successfully steer portfolios through global changes. The Syndicate has identified the level of climate change exposure in its business plans and will manage this accordingly, with the ability to change the level of risk being taken in future and thereby amend the oversight and monitoring framework.

The framework ensures Board-level engagement and accountability with the PRA's requirements, assigning clear responsibilities for managing Asta's and its syndicate's financial risks associated with climate change. Asta Managing Agency Ltd's Finance Director, who is a Board member, is responsible for the climate change framework, including identifying and managing financial climate related risks.

Coronavirus

The Agency and Syndicate have continued to monitor Government guidelines throughout 2021 and have implemented a trial phase of "Hybrid" working. Hybrid working allows staff to work both remotely and in the more traditional office environment to meet business needs. The pre pandemic 9 to 5 office regime would appear to be a thing of the past as the demand for flexible working becomes a key consideration for both new and existing members of staff.

The Agency are committed to finding an operational Hybrid working policy that delivers on all client and regulatory needs while offering staff the flexibility to work remotely. The Agency also recognises the need for staff to develop within their roles and that face to face on the job training is essential in ensuring staff are able to reach their full potential. The Hybrid working structure will be updated through 2022 to optimise working practices. The Agency and Syndicate are ready to adapt to any change in guidelines and potential seasonal spikes and foresee no business interruptions throughout 2022.

Hybrid working through 2021 has seen the Agency deliver from both a regulatory and client standpoint with no adverse outcomes through remote working.

The reserve held at the end of 2020 in relation to Covid has proven to be materially robust with minimal movements. The ultimate Covid reserve has increased £0.5m during 2021 following a specific allowance within the 2021 year of account reserve.

There is continued assessment of liquidity, market and credit risk and the implications on the Syndicate are monitored, in conjunction with other insurance events, and are escalated to Board level where appropriate.

Directors

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

S D Redmond	Appointed 20 April 2021

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 Auditor, 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.

Auditor

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

Managing Agent's Report (continued)

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 Auditor for a further 12 months can be made by Syndicate members before 29th April 2022.

On behalf of the Board

N J Burdett
Company Secretary
3 March 2022

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" and FRS 103 "Insurance Contracts". 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 syndicate annual accounts of Syndicate 2525 (the "syndicate") for the year ended 31 December 2021 which comprise the Income statement, the Statement of changes in Members' balances , the Statement of financial position, the Statement of cash flows and the notes to the syndicate annual accounts, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the syndicate annual accounts:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2021 and of its 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 for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the syndicate annual accounts" section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Syndicate Annual Report and Accounts, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Independent Auditor's Report (continued)

To the members of Syndicate 2525

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 syndicate annual accounts are prepared is consistent with the syndicate annual accounts; and
- the Managing Agent's Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 8, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

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

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

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

Use of the audit report

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

Amanda Barker (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St. Katharine's Way
London E1W 1DD
3 March 2022

Income Statement
Technical Account – General Business

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Gross written premiums	3	113,386	89,870
Outward reinsurance premiums		(23,044)	(16,875)
Net written premiums		90,342	72,995
Change in the provision for unearned premiums			
Gross amount		(14,011)	(2,261)
Reinsurers' share		3,149	1,622
	4	(10,862)	(639)
Earned premiums, net of reinsurance		79,480	72,356
Allocated investment return transferred from the non-technical account		119	1,805
Claims paid			
Gross amount		(28,347)	(27,590)
Reinsurers' share		9,238	3,390
		(19,109)	(24,200)
Changes in the provision for claims outstanding			
Gross amount		(22,636)	(18,956)
Reinsurers' share		3,206	3,331
	4	(19,430)	(15,625)
Claims incurred, net of reinsurance		(38,539)	(39,825)
Net operating expenses	5	(30,219)	(27,872)
Balance on technical account – general business		**10,841**	**6,464**

All the amounts above are in respect of continuing operations.

The notes on pages 17 to 36 form part of these financial statements.

Non-Technical Account – General Business

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Balance on technical account – general business		10,841	6,464
Investment income	9	1,923	2,305
Unrealised (losses) on investments	9	(1,099)	(23)
Investment expenses and charges	9	(705)	(477)
Allocated investment return transferred to the general business technical account	9	(119)	(1,805)
Exchange gains/(losses)		557	(496)
Profit for the financial year		**11,398**	**5,968**

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 2021

	2021 £'000	2020 £'000
Members' balances brought forward at 1 January	5,296	1,413
Profit for the financial year	11,398	5,968
Members' agent's fees	(457)	(437)
Payments of profit to members' personal reserve funds	(3,759)	(1,648)
Members' balances carried forward at 31 December	**12,478**	**5,296**

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 36 form part of these financial statements.

Statement of Financial Position

As at 31 December 2021

	Notes	2021 £'000	2020 £'000
ASSETS			
Investments			
Other financial investments	10	153,566	131,503
Deposits with ceding undertakings	11	110	–
		153,676	131,503
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	11,991	8,842
Claims outstanding	4	67,113	64,125
		79,104	72,967
Debtors			
Debtors arising out of direct insurance operations	12	30,834	24,190
Debtors arising out of reinsurance operations	13	3,364	1,694
Other debtors		22	18
		34,220	25,902
Cash and other assets			
Cash at bank and in hand	16	25,554	18,801
Other assets		–	–
		25,554	18,801
Prepayments and accrued income			
Deferred acquisition costs	4	12,487	10,166
Other prepayments and accrued income		580	730
		13,067	10,896
TOTAL ASSETS		**305,621**	**260,069**

The notes on pages 17 to 36 form part of these financial statements.

Statement of Financial Position (continued)

As at 31 December 2021

	Notes	2021 £'000	2020 £'000
MEMBERS' BALANCES AND LIABILITIES			
Capital and reserves			
Members' balances		12,478	5,296
Liabilities			
Technical provisions			
Provision for unearned premiums	4	60,642	46,265
Claims outstanding	4	224,364	202,268
		285,006	248,533
Creditors			
Creditors arising out of direct insurance operations	14	510	796
Creditors arising out of reinsurance operations	15	4,498	2,631
Other creditors		2,914	1,602
		7,922	5,029
Accruals and deferred income		215	1,211
Total liabilities		293,143	254,773
TOTAL MEMBERS' BALANCES AND LIABILITIES		**305,621**	**260,069**

The financial statements on pages 12 to 36 were approved by board of directors on 24 February 2022 and were signed on its behalf by:

R P Barke
Director
3 March 2022

The notes on pages 17 to 36 form part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit on ordinary activities		11,398	5,968
Increase in gross technical provisions		36,472	21,283
(Increase) in reinsurers' share of gross technical provisions		(6,137)	(5,049)
(Increase) in debtors		(8,318)	(1,227)
Increase in creditors		2,891	958
Movement in other assets/liabilities		(3,165)	490
Changes to market value and currency		(506)	151
Investment Return		(119)	(1,805)
Net cash inflow from operating activities		32,516	20,769
Cash flows from investing activities			
Purchase of other financial investments		(95,560)	(74,493)
Sale of other financial investments		74,790	70,888
Investment income received		236	1,838
Increase in overseas deposits		(1,155)	(3,903)
Increase in deposits with ceding undertakings		(110)	–
Net cash (outflow) from investing activities		(21,799)	(5,670)
Cash flows from financing activities			
Payments of profit to members' personal reserve fund		(3,759)	(1,648)
Members' agents fee advances		(457)	(437)
Net cash (outflow) from financing activities		(4,216)	(2,085)
Net Increase in cash and cash equivalents		6,501	13,014
Cash and cash equivalents at beginning of year		34,179	21,165
Cash and cash equivalents at end of year	16	**40,680**	**34,179**

Notes to the Financial Statements

For the year ended 31 December 2021

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.

Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

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 significant adjustments 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. They are recognised on the date on which the policy commences.

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 claims reporting date, but not reported until after the year end.

2. Accounting Policies (continued)

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

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 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 2021 the Syndicate did not have an unexpired risk provision (2020 nil).

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, 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 2021 or 2020.

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 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:

	2021 Year End	2020 Year End
USD	1.35	1.37
CAD	1.71	1.74
EUR	1.19	1.12
AUD	1.86	1.77
ZAR	21.61	20.08

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.

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.

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

2. Accounting Policies (continued)

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.

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 and deposits with credit institutions.

- 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.

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'.

2. Accounting Policies (continued)

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.

3. Particulars of Business Written

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

2021	Gross Written Premiums £'000	Gross Premium Earned £'000	Gross Claims Incurred £'000	Net Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct insurance:						
Third-party liability	99,190	86,210	(43,502)	(26,641)	(5,589)	10,478
Reinsurance Acceptances	14,196	13,165	(7,481)	(3,578)	(1,862)	244
	113,386	**99,375**	**(50,983)**	**(30,219)**	**(7,451)**	**10,722**

2020	Gross Written Premiums £'000	Gross Premium Earned £'000	Gross Claims Incurred £'000	Net Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Insurance:						
Third-party liability	81,486	78,878	(42,569)	(24,819)	(7,012)	4,478
Reinsurance Acceptances	8,384	8,731	(3,977)	(3,053)	(1,520)	181
	89,870	**87,609**	**(46,546)**	**(27,872)**	**(8,532)**	**4,659**

Commissions on direct insurance gross premiums written during 2021 were £18.8 million (2020: £14.6 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 2021.

On 30 December 2020, the Syndicate transferred its EEA non-life insurance policies to Lloyd's Brussels pursuant to Part VII of the Financial Services and Markets Act 2000. Results relating to these risks are reported under the inwards reinsurance class of business reflecting the new contractual arrangement with Lloyd's Brussels.

4. Technical Provisions

	2021			2020		
	Gross Provisions £'000	Reinsurance Assets £'000	Net £'000	Gross Provisions £'000	Reinsurance Assets £'000	Net £'000
Claims outstanding						
Balance at 1 January	202,268	(64,125)	138,143	183,549	(60,698)	122,851
Change in claims outstanding	22,636	(3,206)	19,430	18,956	(3,331)	15,625
Effect of movements in exchange rates	(540)	218	(322)	(237)	(96)	(333)
Balance at 31 December	**224,364**	**(67,113)**	**157,251**	**202,268**	**(64,125)**	**138,143**
Claims notified	147,496	(40,327)	107,169	142,160	(42,763)	99,397
Claims incurred but not reported	76,868	(26,786)	50,082	60,108	(21,362)	38,746
Balance at 31 December	**224,364**	**(67,113)**	**157,251**	**202,268**	**(64,125)**	**138,143**
Unearned premiums						
Balance at 1 January	46,265	(8,842)	37,423	43,701	(7,220)	36,481
Change in unearned premiums	14,011	(3,149)	10,862	2,261	(1,622)	639
Effect of movements in exchange rates	366	–	366	303	–	303
Balance at 31 December	**60,642**	**(11,991)**	**48,651**	**46,265**	**(8,842)**	**37,423**
Deferred acquisition costs						
Balance at 1 January	10,166	–	10,166	9,981	–	9,981
Change in deferred acquisition costs	2,203	–	2,203	121	–	121
Effect of movements in exchange rates	118	–	118	64	–	64
Balance at 31 December	**12,487**	**–**	**12,487**	**10,166**	**–**	**10,166**

There were favourable movements during the year of £2.8m (2020: £8.9m), on prior year gross claims reserves, held at 31 December 2021.

5. Net Operating Expenses

	2021 £'000	2020 £'000
Acquisition costs	(23,085)	(18,472)
Change in deferred acquisition costs	2,203	121
Administration expenses	(9,337)	(9,521)
Net operating expenses	**(30,219)**	**(27,872)**

Members' standard personal expenses amounting to £3.7m (2020: £2.9m) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, managing agent's fees and profit commission.

6. Staff Costs

	2021 £'000	2020 £'000
Wages and salaries	(2,505)	(2,783)
Social security costs	(313)	(356)
Other pension costs	(231)	(168)
	(3,049)	(3,307)

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

	2021	2020
Administration	–	2
Underwriting	10	9
Claims	13	12
	23	23

7. Auditor's Remuneration

	2021 £'000	2020 £'000
Audit of the Financial statements	(110)	(110)
Other services pursuant to Regulations and Lloyd's Byelaws	(59)	(47)
	(169)	(157)

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 Limited 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:

	2021 £'000	2020 £'000
Active Underwriter's emoluments	(537)	(415)
	(537)	(415)

9. Investment Return

	2021 £'000	2020 £'000
Income from other financial investments	1,905	2,256
Gains on realisation of investments		
– Fair value through profit or loss designated upon initial recognition	18	49
Total investment income	1,923	2,305
Losses on realisation of investments		
– Fair value through profit or loss designated upon initial recognition	(552)	(403)
Investment expenses and charges	(153)	(74)
	(705)	(477)
Unrealised losses on investments		
– Financial instruments at fair value through profit and loss	(1,099)	(23)
Total investment return	**119**	**1,805**

Average amount of funds available for investing during the year:		
Sterling	65,420	72,452
United States dollars	19,434	15,341
Canadian dollars	114,915	76,431
Euros	11,728	8,604
Australian dollars	9,863	8,430
South African rand	65,900	63,860
Combined in sterling	**165,266**	**143,846**

Gross calendar year investment yield:		
Sterling	(49)	718
United States dollars	5	144
Canadian dollars	419	1,411
Euros	(10)	(6)
Australian dollars	199	86
South African rand	1,460	2,723
Combined in sterling	**119**	**1,805**

"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

	2021 Carrying value £'000	Purchase price £'000	Listed £'000
Shares and other variable yield securities and units in unit trusts			
– Loans and receivables	32,332	32,332	32,332
Debt securities and other fixed income securities			
– Designated at fair value through profit or loss	121,234	122,418	120,404
	153,566	**154,750**	**152,736**

10. Financial Investments (continued)

	Carrying value £'000	2020 Purchase price £'000	Listed £'000
Shares and other variable yield securities and units in unit trusts			
– Loans and receivables	31,428	31,428	31,428
Debt securities and other fixed income securities			
– Designated at fair value through profit or loss	100,075	100,098	98,704
	131,503	**131,526**	**130,132**

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. See note 16 for split of cash and cash equivalents.

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 2021				
Shares and other variable yield securities and units in unit trusts	–	15,127	1,189	16,316
Debt securities and other fixed income securities	–	121,234	–	121,234
Total	–	**136,361**	**1,189**	**137,550**

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31 December 2020				
Shares and other variable yield securities and units in unit trusts	–	15,378	1,189	16,567
Debt securities and other fixed income securities	1,985	98,090	–	100,075
Total	**1,985**	**113,468**	**1,189**	**116,642**

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.

Lloyd's Central Fund Loan is categorized as a Level 3 Investment.

11. Deposits with Ceding Undertakings

	2021 £'000	2020 £'000
Lloyds Part VII accounts	110	–
	110	–

12. Debtors Arising out of Direct Insurance Operations

	2021 £'000	2020 £'000
Due from intermediaries (within one year)	30,834	24,190
	30,834	24,190

13. Debtors Arising out of Reinsurance Operations

	2021 £'000	2020 £'000
Due from intermediaries (within one year)	3,364	1,694
	3,364	1,694

14. Creditors Arising out of Direct Insurance Operations

	2021 £'000	2020 £'000
Direct Business - Intermediaries (within one year)	510	796
	510	796

15. Creditors Arising out of Reinsurance Operations

	2021 £'000	2020 £'000
Reinsurance ceded (within one year)	4,498	2,631
	4,498	2,631

16. Cash and Cash Equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand	25,554	18,801
Investments in money market funds	16,315	16,567
	41,869	35,368
Central Fund Loan	(1,189)	(1,189)
	40,680	34,179

17. Related Parties

Asta provides services and support to Syndicate 2525 in its capacity as Managing Agent. During the year, managing agency fees of £0.86m (2020: £0.80m) were charged to the Syndicate. Asta also recharged £2.15m (2020: £2.01m) of service charges in the year and as at 31 December 2021 an amount of £Nil (2020: £Nil) 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 £2.2m (2019: £1.6m) for profit commission payable to Asta Managing agency.

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.

18. Disclosure of Interests

Managing Agent's interest

During 2021 Asta was the Managing Agent for eleven Syndicates, four Special Purpose Arrangements and one Syndicate in a Box. Syndicate 1609,1729,1980,1988, 2288, 2525, 2689, 2786, 3268, 4242 and 5886 as well as Special Purpose Arrangements 1416, 1892, 6123, and 6131 and Syndicate in a Box 4747 were managed on behalf of third party capital providers.

On 1 July 2021, Asta took on management of Syndicate 1988.

On 8 August 2021, Asta novated Syndicate 5886 to Blenheim Managing Agency.

On 1 October 2021, Asta took on the management of Special Purpose Syndicate 1416

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

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

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

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

The agency also provides administrative services to Syndicates and Special Purpose Arrangements, also undertaking several ancillary roles for other clients.

The Financial Statements of the Managing Agency can be obtained by application to the Registered Office (see page 1).

19. 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.

20. 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.

21. 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.

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 2020 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 15, represent resources available to meet members' and Lloyd's capital requirements.

21. Risk Management (continued)

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.

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 2021.

2021	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)

2020	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)

21. Risk Management (continued)

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.

Sensitivities for Gross Claim Reserves

2021	Five Percent increase £'000	Five Percent decrease £'000
Third party liability	(11,218)	11,218

2020	Five Percent increase £'000	Five Percent decrease £'000
Third party liability	(10,113)	10,113

Concentration risk

The Syndicate predominately writes direct UK liability business, with 85% (2020: 86%) of contracts relating to risks in the UK. The value of these contracts equates to 58% (2020: 58%) 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.

21. Risk Management (continued)

Gross Claims development table

Underwriting year	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000
Estimate of cumulative gross claims incurred:										
At end of first underwriting year	7,997	8,189	9,721	9,953	25,871	12,792	15,257	16,546	18,109	24,971
One year later	32,019	24,313	27,672	34,246	55,487	37,100	52,589	45,829	49,829	
Two years later	31,181	30,631	39,859	33,550	58,648	42,315	59,829	42,109		
Three years later	25,411	29,389	35,157	28,366	57,533	42,291	58,409			
Four years later	23,795	21,176	31,049	31,058	55,250	48,602				
Five years later	21,460	19,027	26,502	26,973	54,595					
Six years later	19,103	18,124	24,463	22,256						
Seven years later	18,922	17,927	23,635							
Eight years later	18,134	17,750								
Nine years later	17,096									
Less cumulative gross paid	(14,170)	(16,485)	(21,459)	(16,909)	(33,391)	(21,182)	(10,604)	(5,648)	(1,212)	(119)
Liability for gross outstanding claims (2012 to 2021)	2,926	1,265	2,176	5,347	21,204	27,420	47,805	36,461	48,617	24,852
Liability for gross outstanding claims (2011 and before)										6,291
Total gross outstanding claims (all years)										224,364

21. Risk Management (continued)

Net Claims development table

Underwriting year	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000
Estimate of cumulative net claims incurred:										
At end of first underwriting year	6,759	6,520	8,254	8,264	10,368	10,633	12,022	10,342	13,015	18,409
One year later	21,989	22,437	23,700	24,581	28,733	28,064	34,487	34,493	37,541	
Two years later	25,304	23,675	28,443	29,161	30,459	34,347	45,471	35,114		
Three years later	21,632	19,808	25,043	25,939	29,326	33,204	44,588			
Four years later	18,176	17,793	22,479	22,675	26,706	31,653				
Five years later	16,507	15,700	20,492	19,629	24,544					
Six years later	14,947	15,096	18,756	19,716						
Seven years later	14,781	15,012	18,010							
Eight years later	14,235	14,885								
Nine years later	13,720									
Less cumulative net paid	(12,490)	(13,663)	(16,739)	(14,970)	(14,747)	(13,619)	(10,605)	(4,593)	(1,212)	(119)
Liability for net outstanding claims (2012 to 2021)	1,230	1,222	1,271	4,746	9,797	18,034	33,983	30,521	36,329	18,290
Liability for net outstanding claims (2011 and before)										1,828
Total net outstanding claims (all years)										157,251

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 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.

21. Risk Management (continued)

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.

2021	Neither past due nor impaired	£'000 Past due but not impaired	Impaired	Total
Shares and other variable yield securities	16,316	–	–	16,316
Debt Securities	121,234	–	–	121,234
Overseas Deposits	16,016	–	–	16,016
Deposits with ceding undertakings	110	–	–	110
Reinsurers share of claims outstanding	67,113	–	–	67,113
Debtors arising out of direct insurance operations	30,834	–	–	30,834
Debtors arising out of reinsurance insurance operations	–	–	–	–
Other debtors	28,444	–	–	28,444
Cash at bank and in hand	25,554	–	–	25,554
Total	305,621	–	–	305,621

2020	Neither past due nor impaired	£'000 Past due but not impaired	Impaired	Total
Shares and other variable yield securities	16,567	–	–	16,567
Debt Securities	100,075	–	–	100,075
Overseas Deposits	14,861	–	–	14,861
Deposits with ceding undertakings	–	–	–	–
Reinsurers share of claims outstanding	64,125	–	–	64,125
Debtors arising out of direct insurance operations	24,190	–	–	24,190
Debtors arising out of reinsurance insurance operations	1,694	–	–	1,694
Other debtors	19,756	–	–	19,756
Cash at bank and in hand	18,801	–	–	18,801
Total	260,069	–	–	260,069

21. Risk Management (continued)

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2021 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.

				£'000			
					BBB or	Not	
2021	**AAA**	**AA**	**A**	**BBB**	**less**	**Rated**	**Total**
Shares and other variable yield securities	–	–	16,316	–	–	–	16,316
Debt Securities	37,798	30,738	32,280	13,773	171	6,474	121,234
Overseas Deposits	6,988	1,085	4,388	1,330	1,743	482	16,016
Deposits with ceding undertakings			110				110
Reinsurers share of claims outstanding	–	28,676	38,437	–	–	–	67,113
Debtors arising out of reinsurance operations	–	–	–	–	–	–	–
Cash at bank and in hand	–	–	25,554	–	–	–	25,554
Total	44,786	60,499	117,085	15,103	1,914	6,956	246,343

				£'000			
					BBB or	Not	
2020	**AAA**	**AA**	**A**	**BBB**	**less**	**Rated**	**Total**
Shares and other variable yield securities	–	–	16,567	–	–	–	16,567
Debt Securities	43,612	20,938	17,483	13,161	–	4,881	100,075
Overseas Deposits	6,595	1,549	3,540	1,176	1,936	65	14,861
Deposits with ceding undertakings	–	–	–	–	–	–	–
Reinsurers share of claims outstanding	–	19,214	44,911	–	–	–	64,125
Debtors arising out of reinsurance operations	–	–	–	–	–	–	–
Cash at bank and in hand	–	–	18,801	–	–	–	18,801
Total	**50,207**	**41,701**	**101,302**	**14,337**	**1,936**	**4,946**	**214,429**

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.

21. 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					
2021	**No stated maturity**	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Claims outstanding	0	61,110	79,782	41,652	41,820	224,364
Creditors	0	7,922	0	0	0	7,922
Total	**0**	**69,032**	**79,782**	**41,652**	**41,820**	**232,286**

	£'000					
2020	**No stated maturity**	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Claims outstanding	–	55,917	74,585	40,008	31,758	202,268
Creditors	–	5,029	–	–	–	5,029
Total	**–**	**60,946**	**75,585**	**40,008**	**31,758**	**207,297**

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:

2021	**GBP**	**USD**	**EUR**	**CAD**	**AUD**	**OTH**	**Total**
Total Assets	155,039	21,776	28,688	80,345	15,970	3,803	305,621
Total Liabilities	(169,987)	(19,093)	(20,621)	(66,642)	(13,645)	(3,155)	(293,143)
Net Assets	**(14,948)**	**2,683**	**8,067**	**13,703**	**2,325**	**648**	**12,478**

2020	**GBP**	**USD**	**EUR**	**CAD**	**AUD**	**OTH**	**Total**
Total Assets	143,025	18,255	25,384	59,076	10,394	3,935	260,069
Total Liabilities	(161,670)	(15,557)	(19,218)	(47,516)	(7,286)	(3,526)	(254,773)
Net Assets	**(18,645)**	**2,698**	**6,166**	**11,560**	**3,108**	**409**	**5,296**

21. Risk Management (continued)

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.

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 31 December 2021.

Impact on profit and members' balance

	2021 £'000	2020 £'000
Sterling weakens		
10% against other currencies	2,678	2,353
20% against other currencies	5,356	4,706
Sterling strengthens		
10% against other currencies	(2,678)	(2,353)
20% against other currencies	(5,356)	(4,706)

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.

	2021 £'000	2020 £'000
Interest Rate Risk		
Impact of 50 basis point increase on result	(565)	(526)
Impact of 50 basis point decrease on result	565	526
Impact of 50 basis point increase on net assets	(565)	(526)
Impact of 50 basis point decrease on net assets	565	526

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

22. Post balance sheet events

The Syndicate will distribute the 2019 year of account profits to members during 2022.

During 2021 it was announced that agreement had been reached for Asta Capital Limited to be acquired by Davies Group, subject to regulatory approval. As at the date of the financial statements this transaction has not yet completed with the expectation that it will complete in 2022.

During February 2022, Russia instigated military action in Ukraine. This event is still developing as at the date of the Financial Statements, but has been assessed by the Directors as an event that will increase risk and uncertainty globally in the foreseeable future. At the time of writing based on preliminary investigations the syndicate has not identified any material gross exposure as a consequence of this event. The directors will continue to monitor developments and endeavour to mitigate these risks where possible.

Financial Statements

For the 36 Months ended 31 December 2021

Closing Year Report and Accounts

2019

A Ive Syndicate **2525**

Underwriter's report for the 2019 closing year of account

For the 36 months ended 31 December 2021

2019 closing year comments

As the year I assumed the role of Active Underwriter I am very pleased to announce that the 2019 year of account on the traditional Lloyd's three-year accounting basis has closed with a profit before members' agents fees of 14.7% which equates to a return on capacity of £10.20m.

Stamp Allocated Capacity (SAC)	£69.60m
Capacity Utilisation on Written Premium	95.55%
Result (as a percentage of SAC) before Members Agents Fees	14.67%
Total Result	**£10.21m**

The Syndicate has nearly doubled its Stamp Capacity since 2017 and there was a danger that, for a business which has historically had material back year releases, growing too rapidly could upset the balance between years of account and hence the overall performance of the Syndicate. So it is especially pleasing that, not only has the Syndicate continued its history of excellent results, 2019 is the first year in many years to make a Pure Underwriting Profit, contributing £5.1m to the result. I am confident that maintaining our conservative reserving approach should continue to protect us over the forthcoming years.

Both the UK and International Underwriting teams have seen a near-complete overhaul over recent years, with Richard Frost and Richard Loader joining the UK team from Aspen Insurance in February 2018 and Charlie Harcus and his team joining since March 2020. These are relatively new additions to the Syndicate but, having worked at 2525 since 2003, I have no doubt that we now have one of the strongest team of Underwriters in the Syndicate's history.

A change of Underwriting teams, though, does not mean a change in Underwriting philosophy. The Syndicate's main objective remains to deliver a satisfactory return to its base of loyal investors, irrespective of the volume of premium written.

However, it should be noted that the income for 2019 and 2020 were the largest the Syndicate has ever had in terms of premium volume. This growth has been contributed to greatly by rate increases achieved on both the Core and International accounts with the UK account seeing rate increases for 6 consecutive years and the International account seeing double figure increases since 2018 with 2019 and 2020 achieving +25% and +29% respectively. This growth has also helped to reduce, in percentage terms, the cost of running the business.

The Underwriting will ultimately decide whether an Insurer produces profit or a loss, but the claims handling should not be underestimated. Whilst there have been changes in the Underwriting teams, our Claims Director, Rob Turner, came to the position in 2003 and embedded a reserving approach that has been a cornerstone of the Syndicate's consistent profitability. Rob's contribution to the Syndicate's success is unquestionable as he begins his 20th year at 2525.

It continues to remain the case that the gross (and net) incurred position at the 36-month close point has, for each year of account, been sufficient to cover the tail to ultimate. This means that conservatism built in by the actuaries as IBNR is released to profit in the fullness of time.

The world remains in the grip of the pandemic and, like many others, it has caused great uncertainty to our industry. Similarly, akin to a new Industrial Disease, Covid-19 has acted as a reminder of how quickly fortunes can change and the Syndicate's biggest threat is a high volume of attritional, "sideways", losses.

The verdict by the Supreme Court in the UK Business Interruption test case highlights the difficulties faced by some sectors of the London Insurance market but, at the Syndicate, we do not underwrite Business Interruption so are fortunate that our book has not been impacted by this decision and, whilst our liability book could be impacted, so far we remain unscathed by the pandemic.

We have traditionally avoided the trades most affected by the pandemic, both in terms of revenue and exposure. Generally, we have not underwritten the liability of the care sector on a primary basis, for example, and traditionally avoided the leisure industry.

However, recognising that we may have exposure to Covid-19, in the second quarter of 2020 we established a general IBNR provision of £1m on a gross/net basis and in the absence of any market data or precedent for breach of duty, this was deemed to be an appropriate approach.

We now hold levels of IBNR on 2019, 2020 and 2021 to include a provision specifically for Covid-19 losses despite, to date, having received only a single formal claim alleging workplace contraction. This approach is supported by our external actuaries, Lane, Clark & Peacock LLP.

It is important to note that the 2019 result has been determined on a basis consistent with our usual reserving approach and the results I anticipate in the coming years will be satisfactory to all those involved.

Tony Ive
Active Underwriter
18th February 2022

Managing Agent's report for the 2019 closing year of account

For the 36 months ended 31 December 2021

The Directors of Asta Managing Agency Ltd ("Asta") present their report at 31 December 2021 for the 2019 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 2019 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 the year and up to the date of signing of the financial statements are provided on page 1. Changes to directors were as follows:-

S D Redmond	Appointed 20 April 2021

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
3 March 2022

Statement of Managing Agent's Responsibilities

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

2019 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 2021 which comprise the Profit and loss account, the Balance sheet, the Statement of Members' balances, the Statement of cash flows and 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" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2019 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.

Emphasis of matter- closure of 2019 year of account

We draw your attention to the basis of preparation note 1 which explains that the 2019 year of account has closed and all assets and liabilities transferred to the 2020 year of account by reinsurance to close at 31 December 2021. Consequently the 2019 year of account of syndicate 2525 is no longer a going concern.

The reinsurance to close occurs in the normal course of business for a syndicate after 36 months of development.

Our opinion is not modified in respect of this matter.

Other information

The managing agent is responsible for the other information. The other information comprises the information included in the 2019 Closed Year Report and Accounts, 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 2019 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)

2019 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.

Amanda Barker (Senior Statutory Auditor)

for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St. Katharine's Way
London E1W 1DD
3 March 2022

Profit and loss account: Technical account – General business

For the 36 months ended 31 December 2021

	Notes	£'000	£'000
Earned premiums, net of reinsurance			
Gross premiums written	4	80,031	
Outward reinsurance premiums		(13,504)	
			66,527
Reinsurance to close premiums received, net of reinsurance			92,981
Allocated investment return transferred from the non-technical account			625
Claims incurred, net of reinsurance			
Claims paid – Gross amount		(30,932)	
– Reinsurers' share		10,280	
Net claims paid		(20,652)	
Reinsurance to close premium payable net of reinsurance	6	(102,632)	
			(123,284)
Net operating expenses	7		(26,579)
Balance on the technical account – general business			**10,270**

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

The notes on pages 48 to 56 form part of these financial statements.

Profit and loss account: Non-technical account

For the 36 months ended 31 December 2021

	Notes	£'000
Balance on the technical account – general business		**10,270**
Investment Income	8	1,850
Unrealised gains on investments	8	92
Unrealised losses on investments	8	(737)
Investment expenses and charges	8	(580)
		10,895
Allocated investment return transferred to general business technical account		(625)
Exchange (losses)		(62)
Profit for the closed year of account	**5**	**10,208**

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 56 form part of these financial statements.

Balance sheet

As at 31 December 2021

	Notes	£'000	£'000
ASSETS			
Investments			
Other financial investments	9	94,400	
Deposits with ceding undertakings	11	110	
			94,510
Debtors			
Debtors arising out of direct insurance operations	12	96	
Debtors arising out of reinsurance operations	13	1,508	
Other debtors, prepayments and accrued income		349	
			1,953
Reinsurance recoveries anticipated on gross reinsurance premiums payable to close the account	6		48,262
Other Assets			
Cash at bank and in hand			18,079
TOTAL ASSETS			**162,804**
LIABILITIES			
Amounts due to members			9,818
Reinsurance to close premiums payable to close the account – gross amount	6		150,894
Creditors			
Creditors arising out of direct insurance business	14	24	
Creditors arising out of reinsurance operations	15	(124)	
Profit commission		2,191	
Accruals		1	
			2,092
TOTAL LIABILITIES			**162,804**

The Syndicate underwriting year accounts were approved by the Board of Asta Managing Agency Ltd on 24 February 2022 and were signed on its behalf by

R P Barke
Director
3 March 2022

The notes on pages 48 to 56 form part of these financial statements.

Statement of Members' balances at 31 December 2021

For the 36 months ended 31 December 2021

	£'000
Profit for the closed year of account	10,208
Members' agents' fees paid on behalf of members	(390)
Members' balances carried forward at 31 December 2021	**9,818**

The notes on pages 48 to 56 form part of these financial statements.

Statement of cash flows

	Notes	£'000
Cash flows from operating activities		
Profit for the year of account		10,208
Net unrealised losses and foreign exchange		(126)
Decrease in debtors		8,979
Increase in creditors		437
Non cash consideration received as part of RITC received	10	(87,263)
RITC premium payable, net of reinsurance		102,632
Net cash inflow from operating activities		34,867
Cash flows from investing activities		
Net purchase of portfolio investments		(16,288)
Deposits with ceding undertakings	11	(110)
Cash flows from financing activities		
Members' agents fees paid on behalf of members		(390)
Net increase in cash and cash equivalents		18,079
Cash and cash equivalents at 1 January 2019		–
Cash and cash equivalents at end of the year of account	11	18,079

The notes on pages 48 to 56 form part of these financial statements.

Notes to the Financial Statements

For the 36 months ended 31 December 2021

1. Basis of preparation

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 2019 year of account which has been closed by reinsurance to close at 31 December 2021. Consequently the balance sheet represents the assets and liabilities of the 2019 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.

The 2019 underwriting year has now closed. The Directors of the Managing Agent have prepared the underwriting year accounts on a non-going concern basis. There was no effect of this on the amounts reported in the accounts.

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.

2. Accounting policies (continued)

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.

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.

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 2021 the Syndicate did not have an unexpired risk provision (2020 nil).

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.

2. Accounting policies (continued)

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 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.

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.

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 2021, the RITC process means that Insurance, Financial, Credit, Liquidity, Market and Capital risks are transferred to the accepting 2020 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	80,031	(40,375)	(26,579)	(3,431)	9,646
Total	**80,031**	**(40,375)**	**(26,579)**	**(3,431)**	**9,646**

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.

5. Analysis of result by year of account

	2018 & prior years of account £'000	2019 Pure Year £'000	2019 Total £'000
Technical account balance before allocated investment return and net operating expenses	6,194	30,031	36,225
Brokerage and commission on gross premium	(123)	(14,562)	(14,685)
	6.071	15,469	21,540
Other acquisition costs	–	(1,885)	(1,885)
Net other expenses	(1,053)	(8,956)	(10.009)
Investment income	(54)	616	562
Balance on technical account	**4.964**	**5,244**	**10,208**

6. Reinsurance to close premium payable net of reinsurance

	Reported £000	IBNR £000	Total £000
Gross outstanding losses	(118,677)	(32,217)	(150,894)
Reinsurance recoveries anticipated	39,257	9,005	48,262
Net outstanding losses	**(78,420)**	**(23,212)**	**(102,632)**

7. Net operating expenses

	£'000
Acquisition costs	(16,570)
Standard personal expenses	(3,456)
Administration expenses	(6,553)
	(26,579)

	£'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	(97)
Fees payable to the Syndicate's auditor and its associates in respect of:	
Other services pursuant to legislation	(52)
	(149)

8. Investment income

	£'000
Income from investments	1,850
Unrealised gains on investments	92
Unrealised losses on investments	(737)
Investment expenses and charges	(580)
	625

9. Investments

	Fair Value £'000	Cost £'000
Holdings in collective investment schemes	9,510	9,510
Debt securities and other fixed income securities	75,652	76,391
Overseas deposits	9,238	9,238
	94,400	**95,139**

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 2021				
Shares and other variable yield securities and units in unit trusts	–	9,282	228	9,510
Debt securities and other fixed income securities	–	75,652	–	75,652
Overseas deposits	235	9,003	–	9,238
Total	**235**	**93,937**	**228**	**94,400**

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.

Lloyd's Central Fund Loan is categorized as a Level 3 Investment.

10. Non cash consideration received as part of RITC received

	£'000
Portfolio investments	77,986
Debtors	10,932
Creditors	(1,655)
Non cash consideration received	87,263

11. Movement in cash and portfolio investments net of financing

	At 1 January 2019 £'000	Received within RITC Premium £'000	Cash flow £'000	Unrealised losses & foreign exchange £'000	At 31 December 2021 £'000
Cash	–	9,697	8,760	(378)	18,079
Deposits with ceding undertakings			110		110
Portfolio Investments	–	77,986	16,288	126	94,400
	–	87,683	25,158	(252)	112,589

12. Debtors Arising out of direct insurance operations

	£'000
Due within one year – Intermediaries	96
	96

13. Debtors Arising out of reinsurance operations

	£'000
Due within one year – Intermediaries	1,508
	1,508

14. Creditors arising out of direct insurance operations

	£'000
Due within one year	(24)
	(24)

15. Creditors arising out of reinsurance operations

	£'000
Due within one year	124
	124

16. Disclosure of interests

Managing Agent's interest

During 2021 Asta was the Managing Agent for eleven Syndicates, four Special Purpose Arrangements and one Syndicate in a Box. Syndicate 1609,1729,1980,1988, 2288, 2525, 2689, 2786, 3268, 4242 and 5886 as well as Special Purpose Arrangements 1416, 1892, 6123, and 6131 and Syndicate in a Box 4747 were managed on behalf of third party capital providers.

On 1 July 2021, Asta took on management of Syndicate 1988.

On 8 August 2021, Asta novated Syndicate 5886 to Blenheim Managing Agency.

On 1 October 2021, Asta took on the management of Special Purpose Syndicate 1416

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

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

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

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

The agency also provides administrative services to Syndicates and Special Purpose Arrangements, also undertaking several ancillary roles for other clients.

The Financial Statements of the Managing Agency can be obtained by application to the Registered Office (see page 1).

17. Related parties

Asta provides services and support to Syndicate 2525 in its capacity as Managing Agent. The 2019 year of account was charged managing agency fees of £0.699m. Asta also recharged £1.975m worth of service charges to the 2019 year of account. As at 31 December 2021, 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 £2.165m 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.

18. Post balance sheet event

The 2019 underwriting year result, less members' agents' fees, of £9.8m will be distributed to members during 2022.

During 2021 it was announced that agreement had been reached for Asta Capital Limited to be acquired by Davies Group, subject to regulatory approval. As at the date of the financial statements this transaction has not yet completed with the expectation that it will complete in 2022.

Summary of Closed Year Results (Unaudited)

as at 31 December 2021

	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000
Syndicate allocated capacity	**41,655**	**41,987**	**42,000**	**42,203**	**49,827**	**47,990**	**64,365**	**69,625**
Number of Underwriting members	518	547	547	542	544	538	583	600
Aggregate net premiums	22,963	25,501	27,510	30,558	33,193	34,880	46,636	49,957
Results for an illustrative share of £10,000								

	£	£	£	£	£	£	£	£
Gross premiums	8,657	9,415	10,246	11,221	10,095	11,464	11,635	11,495
Net premiums	5,513	6,074	6,550	7,241	6,662	7,268	7,246	7,175
Reinsurance to close from an earlier account	14,718	13,656	13,928	14,596	12,855	14,895	12,296	13,355
Net claims	(2,651)	(2,446)	(3,467)	(4,304)	(3,068)	(3,967)	(3,527)	(2,966)
Reinsurance to close	(13,827)	(13,764)	(14,642)	(15,225)	(14,391)	(16,489)	(14,480)	(14,741)
Profit/(Loss) on exchange	(52)	(32)	37	–	(124)	(52)	(28)	(9)
Syndicate operating expenses	(938)	(959)	(1,095)	(1,153)	(1,080)	(1,260)	(825)	(941)
Balance on technical account	2,763	2,529	1,311	1,155	854	395	682	1,873
Investment income less investment expenses and charges and investment gains less losses	138	116	177	122	109	281	277	90
Profit on ordinary activities	2,901	2,645	1,488	1,277	963	676	959	1,963
Illustrative personal expenses								
Managing agent's fee	101	100	100	100	100	104	101	42
Profit commission	481	432	229	191	137	85	135	100
Other personal expenses (excluding members' agents fees)	51	75	81	87	80	87	85	43
	633	607	410	378	317	276	321	185
Profit on ordinary activities after illustrative managing agent's fee and profit commission and illustrative personal expenses	2,268	2,036	1,078	899	646	400	638	1,777
Total of Syndicate operating expenses, managing agent's fee and profit commission	1,520	1,491	1,423	1,443	1,317	1,449	1,061	1,083
Capacity utilised	70.1%	76.6%	83.5%	91.2%	82.8%	93.8%	94.4%	93.9%
Net capacity utilised	55.1%	60.7%	65.5%	72.4%	66.6%	72.7%	72.5%	71.8%
Underwriting profit ratio	31.9%	26.8%	12.8%	10.3%	8.5%	3.4%	5.9%	16.3%

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 2019 year of account, an illustrative share of £10,000 represents 0.0144% of the respective allocated capacity.

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