Annual Report & Accounts
31 December 2015

Closing Year Report & Accounts
2013

D L Dale Syndicate **2525**

Directors and Administration

Managing Agent:

Managing Agent
Asta Managing Agency Ltd

Directors
T A Riddell (Chairman)*
G M J Erulin*
L Harfitt
A J Hubbard*
D J G Hunt
D F C Murphy*
S P A Norton
J W Ramage*
J M Tighe

**Non Executive Directors*

Company Secretary
C Chow

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

Managing Agent's Registered Number
1918744

Syndicate:

Active Underwriter
D L Dale

Bankers
Citibank N.A,
RBC Dexia

Investment Managers
Amundi (UK) Limited

Registered Auditors
KPMG LLP, London

Contents

Active Underwriter's Report

2013 Year of Account

Allocated Capacity	£42.0m
Capacity Utilisation	76%
Profit in 2015	£10.7m

I am pleased to report a calendar year profit of £10.7m which is at the top end of the range provided at third quarter 2015. The positive loss development demonstrates the robust nature of the Syndicate's reserving policy that has been the cornerstone of 2525's philosophy since 2003.

Stamp capacity remained unchanged whilst utilisation improved with rates remaining stable.

Risk appetite remained similar in nature with all preceding years, in keeping with the 2525 strategy to concentrate within the classes and trades that are well-known to its personnel, whilst a major percentage of the business was traded through small to medium sized brokers both within and without Lloyd's.

Terms and conditions remained sensible and excesses on the primary account continued at a realistic level as the high level business mix continued to track previous years.

The profit in the calendar year has largely come from reserve releases from 2013 and prior years. Please refer to the closing year statements where these improvements are displayed in the table provided.

2014 Year of Account

Allocated Capacity	£42.0m
Capacity Utilisation	81%
Profit in 2015	£1.3m

Stamp capacity remained unchanged whilst stamp utilisation improved for the second consecutive year.

Rating comparisons on the renewal account were once again stable showing a very marginal increase.

As in previous years, terms and conditions continued to remain tight aligned to realistic excesses on the primary account. Broker support continued to come mainly from the independent specialist Lloyd's brokers and their counterparts in the regions.

The Syndicate's plan to add primary international as a new class of business finally came to fruition with the addition to the team of a well-known market practitioner late in the year. Whilst this has not changed the risk appetite of the Syndicate, it does introduce risks from outside 2525's core UK sector and allowed for a limited amount of binder income to be underwritten. All of the aforementioned were previously underwritten by the new international underwriter.

At this relatively early stage a small profit is predicted with every expectation, based on previous years' development patterns, of improvement during the next twelve months.

2015 Year of Account

Stamp Capacity	£42.2m
Forecast Utilisation	83%
Loss in 2015	£3.2m

Stamp capacity remained almost constant whilst stamp utilisation has increased for the third consecutive year. Renewal rating comparisons with 2014 registered a marginal decrease.

Business ratios, terms and conditions, and primary excesses once again held up well during the year with both broker support and brokerage levels unchanged in the core account.

Whilst 2014 only attracted a small proportion of primary international business due to the arrival of the new underwriter late in that year, 2015 is predicted to include £4m of new primary international business. As stated above this has not changed the core risk appetite of the Syndicate but will change the business mix with a greater proportion of risks coming from the international class. Additionally, some of this business will come through binders, which is in contrast with the UK account where delegated underwriting authority is de minimus and will remain so.

The Syndicate's reinsurance protections for all the years above and stretching back to 2005 have remained stable in terms of the markets that support it, pricing, the net amount that the Syndicate retains, and the broker that places the business. The Syndicate purchases reinsurance as it would hope its clients buy insurance from the Syndicate - as a long term venture.

As reported last year, due to difficulties in projecting from immature data, the long tail nature of the account, provisions made for unearned premiums and lack of investment income coupled with diminishing forecast returns, it is prudent to post a loss for 2015 at this early stage.

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

2004	-10.0%
2005	-9.5%
2006	-8.0%
2007	-5.8%
2008	-4.4%
2009	-0.2%
2010	-0.93%
2011	-1.12%
2012	+0.57%
2013	+0.01%
2014	+0.03%
2015	-0.35%

This table demonstrates how premium rates have levelled out during the more recent years and although there are positive, albeit small, movements in 2012, 2013 and 2014, the expectation of achieving increased pricing for clean business is still not materialising.

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

Year of account	Premium (£m)	Reduction/ Increase (%)
2005	42.2	
2006	38.8	-8.1
2007	36.3	-6.4
2008	34.4	-5.2
2009	30.1	-12.5
2010	30.1	-
2011	29.1	-3.3
2012	28.9	+0.7
2013	31.9	+10.4
2014	34.8	+9.1% (expected)
2015	35.0	+0.6% (expected)

The Syndicate has managed to gain some upward movement in its premium income over the last three years and has sustained this momentum into 2016 whilst maintaining sound underwriting discipline. This discipline has been achieved by observing the 'cause and effect' of our collective decision making over many years underwriting the same business to primarily the same brokers for the same classes of risks. The Syndicate now has a well-known, well thought out offering that provides brokers with something to sell and gives customers a product that can be compared with the best in the market.

As the market shows no sign of hardening and an increasing number of entities that have the same risk appetite as 2525 the need to continue in the same vein and to provide a class leading product is fundamental.

D L Dale
Active Underwriter
15 March 2016

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 2015.

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 result for calendar year 2015 is a profit of £8,745,447 (2014: £10,263,101). Profits will be distributed by reference to the results of individual underwriting years.

This is the first year that the Syndicate has presented its results under FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS102 was 1 January 2014. In accordance with FRS102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS103. Further details are given in note 21 to the financial statements.

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.

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

	2015 £'000	2014 £'000
Employers' liability	23,445	23,843
Public liability	20,863	18,400
	44,308	42,243

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

	2015 £'000	2014 £'000	Change %
Gross written premiums	44,308	42,243	4.9%
Profit for the financial year	8,745	10,263	(14.8%)
Combined ratio	75.7%	73%	2.7%

Traditionally, the performance of the Syndicate has been assessed by measuring, as a percentage of underwriting capacity, the 36 month result on a funded accounting basis for a "closed"" underwriting year of account.

The return on capacity for the 2013 closed year of account at 31 December 2015 is shown below together with forecasts for the two open years of account.

	2013 YOA Closed	2014 YOA Open	2015 YOA Open
Capacity (£'000)	41,987	42,000	42,225
Result/forecast (£'000)	8,549	(3,129)	(449)
Return/forecast return on capacity (%)	20.4%	(7.5%)	(1.1%)

Further details on the performance of each year of account is given in the Active Underwriter's Report on pages 2 to 3.

Investment Policy

The investment objective is to invest the Premiums Trust Funds to maximise return within agreed constraints and risk appetite whilst ensuring the liquidity needs of the Agency can be met. Portfolios are invested in high-quality, short-term fixed income securities. Regular investment committee meetings and formal procedures are in place to monitor investments, their returns, and the economic outlook.

Investment Performance

During 2015, the investment portfolios continued to show strong steady performance despite volatile benchmarks. The Sterling portfolio beat both the cash and government bond benchmarks, and the smaller Euro portfolio significantly outperformed the cash benchmark but lagged the Government index which includes Eurozone peripheral bonds which lie outside the mandate's conservative remit.

In Europe, negative yields spread beyond the "core" Eurozone countries with 2-year Government yields from Austria, Belgium, Finland, Germany, Ireland, Netherlands in negative territory and Italy and Spain at zero. The German 10-year Bund's safe haven status was called into question as yields rose from 7bps in April to almost 1% in June. The German government bond curve ended the year with yields negative out to 5 and a half years. UK Gilts remained volatile, in a trading pattern between Europe and the US. The US finally increased rates in December by 25bps to 0.25-0.5% having disappointing some commentators expecting the move at the September meeting. Towards the end of the year Gilt yields diverged from those of US Treasuries as UK GDP revisions proved negative and Mark Carney put a wedge between expectations from the BoE and the Fed leading to lower Gilt yields.

The Sterling portfolio returned 0.71% beating both benchmarks. The BAML Overnight LIBID index returned 0.36% and the 1-3 year Gilt index returned 0.58%. Sterling returns continued to show resilience, avoiding the gyrations of the benchmark which had monthly losses as high as 28bp. In Euro the portfolio returned 0.27%, beating the Bank of America Merrill Lynch (BAML) Overnight LIBID index return of -0.23% but behind the 1-3 year Government bond index which returned 0.70%. The Euro portfolio showed strong relative returns to cash and core European bonds but trailed that of the benchmark as the portfolio didn't benefit from the rally in Eurozone periphery bonds, in which the portfolio cannot invest. Sterling returns were driven by the short duration stance, insulating the portfolio from rising yields, which was extended in November and December to take advantage of higher yields. Credit and ABS added yield, with UK RMBS performing well at the end of the year as the benchmark Granite (ex-Northern Rock) issue was called.

Global growth improved in 2015, led by the US where unemployment fell steadily and household spending increased. UK growth remains good but showed some softening towards the end of the year, leading to a change of tone from the BoE which pushed back expectations for a rate hike. In Europe, credit creation is improving as lower yields feed into the real economy but further reforms are required to bring down stubbornly high unemployment rates, and to generate inflation which remains well below the ECB's 2% target. Oil prices fell to ~$35/barrel in December, the lowest level since 2009, putting pressure on high cost producers but remain a boost to net importers and the consumer.

Outlook for 2016

Yields and credit spreads have normalised somewhat in the UK, as opposed to Europe where yields are so low that there remains limited scope for generating excess returns. In the Eurozone, growth will pick up and ratings agencies will continue with grudging upgrades. Peripheral spreads therefore will tighten further. The Eurozone has many challenges to face this year but the political risks are manageable. The Brexit referendum will be an increasing market focus which will keep sterling pinned back but UK growth will remain solid as housing firms further again (ex-London). With growth expected to continue to improve, and further normalisation from Central Banks, there is a possibility of further yield rises which could generate losses for fixed income portfolios. To counter this risk the portfolios remain positioned shorter duration than their benchmarks. Corporate bonds will continue to be used to enhance portfolio yields: low default rates, and improving macroeconomic fundamentals should ensure spreads remain contained. The short dated nature of the portfolios and a buffer of government and sovereign-related bonds ensures there will be ample liquidity to meet potential cash flows.

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 Committee meets quarterly to oversee the risk management framework. The Syndicate Board reviews the risk profile and monitors performance against risk appetite using a series of key risk indicators. The principal risk and uncertainties facing the Syndicate are as follows:

Insurance Risk

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

Managing Agent's Report (continued)

Credit Risk

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

Market Risk

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

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. To mitigate this risk the Syndicate Board reviews cash flow projections regularly.

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 detailed procedures manuals and a structured programme of testing of processes and systems by internal audit. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

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

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

Group/Strategic

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).

Future Developments

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

The capacity for the 2016 year of account is £50.0m (2015 year of account £42.2m)

Effective 1 January 2016, Lloyd's is subject to the Solvency II capital regime and the Solvency I figures are no longer applicable from that date. Although the capital regime has changed, this has not significantly impacted the SCR of the Syndicate, since this has been previously calculated based on Solvency II principles.

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

Y A Lancaster (nee Bouman)	Resigned 12 February 2016

Disclosure of information to the auditors

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

Auditors

The Managing Agent intends to reappoint KPMG LLP as the Syndicate's auditors.

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members before 25 April 2016.

On behalf of the Board

C Chow
Company Secretary
15 March 2016

Statement of Managing Agent's Responsibilities

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

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

In preparing the financial statements, the managing agent is required to:

- Select suitable accounting policies and then apply them consistently subject to changes arising on the adoption of new accounting standards in the year;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the notes to the Syndicate accounts; and
- Prepare the Syndicate accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

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

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

Independent Auditor's Report

To the Members of Syndicate 2525

We have audited the financial statements of Syndicate 2525 for the year ended 31 December 2015 as set out on pages 10 to 34. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the members of the Syndicate, 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.

Respective responsibilities of the managing agent and the auditor

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's financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Syndicate's financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK 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.

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

In our opinion the information given in the Managing Agent's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Mark Taylor (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
London
15 March 2016

Income Statement
Technical Account – General Business

For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Gross premiums written	3	44,308	42,243
Outward reinsurance premiums		(6,723)	(6,492)
Net written premiums		37,585	35,751
Change in the provision for unearned premiums			
Gross amount		(2,125)	(9)
Reinsurers' share		465	(231)
	4	(1,660)	(240)
Earned premiums, net of reinsurance		35,925	35,511
Allocated investment return transferred from the non-technical account		470	571
Claims paid			
Gross amount		(15,586)	(16,744)
Reinsurers' share		5,006	5,697
		(10,580)	(11,047)
Changes in the provision for claims outstanding			
Gross amount		2,430	13,720
Reinsurers' share		(3,448)	(12,446)
		(1,018)	1,274
Claims incurred, net of reinsurance		(11,598)	(9,773)
Net operating expenses	5	(15,604)	(15,922)
Balance on technical account – general business		**9,193**	**10,387**

All the amounts above are in respect of continuing operations.

The notes on pages 15 to 34 form part of these financial statements.

Non-Technical Account – General business

For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Balance on technical account – general business		9,193	10,387
Investment income		1,348	1,707
Unrealised losses on investments	9	(210)	(672)
Investment expenses and charges		(668)	(464)
Allocated investment return transferred to the general business technical account	9	(470)	(571)
Exchange gains and losses		(448)	(124)
Profit for the financial year		**8,745**	**10,263**

There were no recognised gains and losses in the year other than those reported in the Statement of Profit or Loss 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 2015

	2015 £'000	2014 £'000
Members' balances brought forward at 1 January	2,180	2,550
Profit for the financial year	8,745	10,263
Members' agent's fees	(322)	(311)
Payments of profit to members' personal reserve funds	(9,142)	(10,322)
Members' balances carried forward at 31 December	**1,461**	**2,180**

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 15 to 34 form part of these financial statements.

Statement of Financial Position

As at 31 December 2015

	Notes	2015 £'000	2014 £'000
ASSETS			
Investments			
Other financial investments	10	78,875	83,081
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	4,897	4,432
Claims outstanding	4	25,553	29,049
		30,450	33,481
Debtors			
Debtors arising out of direct insurance operations	11	11,924	11,876
Debtors arising out of reinsurance operations		413	13
Other debtors		5	5
		12,342	11,894
Cash and other assets			
Cash at bank and in hand	15	11,702	6,528
Other assets		–	–
		11,702	6,528
Prepayments and accrued income			
Accrued interest		4	12
Deferred acquisition costs		3,759	3,317
Other prepayments and accrued income		226	581
		3,989	3,910
TOTAL ASSETS		**137,358**	**138,894**

The notes on pages 15 to 34 form part of these financial statements.

Statement of Financial Position (continued)

As at 31 December 2015

	Notes	2015 £'000	2014 £'000
MEMBERS' BALANCE AND LIABILITIES			
Capital and reserves			
Members' balances		1,461	2,180
Liabilities			
Technical provisions			
Provision for unearned premiums	4	19,005	16,923
Claims outstanding	4	113,480	116,166
		132,485	133,089
Creditors			
Creditors arising out of direct insurance operations	13	275	175
Creditors arising out of reinsurance operations		640	273
Other creditors		1,814	2,019
		2,729	2,467
Accruals and deferred income		683	1,158
Total liabilities		**135,897**	**136,714**
TOTAL MEMBERS' BALANCES AND LIABILITIES		**137,358**	**138,894**

The financial statements on pages 10 to 34 were approved by board of directors on 8 March 2016 and were signed on its behalf by:

D J G Hunt
Director
15 March 2016

The notes on pages 15 to 34 form part of these financial statements.

Statement of Cash Flows

For the period ended 31 December 2015

	2015 £'000	2014 £'000
Cash flows from Operating activities		
Profit on ordinary activities	8,745	10,263
Decrease in gross technical provisions	(604)	(14,118)
Decrease in reinsurers' share of gross technical provisions	3,031	12,743
Increase in debtors	(448)	(2,137)
Increase/(decrease) in creditors	262	(138)
Movement in other asset/liabilities	(1,010)	15
Changes to market value and currency	355	481
Investment Return	(470)	(571)
Net cash inflow from operating activities	9,861	6,538
Cash flows from Investing activities		
Purchase of other financial investments	(65,482)	(71,133)
Sale of other financial investments	69,586	64,829
Investment income received	1,136	1,778
(Increase)/decrease in overseas deposits	(438)	4,543
Net cash inflow/(outflow) from investing activities	4,802	17
Cash flows from Financing activities		
Payments of profit to members' personal reserve fund	(9,142)	(10,322)
Members' agents fee advances	(323)	(311)
Net cash outflow from financing activities	(9,465)	**(10,633)**
Net increase/(decrease) in cash and cash equivalents	5,198	(4,078)
Cash and cash equivalents at beginning of year	**12,781**	16,859
Cash and cash equivalents at end of year	**17,979**	**12,781**

Notes to the Financial Statement

For the year ended 31 December 2015

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.

The Syndicate transitioned from previously extant UK GAAP to FRS 102 and FRS 103 as at 1 January 2014. An explanation of how transition to FRS 102 and FRS 103 has affected the reported financial position and financial performance is given in Note 21.

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.

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.

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

Reinsurance premiums

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

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

Claims incurred

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

Notes to the Financial Statement (continued)

For the year ended 31 December 2015

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 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. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business and the claims experience for the year. The Syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly, the two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

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

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Provisions for unearned premiums

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

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

Unexpired risks

A provision for unexpired risks is made where claims and related expenses are 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 2015 and 31 December 2014 the Syndicate did not have an unexpired risks provision.

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as the advertising costs or 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. 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 2015 or 2014.

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

2. Accounting Policies (continued)

Insurance receivables

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

Insurance receivables are not 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:

	2015 Year End	2014 Year End
USD	1.47	1.56
CAD	2.05	1.81
EUR	1.36	1.29
AUD	2.03	1.91
ZAR	22.83	18.04

Financial assets and liabilities

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

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

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

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

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

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

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

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

Notes to the Financial Statement (continued)

For the year ended 31 December 2015

2. Accounting Policies (continued)

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

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

Investment return

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

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

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

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

Cash and cash equivalents

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

Fair value measurement of investments

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

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

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

- Bonds have been valued at fair value using quoted prices in an active market.
- Deposits with credit institutions are included at cost plus accrued income.
- Money Market Funds are valued on a stable net asset value (NAV) basis. Money Market Funds are readily convertible into cash, 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.

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.
- Currency derivatives and bond futures are included at market price.
- Investments in regulated collective investment schemes are valued on the NAVs of each of the individual funds as published publicly by the managers.
- Investments in pooled investments in unregulated investment schemes (hedge funds) are valued based on the underlying NAVs of each of the individual funds. Hedge fund NAVs are provided by the administrators of the schemes.
- Investments in investment pools are valued on the valuations supplied by the investment manager (Lloyd's).

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

2. Accounting Policies (continued)

Taxation

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

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

Profit commission

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

Pension costs

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

Syndicate operating expenses

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

Notes to the Financial Statement (continued)

For the year ended 31 December 2015

3. Segmental Analysis

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

2015	Gross Written Premiums £'000	Gross Premiums Earned £'000	Gross Claims Incurred £'000	Net Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Insurance:						
Third Party Liability	44,308	42,183	(13,156)	(15,604)	(4,700)	8,723
	44,308	**42,183**	**(13,156)**	**(15,604)**	**(4,700)**	**8,723**

2014	Gross Written Premiums £'000	Gross Premiums Earned £'000	Gross Claims Incurred £'000	Net Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Insurance:						
Third Party Liability	42,243	42,234	(3,024)	(15,922)	(13,472)	9,816
	42,243	**42,234**	**(3,024)**	**(15,922)**	**(13,472)**	**9,816**

Commissions on direct insurance gross premiums earned during 2015 were £8.1 million (2014: £7.8 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 2015.

4. Technical Provisions

	2015			2014		
	Gross Provisions £'000	Reinsurance Assets £'000	Net £'000	Gross Provisions £'000	Reinsurance Assets £'000	Net £'000
Claims outstanding						
Balance at 1 January	116,166	(29,049)	87,117	130,318	(41,561)	88,757
Change in claims outstanding	(2,430)	3,448	1,018	(13,720)	12,446	(1,274)
Effect of movements in exchange rates	(256)	48	(208)	(432)	66	(366)
Balance at 31 December	**113,480**	**(25,553)**	**87,927**	**116,166**	**(29,049)**	**87,117**
Claims notified	92,318	(20,626)	71,692	93,096	(24,129)	68,967
Claims incurred but not reported	21,162	(4,927)	16,235	23,070	(4,920)	18,150
Balance at 31 December	**113,480**	**(25,553)**	**87,927**	**116,166**	**(29,049)**	**87,117**
Unearned premiums						
Balance at 1 January	16,923	(4,432)	12,492	16,889	(4,663)	12,226
Change in unearned premiums	2,125	(465)	1,660	9	231	240
Effect of movements in exchange rates	(43)	–	(43)	25	–	25
Balance at 31 December	**19,005**	**(4,897)**	**14,108**	**16,923**	**(4,432)**	**12,491**
Deferred acquisition costs						
Balance at 1 January	3,018	–	3,018	3,042	–	3,042
Change in deferred acquisition costs	377	–	377	(27)	–	(27)
Effect of movements in exchange rates	(9)	–	(9)	3	–	3
Balance at 31 December	**3,386**	–	**3,386**	**3,018**	–	**3,018**

There were favourable movements during the year of £28.9m (2014: £24.8m), on prior year gross claims reserves, held at 31 December 2014.

5. Net Operating Expenses

	2015 £'000	2014 £'000
Acquisition costs	(8,956)	(8,523)
Change in deferred acquisition costs	449	(40)
Administration expenses	(7,097)	(7,359)
Net operating expenses	**(15,604)**	**(15,922)**

Members' standard personal expenses amounting to £2,618,816 (2014: £2,667,247) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, managing agent's fees and profit commission.

Notes to the Financial Statement (continued)

For the year ended 31 December 2015

6. Staff Costs

	2015 £'000	2014 £'000
Wages and salaries	1,402	1,273
Social security costs	170	152
Other pension costs	193	206
	1,765	**1,631**

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

	2015	2014
Administration	3	3
Underwriting	8	6
Claims	8	8
	19	**17**

7. Auditor's Remuneration

	2015 £'000	2014 £'000
Audit of the Financial statements	91	90
Other services pursuant to Regulations and Lloyd's Byelaws	68	63
	159	**153**

Auditor's remuneration is included as part of the administrative expenses in note 6 to the financial statements.

8. Emoluments of the Directors of Asta Managing Agency Ltd

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

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

No other compensation was payable to key management personnel.

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

	2015 £'000	2014 £'000
Active Underwriter's emoluments	237	233
	237	**233**

9. Investment Return

	2015 £'000	2014 £'000
Income from other financial investments	1,335	1,705
Net gains on realisation of investments		
– Fair value through profit or loss designated upon initial recognition	(581)	(387)
Total investment income	754	1,318
Net unrealised gains on investments		
– Financial instruments at fair value through profit and loss	(210)	(672)
Investment expenses and charges	(74)	(75)
Total investment return	**470**	**571**

Average amount of funds available for investing during the year:		
Sterling	74,984	74,138
United States dollars	6,543	7,754
Canadian dollars	2,784	1,760
Euro	8,738	10,593
Australian Dollars	2,783	1,417
South African Rand	2,130	–
Combined in sterling	**88,546**	**89,031**

Gross calendar year investment yield:		
Sterling	411	528
United States dollars	10	7
Canadian dollars	18	16
Euro	29	26
Australian Dollars	32	14
South African Rand	83	–
Combined in sterling	**470**	**571**

"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.

10. Financial Investments

	2015 Carrying value £000	2015 Purchase price £000
Shares and other variable yield securities and units in unit trusts		
– Designated at fair value through profit or loss	7,445	7,446
Debt securities and other fixed income securities		
– Designated at fair value through profit or loss	71,430	71,642
	78,875	**79,088**

Notes to the Financial Statement (continued)

For the year ended 31 December 2015

10. Financial Investments (continued)

	2014 Carrying value £000	2014 Purchase price £000
Shares and other variable yield securities and units in unit trusts		
– Designated at fair value through profit or loss	6,992	7,003
Debt securities and other fixed income securities		
– Designated at fair value through profit or loss	76,089	76,747
	83,081	**83,750**

Amounts included within Shares and other variable securities include CIS/Unit Trusts where funds are invested in a single entity which invests in investments. These are treated as cash instruments with the carrying value and purchase price being the same.

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

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
31 December 2015				
Shares and other variable yield securities and units in unit trusts	841	6,605	–	7,446
Debt securities and other fixed income securities	6,073	65,356	–	71,429
Total	**6,914**	**71,961**	**–**	**78,875**

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
31 December 2014				
Shares and other variable yield securities and units in unit trusts	528	6,465	–	6,993
Debt securities and other fixed income securities	13,214	62,875	–	76,089
Total	**13,742**	**69,340**	**–**	**83,082**

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.

10. Financial investments (continued)

The main asset classes in the level 3 category are unlisted equities, structured bond-type debt products and interest rate swaps.

- For unlisted equities, the non-observable inputs relate to assumptions regarding the price/equity ratio of the investee compared to those of comparable listed entities together with an illiquidity adjustment which typically ranges between 10-20%.
- For structured bond-type debt products, these are valued using an internally developed cash flow model using a discount rate with a non-observable illiquidity adjustment of between 5-10%.
- For interest rate swaps, these are valued from broker quotes which include non-observable discount rates based on the credit rating of the counterparty.

11. Debtors Arising out of Direct Insurance Operations

	2015 £'000	2014 £'000
Due from intermediaries (within one year)	11,924	11,876
	11,924	11,876

12. Debtors Arising out of Reinsurance Operations

	2015 £'000	2014 £'000
Due from intermediaries (within one year)	413	13
	413	13

13. Creditors Arising out of Direct Insurance Operations

	2015 £'000	2014 £'000
Direct Business - Intermediaries (within one year)	275	175
	275	175

14. Creditors Arising out of Reinsurance Operations

	2015 £'000	2014 £'000
Reinsurance ceded (within one year)	640	273
	640	273

15. Cash and Cash Equivalents

	2015 £'000	2014 £'000
Cash at bank and in hand	11,702	6,528
	11,702	6,528

Notes to the Financial Statement (continued)

For the year ended 31 December 2015

16. Related Parties

Asta provides services and support to Syndicate 2525 in its capacity as Managing Agent. During the year, managing agency fees of £422,250 (2014: £420,000) were charged to the Syndicate. Asta also recharged £2,074,282 (2014: £2,042,132) worth of service charges in the year and as at 31 December 2015 an amount of £200,138 (2014: £316,893) was owed to Asta in respect of this service.

Syndicate 2525 has recorded £1,813,442 (2014: £2,004,033) for profit commission.

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

17. Disclosure of Interests

Managing Agent's interest

Asta is currently the Managing Agent for nine Lloyd's Syndicates. Syndicates 1686, 1729, 1897, 1910, 2357, 2525, 4242, 6123 and 6117 are managed on behalf of third party capital providers.

On 1 April 2015, Syndicate 2526 migrated to AmTrust at Lloyd's Limited. In 2016, Asta took on the management of Syndicate 2786 and Syndicate 6126.

The agency also provides administrative services to Syndicates and undertakes a number of ancillary roles for clients.

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

18. Funds at Lloyd's

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

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

19. Off-balance Sheet Items

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

20. Risk Management

a) Governance framework

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

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

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.

20. Risk Management (continued)

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and 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 participating 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 2016 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 members' balances on each Syndicate on which it participates. Accordingly, the ending members balances reported on the statement of financial position on page 12, represent resources available to meet members' and Lloyd's capital requirements.

c) Insurance risk

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

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

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

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 2015.

Notes to the Financial Statement (continued)

For the year ended 31 December 2015

20. Risk Management (continued)

	Estimated Gross loss £'000	Estimated Net loss £'000
Alternative RDS A	(23,000)	(1,597)
Alternative RDS B	(25,000)	(1,170)
Loss of Major Complex	(30,000)	(1,231)

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 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 following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on net liabilities, profit and members' balances.

2015	Five Percent increase £'000	Five Percent decrease £'000
Third party liability	(4,396)	4,396

2014	Five Percent increase £'000	Five Percent decrease £'000
Third party liability	(4,356)	4,356

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.

20. Risk Management (continued)

The Syndicate has taken advantage of the transitional rules of FRS 103 that permit only five years of information to be disclosed upon adoption. The claims development information disclosed is being increased from five years to ten years over the period 2016-2020.

Underwriting year	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000
Estimate of cumulative gross claims incurred:					
At end of first underwriting year	8,745	7,907	8,114	9,628	9,603
One year later	25,289	31,697	24,123	27,412	
Two years later	25,441	30,752	30,496		
Three years later	23,864	25,135			
Four years later	18,090				
Less cumulative gross paid	(10,890)	(4,939)	(2,502)	(1,142)	(77)
Liability for gross outstanding claims (2011 to 2015)	7,200	20,196	27,994	26,270	9,526
Liability for gross outstanding claims (2010 and before)	22,294				
Total gross outstanding claims (all years)					**113,480**

Underwriting year	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000
Estimate of cumulative net claims incurred:					
At end of first underwriting year	7,365	6,669	6,444	8,161	7,914
One year later	21,120	21,737	22,248	23,440	
Two years later	20,261	24,953	23,541		
Three years later	18,392	21,437			
Four years later	14,070				
Less cumulative net paid	(7,473)	(4,939)	(2,502)	(1,142)	(77)
Liability for net outstanding claims (2011 to 2015)	6,597	16,498	21,039	22,298	7,837
Liability for net outstanding claims (2010 and before)	13,658				
Total net outstanding claims (all years)					**87,927**

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.

Notes to the Financial Statement (continued)

For the year ended 31 December 2015

20. Risk Management (continued)

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 Syndicates 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 sort to mitigate any risk. This is monitored by the Reinsurance Security Committee, a sub committee of the Syndicate Board.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements and the use of credit derivatives.

		£'000		
2015	**Neither past due or impaired**	**Past due**	**Impaired**	**Total**
Shares and other variable yield securities	6,277	–	–	6,277
Debt Securities	71,430	–	–	71,430
Overseas Deposits	1,168	–	–	1,168
Reinsurers share of claims outstanding	25,553	–	–	25,553
Debtors arising out of direct insurance operations	10,955	969	–	11,924
Debtors arising out of reinsurance insurance operations	–	–	–	–
Other debtors	5	–	–	5
Cash and cash equivalents	11,702	–	–	11,702
Total	127,090	969	–	128,059

		£'000		
2014	**Neither past due or impaired**	**Past due**	**Impaired**	**Total**
Shares and other variable yield securities	6,253			6,253
Debt Securities	76,089	-	-	76,089
Overseas Deposits	740	-	-	740
Reinsurers share of claims outstanding	29,049	-	-	29,049
Debtors arising out of direct insurance operations	11,201	675	-	11,876
Debtors arising out of reinsurance insurance operations	13	-	-	13
Other debtors	5	-	-	5
Cash and cash equivalents	6,528	-	-	6,528
Total	129,878	675	-	130,553

20. Risk Management (continued)

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2015 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			
2015	**AAA**	**AA**	**A**	**BBB**	**BBB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	–	390	5,887	–	–	–	6,277
Debt Securities	24,060	47,111	259	–	–	–	71,430
Overseas Deposits	623	241	113	189	1	1	1,168
Reinsurers share of claims outstanding	–	1,308	24,245	–	–	–	25,553
Debtors arising out of reinsurance insurance operations	–	–	–	–	–	–	–
Cash and cash equivalents	–	–	11,702	–	–	–	11,702
Total	24,683	49,050	42,206	189	1	1	116,130

				£'000			
2014	**AAA**	**AA**	**A**	**BBB**	**BBB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	493	1,679	3,330	–	–	751	6,253
Debt Securities	23,014	49,300	3,775	–	–	-	76,089
Overseas Deposits	333	161	128	113	–	5	740
Reinsurers share of claims outstanding	–	926	28,123	–	–	-	29,049
Debtors arising out of reinsurance insurance operations	–	4	9	–	–	-	13
Cash and cash equivalents	–	–	6,528	–	–	–	6,528
Total	23,840	52,070	41,893	113	–	756	118,672

Maximum credit exposure

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

During the year, no credit exposure limits were exceeded.

2) Liquidity risk

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

Notes to the Financial Statement (continued)

For the year ended 31 December 2015

20. Risk Management (continued)

The table below summarises the maturity profile of the Syndicate's financial liabilities based on remaining undiscounted contractual obligations, including interest payable. Repayments which are subject to notice are treated as if notice were to be given immediately.

	£'000					
2015	**No stated maturity**	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Creditors	271	–	–	–	–	271
Total	**271**	–	–	–	–	**271**

	£'000					
2014	**No stated maturity**	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Creditors	440	-	-	-	-	440
Total	**440**	**-**	**-**	**-**	**-**	**440**

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. Forward currency contracts are in place to eliminate the currency exposure on individual foreign transactions.

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

2015	**GBP**	**USD**	**EUR**	**CAD**	**AUD**	**OTH**	**Total**
Total Assets	118,523	6,699	7,171	2,628	1,926	411	137,358
Total Liabilities	(122,934)	(3,004)	(5,615)	(2,404)	(1,492)	(448)	(135,897)
Net Assets	**(4,411)**	**3,695**	**1,556**	**224**	**434**	**(37)**	**1,461**

2014	**GBP**	**USD**	**EUR**	**CAD**	**AUD**	**OTH**	**Total**
Total Assets	123,534	5,846	8,132	801	581	–	138,894
Total Liabilities	(125,222)	(2,716)	(7,025)	(1,358)	(393)	–	(136,714)
Net Assets	**(1,688)**	**3,130**	**1,107**	**(557)**	**188**	**–**	**2,180**

The Syndicate matches its currency position so 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.

20. Risk Management (continued)

Sensitivity to changes

The table below gives an indication of the impact on profit of a percentage change in the relative strength of Sterling against the value of the US dollar, Canadian dollar and Euro simultaneously. The analysis is based on the information as at 31st December 2015.

Impact on profit and member's balance

	2015 £'000	2014 £'000
Sterling weakens		
10% against other currencies	548	368
20% against other currencies	1,095	736
Sterling strengthens		
10% against other currencies	(548)	(368)
20% against other currencies	(1,095)	(736)

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.

	2015 £'000	2014 £'000
Interest Rate Risk		
Impact of 50 basis point increase on result	221	182
Impact of 50 basis point decrease on result	(221)	(182)
Impact of 50 basis point increase on net assets	221	182
Impact of 50 basis point decrease on net assets	(221)	(182)

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

21. Transition to FRS 102 and FRS 103

The Syndicate transitioned to FRS 102 and FRS 103 from previously extant UK GAAP as at 1 January 2014. Under FRS 102, foreign exchange gains and losses are recognised through the non-technical account (operating expenses) as opposed to being recognised in, what was formerly known as, the Statement of Total Recognised Gains and Losses. The impact of this adjustment is to increase the profit for the 2014 financial year by £0.1m. There is no impact on total Members' Balance as at 1 January 2014 or 31 December 2014 as a result of this change.

Notes to the Financial Statement (continued)

For the year ended 31 December 2015

21. Transition to FRS 102 and FRS 103 (Continued)

Reconciliation of profit and loss for the year ended 31 December 2014

	£000
Profit for the year ended 31 December 2014 under previous UK GAAP	10,138
Foreign exchange	125
Profit for the year ended 31 December 2014 under FRS 102 and FRS 103	**10,263**

In addition to the transition adjustments identified above, the following adjustments have arisen which have had no effect on the member's balance or the profit or loss, but have affected the presentation of items on the balance sheet. The main items are:

Overseas deposits, with a value of £5,284,824 at 1 January 2014 (transition date), have been reclassified from other assets to other financial investments.

22. Post balance sheet events

The Syndicate will distribute the 2013 year of account profits to members on 11 April 2016.

Financial Statements

For the 36 Months ended 31 December 2015

Closing Year Report and Accounts

2013

D L Dale Syndicate 2525

Underwriter's Report for the 2013 Closing Year of Account

for the 36 months ended 31 December 2015

2013 Closing Year Comments

We are pleased to announce that the 2013 year of account on the traditional Lloyd's three-year accounting basis has closed with a profit before members' agents fees of £8.5m, which equates to a return on capacity of 20.4%.

Stamp Allocated Capacity	£42.0m
Capacity Utilisation	76%
Result (as a percentage of capacity) before Members' Agents Fees	20.4%
Total Result	**£8.5m**

Underwriter's Commentary as follows:

The structural changes seen over the last two years, namely the Ministry of Justice Reforms (April 2013), and the introduction of the claims portal for low value claims (July 2013), have changed the landscape significantly, although the true cost of this has yet to be ascertained. In last year's report the general opinion of the Syndicate was that the reforms and new processes would be cost neutral and that the case for such was to be generally applauded in that justice would be delivered to injured parties more speedily and at reasonable cost.

The speed of change has been significant, in that in a little under two years forty per cent of all claims received by the Syndicate now come through the portal; by any assessment this is nothing short of dramatic. What we believe to be clear is that the process being simple, quick and low cost has produced more notifications for the casualty market, as it has for the Syndicate, yet there are, perhaps, a significant number of these that may never become actual 'live' claims; time will tell. One of the unintended consequences of the changes has been an increase in the number of disease notifications as these are outside the portal, which excludes cases where two defendants are present, which is generally the case for disease claims. A very large composite UK insurer recently advised that it had seen a quadrupling in the number of deafness claims over the last few years and this may certainly have been spurred on by lawyers seeking to present claims in the more traditional manner with higher costs available outside the portal; many of these, however, were subsequently found to be spurious.

With the steady but controlled rise in income over the last few years it is not unexpected that the Syndicate would see a rise in notifications and that has been the case. However, the number has been slightly more than expected and this is probably due to the reasons explained above. As referred to above it may be that some of these notifications may not materialise into claims at all once our case is clear and it is right and proper to deny liability. The Syndicate will continue to monitor and respond to such claims and seek a fair result to both defendant and plaintiff alike.

The Syndicate has always prided itself in delivering a first class claims handling service (for this is what our customers buy) and in so doing has developed its own systems and products to reduce and bring greater proportionality to the frictional cost of handling claims for the mutual benefit of all.

The current market place, by all accounts, across the whole spectrum of insurance covers, is extremely soft and awash with capital and it is difficult to see when a change to the level of pricing will occur. That is not to say that it is impossible to run a successful and profitable business unless some outside factor suddenly allows more to be charged for the same product.

The Syndicate product can stand on its own and has been carefully developed so that it can remain a solid proposition for our investors even in the most challenging of times. Attention to detail is everything and our core philosophy is based upon this simple concept; the Syndicate will not stop trying to provide to our customers the best that the casualty market has to give in service, in product, and in claims handling. If we do this then the Syndicate creates the best chance to make the best returns for its investors.

For 2016 the Syndicate has increased the premium estimate to £40.0m in order to cater for additional income expected to come from the fledgling primary international class, following the acquisition of a well respected London casualty market practitioner, who joined the Syndicate in December 2014. Some of this income has attached to the 2015 year of account and will slightly increase the international mix for that year, but the major part will fall into 2016. Our new Underwriter has created an additional 'buzz' around the Box from brokers, which demonstrates that people follow people not companies, especially within Lloyd's. The business mix will therefore change perceptively for 2016, as outlined in the SBF, with more third party risks attaching with an international flavour.

Furthermore, the whole 2525 team are committed to the success of the Syndicate and to creating synergies with brokers and clients alike; their dedication, hard work, knowledge, and experience are all fundamental in making sure that the Syndicate remains at the forefront of the Lloyd's casualty market.

I have included once again a table of our net incurred loss ratios and our net ultimate loss ratios which clearly demonstrate the development patterns inherent within the account.

Underwriter's Report for the 2013 Closing Year of Account

Net Loss Ratios/Net Ultimate Loss Ratios

2006 Net Incurred Loss Ratio at close	61.4 %
2006 Net Incurred Loss Ratio at December 2015	**37.1 %**
2006 Ultimate Net Loss Ratio at close	74.5 %
2006 Ultimate Net Loss Ratio at December 2015	**37.4 %**
2007 Net Incurred Loss Ratio at close	66.7 %
2007 Net Incurred Loss Ratio at December 2015	**52.6 %**
2007 Ultimate Net Loss Ratio at close	83.7 %
2007 Ultimate Net Loss Ratio at December 2015	**53.2 %**
2008 Net Incurred Loss Ratio at close	75.7 %
2008 Net Incurred Loss Ratio at December 2015	**49.6 %**
2008 Ultimate Net Loss Ratio at close	87.9 %
2008 Ultimate Net Loss Ratio at December 2015	**50.6 %**
2009 Net Incurred Loss Ratio at close	59.0 %
2009 Net Incurred Loss Ratio at December 2015	**36.4 %**
2009 Ultimate Net Loss Ratio at close	82.4 %
2009 Ultimate Net Loss Ratio at December 2015	**37.7 %**
2010 Net Incurred Loss Ratio at close	73.8 %
2010 Net Incurred Loss Ratio at December 2015	**46.0 %**
2010 Ultimate Net Loss Ratio at close	89.8 %
2010 Ultimate Net Loss Ratio at December 2015	**47.7 %**
2011 Net Incurred Loss Ratio at close	66.4 %
2011 Net Incurred Loss Ratio at December 2015	**54.1 %**
2011 Ultimate Net Loss Ratio at close	84.7 %
2011 Ultimate Net Loss Ratio at December 2015	**58.4 %**
2012 Net Incurred Loss Ratio at close	91.2 %
2012 Ultimate Net Loss Ratio at December 2015	**82.5 %**
2012 Net Incurred Loss Ratio at close	102.0 %
2012 Ultimate Net Loss Ratio at December 2015	**88.1 %**
2013 Net Incurred Loss Ratio at close	**78.5 %**
2013 Ultimate Net Loss Ratio at close	**86.1 %**

Incurred Loss Ratios exclude Incurred but not Reported (IBNR) losses.

D L Dale
Active Underwriter
22 March 2016

Managing Agent's Report for the 2013 Closing Year of Account

for the 36 months ended 31 December 2015

The Directors of Asta Managing Agency Ltd ("Asta") present their report at 31 December 2015 for the 2013 closed year of account.

This report is prepared in accordance with the Lloyd's Syndicate Bylaw (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 2013 year of account performance is given in the accompanying Underwriter's Report on pages 36 - 37.

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 at the front. Changes to directors were as follows:

Y A Lancaster (nee Bouman)	Resigned 12 February 2016

Disclosure of Information to the Auditors

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 auditors are unaware. Having made enquiries of fellow Directors of the agency and the Syndicate's auditors, each Director has taken all the steps that he/she is obliged to take as a Director in order to make he/she aware of any relevant audit information and to establish that the auditors are aware of that information.

The board of directors of the Managing Agent has overall responsibility for the establishment and oversight of the Syndicate's risk and capital management.

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

C Chow
Company Secretary
22 March 2016

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 annual 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

2013 Closed Year of Account

We have audited the Syndicate underwriting year accounts for the 2013 year of account of Syndicate 2525 for the three years ended 31 December 2015, as set out on pages 41 to 53. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the members of the Syndicate, 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.

Respective responsibilities of the Managing Agent and the auditor

As explained more fully in the statement of managing agent's responsibilities set out on page 39, the Managing Agent is responsible for the preparation of the Syndicate's underwriting year accounts under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the Syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the Syndicate underwriting year accounts

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Syndicate underwriting year accounts

In our opinion the Syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2013 closed year of account;
- have been properly prepared in accordance with UK 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).

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; or
- we have not received all the information and explanations we require for our audit.

Mark Taylor (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
London
22 March 2016

Profit and Loss account: Technical account – General Business

for the 36 months ended 31 December 2015

	Notes	£'000	£'000
Earned premiums, net of reinsurance			
Gross premiums written	4	39,530	
Outward reinsurance premiums		(5,916)	
			33,614
Reinsurance to close premiums received, net of reinsurance			57,334
Allocated investment return transferred from the non-technical account			486
Claims incurred, net of reinsurance			
Claims paid – Gross amount		(15,276)	
– Reinsurers' share		5,006	
Net claims paid		(10,270)	
Reinsurance to close premium payable net of reinsurance	6	(57,792)	
			(68,062)
Net operating expenses	7		(14,688)
Balance on the technical account – general business	5		**8,684**

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

The notes on pages 46 to 53 form part of these financial statements.

Profit and Loss Account: Non-Technical Account

	Notes	£'000
Balance on the technical account – general business		**8,684**
Investment Income	8	1,389
Unrealised gains on investments		19
Unrealised losses on investments		(315)
Investment expenses and charges	8	(607)
		9,170
Allocated investment return transferred to general business technical account		(486)
Exchange gains and losses		(135)
Profit for the closed year of account		**8,549**

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

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

The notes on pages 46 to 53 form part of these financial statements.

Balance Sheet

at 31 December 2015

	Notes	£'000	£'000
ASSETS			
Investments	9		59,433
Debtors			
Debtors arising out of direct insurance operations	12	10	
Other debtors, prepayments and accrued income		164	
			174
Reinsurance recoveries anticipated on gross			
reinsurance premiums payable to close the account	6		19,892
Other Assets			
Cash at bank and in hand			8,632
TOTAL ASSETS			**88,131**
LIABILITIES			
Amounts due to members			8,237
Reinsurance to close premiums payable to close the Account – gross amount	6		77,684
Creditors			
Creditors arising out of direct business	13	(4)	
Creditors arising out of reinsurance operations	14	208	
Profit commission		1,813	
Accruals		193	
			2,210
TOTAL LIABILITIES			**88,131**

The Syndicate underwriting year accounts were approved by the Board of Asta Managing Agency Ltd on 8 March 2016 and were signed on its behalf by

D J G Hunt
Director
22 March 2016

The notes on pages 46 to 53 form part of these financial statements.

Statement of Members' Balances

for the 36 months ended 31 December 2015

	£'000
Profit for the closed year of account	8,549
Members' agents' fees paid on behalf of members	(312)
Members' balances carried forward at 31 December 2013	**8,237**

The notes on pages 46 to 53 form part of these financial statements.

Statement of cash flows

	Notes	£'000
Cash flows from operating activities		
Profit for the year of account		8,549
Net unrealised losses and foreign exchange		431
Decrease in debtors		291
Decrease in creditors		(242)
Non cash consideration received as part of RITC received	10	(61,949)
RITC premium payable, net of reinsurance		57,792
Net cash inflow from operating activities		4,872
Cash flows from investing activities		
Net purchase of portfolio investments		4,072
Cash flows from financing activities		
Member's agents fees paid on behalf of members		(312)
Net increase in cash and cash equivalents		8,632
Cash and cash equivalent at 1 January 2013		–
Cash and cash equivalent at end of the year of account	11	**8,632**

The notes on pages 46 to 53 form part of these financial statements.

Notes to the Financial Statements

for the 36 months ended 31 December 2015

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 Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK ("FRS 102") as issued in August 2014, and Financial Reporting Standard 103 Insurance Contracts ("FRS 103") as issued in March 2014.

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.

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 2013 year of account which has been closed by reinsurance to close at 31 December 2015. Consequently the balance sheet represents the assets and liabilities of the 2013 year of account at the date of closure and the profit and loss account reflects the transactions for that year of account during the 36 months period until closure.

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

2. Accounting Policies

Significant accounting estimates and judgements

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

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

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

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

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

Underwriting Transactions

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

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

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

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

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

The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims and unearned premiums, net of deferred acquisition costs and unexpired risks) relating to the closed year and to all previous closed years reinsured therein. Although this estimate of net outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the premium so determined. The reinsurance to close premium transfers the liability in respect of all claims, reinsurance premiums,

2. Accounting Policies (continued)

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.

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

Financial assets and liabilities

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

for the 36 months ended 31 December 2015

2. Accounting Policies (continued)

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.

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. Profit commission on naturally open years is accrued on the basis of earned profit to date.
- Pensions
  The Managing Agent operates a defined contribution pension scheme and its recharges to the 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.

2. Accounting Policies (continued)

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 2015, the RITC process means that Insurance, Financial, Credit, Liquidity, Market and Capital risks are transferred to the accepting 2014 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. 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	39,530	(92,960)	(14,688)	76,316	8,198
Total	**39,530**	**(92,960)**	**(14,688)**	**76,316**	**8,198**

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

Gross operating expenses are the same as net operating expenses.

Notes to the Financial Statements (continued)

for the 36 months ended 31 December 2015

5. Analysis of Result by Year of Account

	2012 & prior years of account £'000	2013 Pure Year £'000	2013 Total £'000
Technical account balance before allocated investment return and net operating expenses	13,353	9,533	22,886
Brokerage and commission on gross premium	(75)	(7,303)	(7,378)
	13,278	2,230	15,508
Other acquisition costs	–	(735)	(735)
Net other expenses	430	(7,005)	(6,575)
Investment income	2	484	486
Balance on technical account	**13,710**	**(5,026)**	**8,684**

6. Reinsurance to Close Premium Payable Net of Reinsurance

	Reported £000	IBNR £000	Total £000
Gross outstanding losses	(67,274)	(10,410)	(77,684)
Reinsurance recoveries anticipated	17,909	1,983	19,892
Net outstanding losses	**(49,365)**	**(8,427)**	**(57,792)**

7. Net Operating Expenses

	£000
Acquisition costs	(8,113)
Standard personal expenses	(2,548)
Administration expenses	(4,027)
	(14,688)

	£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	(206)
Fees payable to the Syndicate's auditor and its associates in respect of:	
Other services pursuant to legislation	(6)
	(212)

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

8. Investment Income

	£000
Income from investments	1,379
Realised gains on investments	10
	1,389

	£000
Investment management expenses	(64)
Realised losses on investments	(543)
	(607)

9. Investments

	Market Value £000's	Cost £000's
Holdings in collective investment schemes	3,240	3,240
Debt securities and other fixed income securities	56,193	56,359
	59,433	**59,599**

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 2015				
Shares and other variable yield securities and units in unit trusts	–	3,240	–	3,240
Debt securities and other fixed income securities	5,010	51,183	–	56,193
Total	**5,010**	**54,423**	**–**	**59,433**

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.

Notes to the Financial Statements (continued)

for the 36 months ended 31 December 2015

9. Investments (continued)

The main asset classes in the level 3 category are unlisted equities, structured bond-type debt products and interest rate swaps.

- For unlisted equities, the non-observable inputs relate to assumptions regarding the price/equity ratio of the investee compared to those of comparable listed entities together with an illiquidity adjustment which typically ranges between 10-20%.
- For structured bond-type debt products, these are valued using an internally developed cash flow model using a discount rate with a non-observable illiquidity adjustment of between 5-10%.
- For interest rate swaps, these are valued from broker quotes which include non-observable discount rates based on the credit rating of the counterparty.

10. Non cash consideration received as part of RITC received

	£000
Portfolio investments	63,936
Debtors	465
Creditors	(2,452)
Non cash consideration received	**61,949**

11. Movement in cash and portfolio investments net of financing

	At 1 January 2013 £'000	**Received within RITC Premium £'000**	**Cash flow £'000**	**Unrealised losses & foreign exchange £'000**	**At 31 December 2015 £'000**
Cash	–	4,789	3,843	–	8,632
Portfolio Investments	–	63,936	(4,072)	(431)	59,433
	–	**68,725**	**(229)**	**(431)**	**68,065**

12. Debtors Arising out of Direct Insurance Operations

	£'000
Due within one year – Intermediaries	10
	10

13. Creditors Arising out of Direct Insurance Operations

	£'000
Due within one year	(4)
	(4)

14. Creditors Arising out of Reinsurance Operations

	£'000
Due within one year	208
	208

15. Disclosure of Interests

Managing Agent's interest

Asta is currently the Managing Agent for nine Lloyd's Syndicates. Syndicates 1686, 1729, 1897, 1910, 2357, 2525, 4242, 6123 and 6117 are managed on behalf of third party capital providers.

On 1 April 2015, Syndicate 2526 migrated to AmTrust at Lloyd's Limited. In 2016, Asta took on the management of Syndicate 2786 and Syndicate 6126.

The agency also provides administrative services to Syndicates and undertakes a number of ancillary roles for clients.

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

16. Related Parties

Asta provides services and support to Syndicate 2525 in its capacity as Managing Agent. The 2013 year of account was charged managing agency fees of £420,001. Asta also recharged £1,935,473 worth of service charges to the 2013 year of account. As at 31 December 2015, 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 £1,813,442 for profit commission.

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

17. Post Balance Sheet Event

The 2013 underwriting year result, less members' agents' fees, of £8.2m will be distributed to members during 2016.

Summary of Closed Year Results

as at 31 December 2015

	2007 £'000	2008 £'000	2009 £'000	2010 £'000	2011 £'000	2012 £'000	2013 £'000
Syndicate allocated capacity	**41,868**	**41,848**	**41,982**	**41,956**	**41,983**	**41,655**	**41,987**
Number of Underwriting members	478	469	469	496	505	518	547
Aggregate net premiums	27,822	26,588	22,658	22,379	23,475	22,963	25,501
Results for an illustrative share of £10,000							

	£	£	£	£	£	£	£
Gross premiums	10,504	9,856	9,407	8,904	8,627	8,657	9,415
Net premiums	6,645	6,353	5,397	5,334	5,592	5,513	6,074
Reinsurance to close from an earlier account	21,726	20,672	20,242	18,452	16,665	14,718	13,656
Net claims	(3,717)	(4,100)	(3,535)	(3,033)	(3,499)	(2,651)	(2,446)
Reinsurance to close	(20,662)	(20,307)	(18,504)	(16,649)	(14,670)	(13,827)	(13,764)
Profit/(Loss) on exchange	(69)	123	5	(15)	(127)	(52)	(32)
Syndicate operating expenses	(104)	(87)	(288)	(418)	(933)	(938)	(959)
Balance on technical account	3,819	2,654	3,317	3,671	3,028	2,763	2,527
Investment income less investment expenses and charges and investment gains less losses	1,208	559	442	380	183	138	116
Profit on ordinary activities	5,027	3,213	3,759	4,051	3,211	2,901	2,643
Illustrative personal expenses							
Managing agent's fee	60	60	75	75	75	101	100
Profit commission	723	461	632	683	537	481	432
Other personal expenses (excluding member's agents fees)	150	81	71	71	68	51	75
	933	602	778	829	680	633	607
Profit on ordinary activities after illustrative managing agent's fee and profit commission and illustrative personal expenses	4,094	2,611	2,981	3,222	2,531	2,268	2,036
Total of Syndicate operating expenses, managing agent's fee and profit commission	887	608	995	1,176	1,545	1,520	1,491
Capacity utilised	88.4%	83.7%	73.4%	72.6%	70.8%	70.1%	76.58%
Net capacity utilised	71.4%	63.5%	54.0%	53.3%	55.9%	55.1%	60.74%
Underwriting profit ratio	28.9%	26.9%	36.7%	41.2%	35.1%	31.9%	26.84%

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 2013 year of account, an illustrative share of £10,000 represents 0.0238% of the respective allocated capacity.

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