Syndicate Annual Report & Accounts

31 December 2016

Closing Year Report & Accounts

2014

D L Dale Syndicate **2525**

Directors and Administration

Managing Agent:

Managing Agent
Asta Managing Agency Ltd

Directors
T A Riddell (Chairman)*
C V Barley
L Harfitt
A J Hubbard*
D J G Hunt
M D Mohn*
D F C Murphy*
S P A Norton
J W Ramage*
K Shah*
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

Active Underwriter
D L Dale

Bankers
Barclays Plc
Citibank N.A,
RBC Dexia

Investment Managers
Amundi (UK) Limited

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

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2014 Year of Account

Allocated Capacity	£42.0m
Capacity Utilisation	82%
Profit in 2016	£7.4m

I am pleased to report a calendar year profit of £7.4m which exceeds the best estimate posted in September 2016. The positive loss development has continued underlying the Syndicate's robust reserving philosophy.

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 staff. A vast majority of the business was traded through small to medium sized brokers within Lloyd's, with virtually no delegated underwriting authority.

Terms and conditions remained sensible and excesses on the primary account continued at a realistic level whilst the high level business mix was broadly similar to previous years.

The profit in the calendar year has largely come from underwriting performance from the 2013 and prior years.

2015 Year of Account

Stamp Capacity	£42.2m
Forecast Utilisation	88%
Profit in 2016	£0.7m

With a similar stamp capacity stamp utilisation improved for the third consecutive year.

Rating comparisons on the renewal account were once again stable showing a very marginal decrease year on year (see table on page 3).

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 came to fruition in late 2014 with the addition to the team of a well-known market practitioner, the impact of which was more pronounced in 2015. Whilst this has not fundamentally 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 which 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.

2016 Year of Account

Stamp Capacity	£50.0m
Forecast Utilisation	80%
Loss in 2016	£5.7m

Stamp capacity was increased to £50m to reflect the increased income in the previous three years with a satisfactory stamp utilisation expected. Renewal rating comparisons were once again similar year on year.

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. The international account which is now a greater proportion of the account (16% in 2015 / 20% in 2016) has developed in line with expectations and has enable a more equitable split between the employers' liability account and the third party account. Additionally, this has also increased the amount of excess of loss business underwritten by the Syndicate.

Of the business underwritten into the international account only 12% is sourced through delegated underwriting, whilst the corresponding figure for the UK core account is less than half of one percent.

The Syndicate's reinsurance protections for all the years stretching back to 2005 have remained stable in terms of the supporting markets, pricing, the net amount that the Syndicate retains, and the broker that places the business on the Syndicate's behalf. The Syndicate recognises the purchasing of its reinsurance as it would hope its clients who buy insurance from the Syndicate do - 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, lack of investment return and increasing regulatory costs, it is prudent to forecast a loss at this early stage for the 2015 and 2016 years of account.

The Ogden Table Discount Rate announcement made just before the consolidation of the year-end figures has increased the potential outcome for future losses particularly for the more serious and long term injuries. The Syndicate's reserving has always erred on the side of caution which has provided 2525 with a sensible cushion between the close and the ultimate incurred position which has been the case since 2003. However, the increase in the cost of some claims that this decision will cause will narrow the margin held by the Syndicate at this point and could therefore effect the amount of profitability. The Syndicate has included within these accounts an actuarial assessment of the potential impact on its gross and net reserves which will be measured against the true picture when those claims that need re-assessing have been concluded. The only logical outcome of the reduction in the discount rate should be a price correction to adjust for higher future loss elements and the Syndicate will therefore look to strengthen rating on the UK core account as result.

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

2007	-5.8%
2008	-4.4%
2009	-0.2%
2010	-0.93%
2011	-1.12%
2012	+0.57%
2013	+0.01%
2014	+0.03%
2015	-0.35%
2016	-0.51%

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 has still not materialised.

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

Year of account	Premium (£m)	Reduction/ Increase (%)
2007	36.3	-6.4
2008	34.4	-5.2
2009	30.1	-12.5
2010	30.1	–
2011	29.6	-1.67
2012	29.4	-0.68
2013	32.8	+11.56
2014	34.8	+6.09
2015	37.0	+6.32
2016	40.0	+8.10 (expected)

The Syndicate has managed to achieve sensible increases in its premium income over the last four years and has sustained this momentum into 2017, whilst maintaining underwriting discipline. This 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 with little by way of delegated authority. The Syndicate now has a well-known, workable and useful offering that provides brokers with something to sell and gives customers a product that rates highly with our peers in the market.

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

D L Dale
Active Underwriter
21 March 2017

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 2016.

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 2016 is a profit of £2,448,707 (2015: £8,745,447). Profits will be distributed by reference to the results of individual underwriting years.

This is the second year that the Syndicate has presented its results under FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. In accordance with FRS102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS103.

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;

	2016 £'000	2015 £'000
Employers' liability	25,310	23,445
Public liability	24,618	20,863
	49,928	44,308

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

	2016 £'000	2015 £'000	Change %
Gross written premiums	49,928	44,308	12.7%
Profit for the financial year	2,448	8,745	(72.0%)
Combined ratio	93.6%	75.7%	(17.9%)

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 2014 closed year of account at 31 December 2016 is shown below together with forecasts for the two open years of account.

	2014 YOA Closed	2015 YOA Open	2016 YOA Open
Capacity (£'000)	42,000	42,225	50,000
Result/forecast (£'000)	4,526	(2,151)	(3,548)
Return/forecast return on capacity (%)	10.8%	(5.1%)	(7.1%)

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

The investment portfolios showed resilience in a politically tricky year with the UK's EU referendum and US election both providing surprises to financial markets. Quantitative Easing (QE) from the Bank of England and the European Central Bank, including purchases of corporate bonds, meant yields generally fell over the course of the year and spreads on corporate bonds compressed.

Yields on European government bonds continued to fall and periphery spreads narrowed. Despite the German 2-year yield finishing the year close to an all-time low of -0.80%, the 10-year yield rose in H2 as economic data improved and as the effectiveness of prolonged QE was called into question. With rates low, Euro cash held at custodians is currently attracting a punitive -0.60%.

In the UK Gilts were volatile, particularly in June around the time of the EU referendum. Yields fell significantly following the vote to leave the EU, aided by the cut in Bank rate to 0.25%. Index-linked bonds outperformed as Sterling fell 10% on a trade weighted basis (15% versus the US dollar), raising prospects for increased inflation from higher import prices.

The Sterling portfolio returned 1.04%, beating the composite benchmark of 0.86% (0.26% for the Bank of America Merrill Lynch overnight LIBID index and 1.45% 1-3 year Gilt index). Performance gains were made in every month, despite significant gyrations in the Gilt index. The main drivers of performance were carry and spread tightening from corporate bond and ABS holdings. The Euro portfolio returned 0.22% beating the composite benchmark of -0.03% (-0.45% for the Bank of America Merrill Lynch overnight LIBID index and 0.38% 1-3 year Eurozone government index). Similarly to the GBP portfolio, credit spread tightening was a significant driver of performance as investors sought alternatives to increasingly negatively yielding government and corporate debt.

Despite the political turbulence, and concerns early in the year on China and oil prices, 2016 showed improved global growth prospects led by the US. US consumption remains strong: consumers are confident with unemployment at close to the natural rate and equity markets at new highs. Investment is rising, and forward looking indicators such as PMI indices are surging with Donald Trump igniting the spirits of consumers and businessmen. This improved outlook, and increased prospects for inflation, gave confidence to the Federal reserve to raise rates the second time in December.

Outlook for 2017

Quantitative easing has left yields low and spreads compressed in Europe and the UK but technical drivers remain strong for corporate bonds and carry will remain an important component of returns (the spread on corporate bonds above respective governments).

It will be Europe's turn to face the rising populism witnessed in the UK and US with elections in the Netherlands, France and Germany. The politics will bring volatility and an increase in French spreads in the first half of 2017. Le Pen poses an existential threat to the Eurozone but is forecast to lose in the second round in May. Once the election risks have passed focus will return to the positive economic momentum in Europe. In the second half of 2017 pressure will increase on the ECB to tighten policy. Continued QE purchases have helped contain the rise in German yields, but eventually stronger growth, higher inflation, and ECB taper will force them higher.

In the UK, economic data has so far held up better than Bank of England expectations. Cracks will appear as consumers face a squeeze in real incomes under higher import prices due to the weak Sterling, and businesses continue to hold off investment projects due to Brexit uncertainty. Article 50 will be delivered on time by end-March and Eurozone counterparts will issue a hard-line response and then start running down the clock. Gilt yields will remain low as the BoE will "look through" rises in inflation as temporary and base rates remain on hold.

The portfolios remain positioned shorter duration than their benchmarks, with a mix of fixed and FRN coupons to hedge potential rises in yields. Corporate bond and ABS allocations will be maximised to enhance yield. 2017 will likely require greater portfolio turnover with value generated from switching securities within these asset classes rather than through credit beta. The portfolios retain an ample buffer of government and sovereign-related bonds should liquidity be required.

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 risks and uncertainties facing the Syndicate are as follows:

Managing Agent's Report (continued)

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.

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 risk

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

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

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 2017 year of account is £50.0m (2016 year of account £50.0m).

The risks to UK economic growth remain significant not least because of the UK's decision to leave the European Union ("EU") ("Brexit"). There is significant change and associated uncertainty ahead for the market which is difficult to anticipate as the terms of the UK's exit from the EU remain unclear. Until that happens, the market will need to plan carefully for all possible scenarios to mitigate the impact of Brexit on Lloyd's businesses.

EU membership and access to the single market has enabled underwriters at Lloyd's to underwrite insurance and reinsurance from all the other 27 member states on a cross-border basis. The underwriters operate under a "passport" system, which allows them to conduct business throughout the EU while being regulated and supervised by the PRA.

It is expected that Lloyd's will publish its final Brexit plan in the first quarter of 2017. Lloyd's has a dedicated team putting forward the argument to the UK government on behalf of the marketplace for retaining EU passporting, but has yet to decide on how this is achieved; either by a single insurance company or a branch solution.

On Monday 27th February, the Lord Chancellor announced a change in the Ogden discount rate used to calculate personal injury settlements. The rate was changed from 2.5% to -0.75% making this settlement amount greater than previously accounted for. This was treated as an adjusting event as the Syndicate is materially exposed to this and all figures shown in the accounts reflect this change.

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 were serving at the year end and up to the date of signing of the financial statements are provided on page 1. Changes to directors during the year were as follows:-

C V Barley	Appointed 27 April 2016
M D Mohn	Appointed 16 May 2016
K Shah	Appointed 1 October 2016
Y A Lancaster (nee Bouman)	Resigned 12 February 2016
G M J Erulin	Resigned 31 March 2016

Disclosure of Information to the Auditor

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

Auditor

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

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members before 25 April 2017.

On behalf of the Board

C Chow
Company Secretary
21 March 2017

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 syndicate annual financial statements of Syndicate 2525 for the year ended 31 December 2016 which comprise which comprise the Income Statement, the Statement of changes in members' balances, the Statement of financial position, the Statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 annual accounts which give a true and fair view.

Our responsibility is to audit and express an opinion on the annual accounts 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.

This report is made solely to the syndicate's member, 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 member those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's member for our audit work, for this report, or for the opinions we have formed.

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 affairs of Syndicate 2525 as at 31 December 2016 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:

- the managing agent in respect of the syndicate has not kept adequate accounting records; 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.

Steve Liddell (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London E1W 1DD
21 March 2017

Income Statement
Technical Account – General Business

For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Gross premiums written	3	49,928	44,308
Outward reinsurance premiums		(7,955)	(6,723)
Net written premiums		41,973	37,585
Change in the provision for unearned premiums			
Gross amount		(4,329)	(2,125)
Reinsurers' share		488	465
	4	(3,841)	(1,660)
Earned premiums, net of reinsurance		38,132	35,925
Allocated investment return transferred from the non-technical account		744	470
Claims paid			
Gross amount		(27,183)	(15,586)
Reinsurers' share		11,171	5,006
		(16,012)	(10,580)
Changes in the provision for claims outstanding			
Gross amount		(29,726)	2,430
Reinsurers' share		24,332	(3,448)
		(5,394)	(1,018)
Claims incurred, net of reinsurance		(21,406)	(11,598)
Net operating expenses	5	(16,674)	(15,604)
Balance on technical account – general business		**796**	**9,193**

All the amounts above are in respect of continuing operations.

The notes on pages 15 to 33 form part of these financial statements.

Non-Technical Account – General Business

For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Balance on technical account – general business		796	9,193
Investment income		995	1,348
Unrealised losses on investments	9	(22)	(210)
Investment expenses and charges		(229)	(668)
Allocated investment return transferred to the general business technical account	9	(744)	(470)
Exchange gains and losses		1,652	(448)
Profit for the financial year		**2,448**	**8,745**

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 2016

	2016 £'000	2015 £'000
Members' balances brought forward at 1 January	1,461	2,180
Profit for the financial year	2,448	8,745
Members' agent's fees	(382)	(322)
Payments of profit to members' personal reserve funds	(8,237)	(9,142)
Members' balances carried forward at 31 December	**(4,710)**	**1,461**

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 33 form part of these financial statements.

Statement of Financial Position

As at 31 December 2016

	Notes	2016 £'000	2015 £'000
ASSETS			
Investments			
Other financial investments	10	78,809	78,875
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	5,385	4,897
Claims outstanding	4	50,390	25,553
		55,775	30,450
Debtors			
Debtors arising out of direct insurance operations	11	14,411	11,924
Debtors arising out of reinsurance operations	12	61	413
Other debtors		28	5
		14,500	12,342
Cash and other assets			
Cash at bank and in hand	15	15,165	11,702
		15,165	11,702
Prepayments and accrued income			
Accrued interest		–	4
Deferred acquisition costs		4,690	3,759
Other prepayments and accrued income		242	226
		4,932	3,989
TOTAL ASSETS		169,181	137,358

The notes on pages 15 to 33 form part of these financial statements.

Statement of Financial Position (continued)

As at 31 December 2016

	Notes	2016 £'000	2015 £'000
MEMBERS' BALANCE AND LIABILITIES			
Capital and reserves			
Members' balances		(4,710)	1,461
Liabilities			
Technical provisions			
Provision for unearned premiums	4	23,660	19,005
Claims outstanding	4	145,134	113,480
		168,794	132,485
Creditors			
Creditors arising out of direct insurance operations	13	1,487	275
Creditors arising out of reinsurance operations	14	1,530	640
Other creditors		983	1,814
		4,000	2,729
Accruals and deferred income		1,097	683
Total liabilities		173,891	135,897
TOTAL MEMBERS' BALANCES AND LIABILITIES		**169,181**	**137,358**

The financial statements on pages 10 to 33 were approved by board of directors on 15 March 2017 and were signed on its behalf by:

D J G Hunt
Director
21 March 2017

The notes on pages 15 to 33 form part of these financial statements.

Statement of Cash Flows

For the period ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Cash flows from Operating activities			
Profit on ordinary activities		2,448	8,745
Increase/(Decrease) in gross technical provisions		36,309	(604)
(Increase)/Decrease in reinsurers' share of gross technical provisions		(25,326)	3,031
(Increase) in debtors		(2,159)	(448)
Increase in creditors		1,271	262
Movement in other asset/liabilities		(550)	(1,010)
Changes to market value and currency		(724)	355
Investment Return		(744)	(470)
Net cash inflow from operating activities		10,525	9,861
Cash flows from investing activities			
Purchase of other financial investments		(51,134)	(65,482)
Sale of other financial investments		58,244	69,586
Investment income received		766	1,136
(Increase) in overseas deposits		(4,040)	(438)
Net cash inflow from investing activities		3,836	4,802
Cash flows from financing activities			
Payments of profit to members' personal reserve fund		(8,237)	(9,142)
Members' agents fee advances		(382)	(323)
Net cash outflow from financing activities		(8,619)	(9,465)
Net increase in cash and cash equivalents		4,053	5,521
Foreign exchange on cash and cash equivalents		1,689	(323)
Cash and cash equivalents at beginning of year		17,979	12,781
Cash and cash equivalents at end of year	15	**23,721**	**17,979**

Notes to the Financial Statement

For the year ended 31 December 2016

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.

As permitted by FRS 103 the Syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

The Syndicate has elected to early-apply the March 2016 amendments to FRS 102, Fair value hierarchy disclosures. As a result, the fair value hierarchy disclosures, including comparatives, shown in Note 10 are now prepared on a basis consistent with the measurement of the financial instruments.

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.

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

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

Reinsurance premiums

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

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

Claims incurred

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

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

Notes to the Financial Statement (continued)

For the year ended 31 December 2016

2. Accounting Policies (continued)

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 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 2016 the Syndicate had an unexpired risk provision of £492,635 (2015: £0).

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

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

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2016 or 2015.

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:

	2016 Year End	2015 Year End
USD	1.24	1.47
CAD	1.66	2.05
EUR	1.17	1.36
AUD	1.71	2.03
ZAR	16.91	22.83

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 2016

2. Accounting Policies (continued)

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

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

Investment return

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

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

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

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

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

Cash and cash equivalents

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

Fair value measurement of investments

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

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

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

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

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

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

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

2. Accounting Policies (continued)

Taxation

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

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

Profit commission

Profit commission is charged by the managing agent at a rate of 17.5% of profit subject to the operation of a two year deficit clause. Such commission 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 2016

3. Segmental Analysis

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

2016	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	49,928	45,599	(56,909)	(16,674)	28,036	52
	49,928	**45,599**	**(56,909)**	**(16,674)**	**28,036**	**52**

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**

Commissions on direct insurance gross premiums earned during 2016 were £9.4 million (2015: £8.1 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 2016.

4. Technical Provisions

	2016			2015		
	Gross Provisions £'000	Reinsurance Assets £'000	Net £'000	Gross Provisions £'000	Reinsurance Assets £'000	Net £'000
Claims outstanding						
Balance at 1 January	113,480	(25,553)	87,927	116,166	(29,049)	87,117
Change in claims outstanding	29,726	(24,332)	5,394	(2,430)	3,448	1,018
Effect of movements in exchange rates	1,928	(505)	1,423	(256)	48	(208)
Balance at 31 December	**145,134**	**(50,390)**	**94,744**	**113,480**	**(25,553)**	**87,927**
Claims notified	97,905	(26,353)	71,552	92,318	(20,626)	71,692
Claims incurred but not reported	47,229	(24,037)	23,192	21,162	(4,927)	16,235
Balance at 31 December	**145,134**	**(50,390)**	**94,744**	**113,480**	**(25,553)**	**87,927**
Unearned premiums						
Balance at 1 January	19,005	(4,897)	14,108	16,923	(4,432)	12,491
Change in unearned premiums	4,329	(488)	3,841	2,125	(465)	1,660
Effect of movements in exchange rates	326	–	326	(43)	–	(43)
Balance at 31 December	**23,660**	**(5,385)**	**18,275**	**19,005**	**(4,897)**	**14,108**
Deferred acquisition costs						
Balance at 1 January	3,386	–	3,386	3,018	–	3,018
Change in deferred acquisition costs	867	–	866	377	–	377
Effect of movements in exchange rates	437	–	438	(9)	–	(9)
Balance at 31 December	**4,690**	**–**	**4,690**	**3,386**	**–**	**3,386**

There were favourable movements during the year of £19.2m (2015: £28.9m), on prior year gross claims reserves, held at 31 December 2015.

5. Net Operating Expenses

	2016 £'000	2015 £'000
Acquisition costs	(10,264)	(8,956)
Change in deferred acquisition costs	867	449
Administration expenses	(7,277)	(7,097)
Net operating expenses	**(16,674)**	**(15,604)**

Members' standard personal expenses amounting to £1,853,660 (2015: £2,618,816) 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 2016

6. Staff Costs

	2016 £'000	2015 £'000
Wages and salaries	1,528	1,402
Social security costs	183	170
Other pension costs	291	193
	2,002	1,765

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

	2016	2015
Administration	3	3
Underwriting	8	8
Claims	9	8
	20	19

7. Auditor's Remuneration

	2016 £'000	2015 £'000
Audit of the Financial statements	85	91
Other services pursuant to Regulations and Lloyd's Byelaws	70	68
	155	159

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

8. Emoluments of the Directors of Asta Managing Agency Ltd

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

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

No other compensation was payable to key management personnel.

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

	2016 £'000	2015 £'000
Active Underwriter's emoluments	247	237
	247	237

9. Investment Return

	2016 £'000	2015 £'000
Income from other financial investments	964	1,335
Gains on realisation of investments		
– Fair value through profit or loss designated upon initial recognition	31	13
Total investment income	995	1,348
Losses on realisation of investments		
– Fair value through profit or loss designated upon initial recognition	(155)	(594)
Investment expenses and charges	(74)	(74)
	(229)	(668)
Unrealised gains on investments		
– Financial instruments at fair value through profit and loss	(22)	(210)
Total investment return	**744**	**470**

	2016 £'000	2015 £'000
Average amount of funds available for investing during the year:		
Sterling	76,020	74,984
United States dollars	2,235	6,543
Canadian dollars	9,565	2,784
Euro	7,522	8,738
Australian Dollars	3,700	2,783
South African Rand	15,087	2,130
Combined in sterling	**92,487**	**88,546**
Gross calendar year investment yield:		
Sterling	637	411
United States dollars	14	10
Canadian dollars	51	18
Euro	14	29
Australian Dollars	44	32
South African Rand	563	83
Combined in sterling	**744**	**470**

"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

	2016 Carrying value £000	Purchase price £000	Listed £000
Shares and other variable yield securities and units in unit trusts			
– Designated at fair value through profit or loss	13,765	13,765	13,765
Debt securities and other fixed income securities			
– Designated at fair value through profit or loss	65,044	65,156	64,389
	78,809	**78,921**	**78,154**

Notes to the Financial Statement (continued)

For the year ended 31 December 2016

10. Financial Investments (continued)

	2015 Carrying value £000	Purchase price £000	Listed £000
Shares and other variable yield securities and units in unit trusts			
– Designated at fair value through profit or loss	7,445	7,445	7,445
Debt securities and other fixed income securities			
– Designated at fair value through profit or loss	71,430	71,642	71,145
	78,875	**79,087**	**78,590**

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.

There was no material change in fair value for financial instruments held at fair value attributable to own credit risk in the current or comparative period.

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 2016				
Shares and other variable yield securities and units in unit trusts	733	13,032	–	13,765
Debt securities and other fixed income securities	1,100	63,944	–	65,044
Total	**1,833**	**76,976**	**–**	**78,809**

	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**

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

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

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

11. Debtors Arising out of Direct Insurance Operations

	2016 £'000	2015 £'000
Due from intermediaries (within one year)	14,366	11,924
Due from intermediaries (after one year)	45	0
	14,411	11,924

12. Debtors Arising out of Reinsurance Operations

	2016 £'000	2015 £'000
Due from intermediaries (within one year)	61	413
	61	413

13. Creditors Arising out of Direct Insurance Operations

	2016 £'000	2015 £'000
Direct Business - Intermediaries (within one year)	1,486	275
	1,486	275

14. Creditors Arising out of Reinsurance Operations

	2016 £'000	2015 £'000
Reinsurance ceded (within one year)	1,530	640
	1,530	640

15. Cash and Cash Equivalents

	2016 £'000	2015 £'000
Cash at bank and in hand	15,165	11,702
Short-term deposits with financial institutions	8,556	6,277
	23,721	17,979

Notes to the Financial Statement (continued)

For the year ended 31 December 2016

16. Related Parties

Asta provides services and support to Syndicate 2525 in its capacity as Managing Agent. During the year, managing agency fees of £500,000 (2015: £422,250) were charged to the Syndicate. Asta also recharged £2,061,623 (2015: £2,074,282) worth of service charges in the year and as at 31 December 2016 an amount of £313,095 (2015: £200,138) was owed to Asta in respect of this service. Syndicate staff are employed and paid by a service company, Asta Management Services Limited.

Syndicate 2525 has recorded £960,085 (2015: £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. All transactions are entered into on normal market conditions.

17. Disclosure of Interests

Managing Agent's interest

During 2016 Asta was the managing agent for eight Syndicates and three Special Purpose Arrangements. Syndicate 1686, 1729, 1897, 1910, 2357, 2525, 2786 and 4242 as well as Special Purpose Arrangements 6117, 6123 and 6126 were managed on behalf of third party capital providers.

On 7 February 2017, Syndicate 1910 and Special Purpose Arrangement 6117 migrated to Argo Managing Agency Limited.

On 1 January 2017, Asta took on management of Syndicate 2689 and Syndicate 5886.

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

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

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 is subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000.

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

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

Lloyd's capital setting process

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

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2017 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 2016.

Notes to the Financial Statement (continued)

For the year ended 31 December 2016

20. Risk Management (continued)

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

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. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, each assumption had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

2016	Five Percent increase £'000	Five Percent decrease £'000
Third party liability	(5,764)	5,764

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

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)

Underwriting year	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000
Estimate of cumulative gross claims incurred:						
At end of first underwriting year	8,875	8,040	8,226	9,775	10,185	26,316
One year later	25,697	32,091	24,398	27,786	34,727	
Two years later	25,782	31,259	30,677	40,102		
Three years later	24,097	25,457	29,394			
Four years later	18,189	23,832				
Five years later	16,920					
Less cumulative gross paid	(13,663)	(8,731)	(4,983)	(4,121)	(1,184)	(12,173)
Liability for gross outstanding claims (2011 to 2016)	3,257	15,101	24,411	35,981	33,543	14,143
Liability for gross outstanding claims (2010 and before)	18,698					
Total gross outstanding claims (all years)						145,134

Underwriting year	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000
Estimate of cumulative net claims incurred:						
At end of first underwriting year	7,494	6,802	6,556	8,308	8,496	10,481
One year later	21,480	22,052	22,522	23,814	25,062	
Two years later	20,549	25,372	23,721	28,685		
Three years later	18,572	21,666	19,812			
Four years later	14,169	18,202				
Five years later	12,086					
Less cumulative net paid	(10,203)	(8,731)	(4,983)	(4,121)	(1,184)	(1,113)
Liability for net outstanding claims (2011 to 2016)	1,883	9,471	14,829	24,564	23,878	9,368
Liability for net outstanding claims (2010 and before)	10,751					
Total net outstanding claims (all years)						94,744

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 2016

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

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

		£'000		
2016	**Neither past due or impaired**	**Past due**	**Impaired**	**Total**
Shares and other variable yield securities	8,557	–	–	8,557
Debt Securities	65,044	–	–	65,044
Overseas Deposits	5,208	–	–	5,208
Reinsurers share of claims outstanding	50,390	–	–	50,390
Debtors arising out of direct insurance operations	13,135	1,276	–	14,411
Debtors arising out of reinsurance insurance operations	61	–	–	61
Other debtors	10,345	–	–	10,345
Cash at bank and in hand	15,165	–	–	15,165
Total	**167,905**	**1,276**	**–**	**169,181**

		£'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 at bank and in hand	11,702	–	–	11,702
Total	**127,090**	**969**	**–**	**128,059**

20. Risk Management (continued)

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2016 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			
2016	**AAA**	**AA**	**A**	**BBB**	**BBB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	–	–	8,557	–	–	–	8,557
Debt Securities	20,277	36,877	7,890	–	–	–	65,044
Overseas Deposits	2,869	136	165	845	1,149	44	5,208
Reinsurers share of claims outstanding	–	3,471	46,919	–	–	–	50,390
Debtors arising out of reinsurance insurance operations	–	–	61	–	–	–	61
Cash at bank and in hand	–	–	15,165	–	–	–	15,165
Total	23,146	40,484	78,757	845	1,149	44	144,425

				£'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 at bank and in hand	–	–	11,702	–	–	–	11,702
Total	24,683	49,050	42,206	189	1	1	116,130

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 2016

20. Risk Management (continued)

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

	£'000					
2016	**No stated maturity**	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Claims outstanding	–	44,443	54,022	26,528	20,141	145,134
Creditors	–	4,000	–	–	–	4,000
Total	–	**48,443**	**54,022**	**26,528**	**20,141**	**149,134**

	£'000					
2015	**No stated maturity**	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Claims outstanding	–	35,249	42,278	20,388	15,565	113,480
Creditors	–	2,729	–	–	–	2,729
Total	–	**37,978**	**42,278**	**20,388**	**15,565**	**116,209**

3) Market risk

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

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

a) Currency risk

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

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

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

2016	**GBP**	**USD**	**EUR**	**CAD**	**AUD**	**OTH**	**Total**
Total Assets	145,855	7,351	8,659	3,169	3,266	881	169,181
Total Liabilities	(153,645)	(1,916)	(7,527)	(7,528)	(708)	(2,567)	(173,891)
Net Assets	**(7,790)**	**5,435**	**1,132**	**(4,359)**	**2,558**	**(1,686)**	**(4,710)**

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**

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

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 2016.

Impact on profit and member's balance

	2016 £'000	2015 £'000
Sterling weakens		
10% against other currencies	885	548
20% against other currencies	1,758	1,095
Sterling strengthens		
10% against other currencies	(899)	(548)
20% against other currencies	(1,819)	(1,095)

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.

	2016 £'000	2015 £'000
Interest Rate Risk		
Impact of 50 basis point increase on result	(336)	(221)
Impact of 50 basis point decrease on result	263	221
Impact of 50 basis point increase on net assets	(336)	(221)
Impact of 50 basis point decrease on net assets	263	221

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

21. Post balance sheet events

The Syndicate will distribute the 2014 year of account profits to members on 11 April 2017.

Financial Statements

For the 36 Months ended 31 December 2016

Closing Year Report and Accounts

2014

D L Dale Syndicate 2525

Underwriter's Report for the 2014 Closing Year of Account

for the 36 months ended 31 December 2016

2014 Closing Year Comments

We are pleased to announce that the 2014 year of account on the traditional Lloyd's three-year accounting basis has closed with a profit before members' agents fees of £4.5m which equates to a return on capacity of 10.8%.

Stamp Allocated Capacity	£42.0m
Capacity Utilisation	82%
Result (as a percentage of capacity) before Members' Agents Fees	10.8%
Total Result	**£4.5m**

Underwriter's Commentary as follows:

The Syndicate has seen sensible and sustainable growth over the last four years and has maintained the increased stamp capacity for 2017. The growth in income has been achieved with underwriting discipline underpinned by the valued 2525 product together with addition of the primary international account which has made a positive impact since 2015. The Syndicate's regional strategy has also begun to take shape and has made a similar positive impact over the last two years.

The London insurance market is still suffering from overcapacity and a greater number of practitioners that have similar risk appetites to the Syndicate. The strain that this places on long-term profitability has resulted in two sizeable entities withdrawing from our market during 2016 which has provided opportunities for the Syndicate to accrete business from many of its supporting brokers. However, the underlying message is still one of caution and a market place that is too soft for its own good. The Syndicate does have the ability to take on this business with a more than just a hope that it charged the correct premium. The product that underlies the business is much more complex than that, though in truth, based mainly on sound logic and good old fashioned common sense and underwriting. Without this approach my reaction to the market would be one of greater concern but with it I believe that 2525 remains a reasonable proposition for a Lloyd's investor. As I stated in last year's report we are not manufacturers trying to sell more of our products; we are buying in other peoples' liabilities which you undersell at your peril. Our philosophy will be to continue to expect a realistic price for the liabilities we choose to buy and to underscore that with a product that is better and more likely to achieve a satisfactory and fair result for both our clients and us, their underwriters.

The Treating Customers Fairly initiative mirrors the 2525 philosophy to assist and advise our customer base not just with regard to the handling of claims on their behalf but also with general health and safety awareness which includes training and discussions with them face to face. Furthermore, if you want to be in business and have a measure of success your customer must be at the forefront of your strategy and at 2525 they take centre stage.

The Ogden Table Discount Rate announcement made just before the consolidation of the year-end figures has increased the potential outcome for future losses particularly for the more serious and long term injuries. The Syndicate's reserving has always erred on the side of caution which has provided 2525 with a sensible cushion between the close and the ultimate incurred position which has been the case since 2003. However, the increase in the cost of some claims that this decision will cause will narrow the margin held by the Syndicate at this point and could therefore effect the amount of profitability. The Syndicate has undertaken an actuarial assessment of the potential impact on its gross and net reserves which will be measured against the true picture when the exercise to review each of those claims that need re-assessing has been concluded. At this juncture it has been necessary to amend our original 2014 and prior close position by a marginal negative amount. The only logical outcome of the reduction in the discount rate should be a price correction to adjust for higher future loss elements and the Syndicate will therefore look to strengthen rating on the UK core account as result.

In summary, the Syndicate has now returned another positive result through hard work, a good product, a focus on service and the needs of our clients, in what is, at best, a difficult trading environment. We have done this whilst creating a larger and more diverse business but without losing sight of values that have always underpinned the 2525 approach.

D L Dale
Active Underwriter
21 March 2017

Managing Agent's Report for the 2014 Closing Year of Account

for the 36 months ended 31 December 2016

The Directors of Asta Managing Agency Ltd ("Asta") present their report at 31 December 2016 for the 2014 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 2014 year of account performance is given in the accompanying Underwriter's Report on page 36.

Directors

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

C V Barley	Appointed 27 April 2016
M D Mohn	Appointed 16 May 2016
K Shah	Appointed 1 October 2016
Y A Lancaster (nee Bouman)	Resigned 12 February 2016
G M J Erulin	Resigned 31 March 2016

Disclosure of Information to the Auditor

So far as each person who was a Director of the Managing Agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with their report, of which the auditor is unaware. Having made enquiries of fellow Directors of the Agency and the Syndicate's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make 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
21 March 2017

Statement of Managing Agent's Responsibilities

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

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

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

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

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

Independent Auditor's Report to the Members of Syndicate 2525

2014 Closed Year of Account

We have audited the Syndicate underwriting year accounts for the 2014 year of account of Syndicate 2525 for the three years ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of members' balances, the Statement of cash flows, the related notes 1 to 17 and the Statement of Managing Agent's responsibilities. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 38, 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.

This report is made solely to the members on the 2014 year of account 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 members on the 2014 year of account of the syndicate as a body, for our audit work, for this report, or for the opinions we have formed.

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 2014 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

Steve Liddell (Senior Statutory Auditor)

for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katherine's Way
London
E1W 1DD
21 March 2017

Profit and Loss account: Technical account – General Business

for the 36 months ended 31 December 2016

	Notes	£'000	£'000
Earned premiums, net of reinsurance			
Gross premiums written	4	43,034	
Outward reinsurance premiums		(6,770)	
			36,264
Reinsurance to close premiums received, net of reinsurance			58,498
Allocated investment return transferred from the non-technical account			743
Claims incurred, net of reinsurance			
Claims paid – Gross amount		(14,750)	
– Reinsurers' share		188	
Net claims paid		(14,562)	
Reinsurance to close premium payable net of reinsurance	6	(61,498)	
			(76,060)
Net operating expenses	7		(15,072)
Balance on the technical account – general business	5		**4,373**

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

The notes on pages 45 to 52 form part of these financial statements.

Profit and Loss Account: Non-Technical Account

For the 36 months ended 31 December 2016

	Notes	£'000
Balance on the technical account – general business		**4,373**
Investment Income	8	1,117
Unrealised gains on investments		99
Unrealised losses on investments		(175)
Investment expenses and charges	8	(298)
		5,116
Allocated investment return transferred to general business technical account		(743)
Exchange gains and losses		154
Profit for the closed year of account		**4,527**

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 profit and loss. Therefore no statement of other comprehensive income has been presented.

The notes on pages 45 to 52 form part of these financial statements.

Balance Sheet

at 31 December 2016

	Notes	£'000	£'000
ASSETS			
Investments	9		63,639
Debtors			
Debtors arising out of direct insurance operations	12	2	
Other debtors, prepayments and accrued income		217	
			219
Reinsurance recoveries anticipated on gross			
reinsurance premiums payable to close the account	6		35,950
Other Assets			
Cash at bank and in hand			4,038
TOTAL ASSETS			**103,846**
LIABILITIES			
Amounts due to members			4,215
Reinsurance to close premiums payable to close the Account – gross amount	6		97,448
Creditors			
Creditors arising out of direct business	13	596	
Creditors arising out of reinsurance operations	14	495	
Profit commission		960	
Accruals		132	
			2,183
TOTAL LIABILITIES			**103,846**

The Syndicate underwriting year accounts were approved by the Board of Asta Managing Agency Ltd on 15 March 2017 and were signed on its behalf by

D J G Hunt
Director
21 March 2017

The notes on pages 45 to 52 form part of these financial statements.

Statement of Members' Balances

for the 36 months ended 31 December 2016

	£'000
Profit for the closed year of account	4,527
Members' agents' fees paid on behalf of members	(312)
Members' balances carried forward at 31 December 2016	**4,215**

The notes on pages 45 to 52 form part of these financial statements.

Statement of cash flows

	Notes	£'000
Cash flows from operating activities		
Profit for the year of account		4,527
Net unrealised losses and foreign exchange		(653)
Increase in debtors		(45)
Decrease in creditors		(27)
Non cash consideration received as part of RITC received	10	(57,397)
RITC premium payable, net of reinsurance		61,498
Net cash inflow from operating activities		7,903
Cash flows from investing activities		
Net purchase of portfolio investments		(3,553)
Cash flows from financing activities		
Member's agents fees paid on behalf of members		(312)
Net increase in cash and cash equivalents		4,038
Cash and cash equivalent at 1 January 2014		–
Cash and cash equivalent at end of the year of account	11	**4,038**

The notes on pages 45 to 52 form part of these financial statements.

Notes to the Financial Statements

for the 36 months ended 31 December 2016

1. Basis of preparation

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

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 2014 year of account which has been closed by reinsurance to close at 31 December 2016. Consequently the balance sheet represents the assets and liabilities of the 2014 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.

Notes to the Financial Statements (continued)

for the 36 months ended 31 December 2016

2. Accounting Policies (continued)

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

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

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

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

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

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

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

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.

2. Accounting Policies (continued)

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

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

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

Investment return

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

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

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

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

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

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

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

Syndicate operating expenses & profit commission

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

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

- Salaries and Related Costs
  According to time of each individual spent on Syndicate matters.
- Accommodation Costs
  According to number of personnel.
- Other Costs
  As appropriate in each case.
- Profit Commission
  Profit commission is charged by the Managing Agent at a rate of 17.5% of profit subject to the operation of a deficit clause. Such commission does not become payable until after the appropriate year of account closes, normally at 36 months. 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.

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.

Notes to the Financial Statements (continued)

for the 36 months ended 31 December 2016

2. Accounting Policies (continued)

Taxation

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

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

Foreign currencies

The Syndicate's functional currency and presentational currency is GBP.

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

Exchange differences are recorded in the non-technical account.

3. Risk Management

Effective from 31 December 2016, the RITC process means that Insurance, Financial, Credit, Liquidity, Market and Capital risks are transferred to the accepting 2015 Year of Account of the Syndicate. Accordingly, these Underwriting Year accounts do not have any associated disclosures as required by section 34 of FRS 102 and FRS 103. Full disclosures relating to these risks are provided in the main Annual accounts of the Syndicate.

4. Particulars of Business Written

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

	Gross Premiums Written and Earned £'000	Gross Claims Incurred £'000	Net Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Insurance:					
Third Party Liability	43,034	(112,198)	(15,072)	87,866	3,630
Total	**43,034**	**(112,198)**	**(15,072)**	**87,866**	**3,630**

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

Gross operating expenses are the same as net operating expenses.

5. Analysis of Result by Year of Account

	2013 & prior years of account £'000	2014 Pure Year £'000	2014 Total £'000
Technical account balance before allocated investment return and net operating expenses	11,564	7,138	18,702
Brokerage and commission on gross premium	(119)	(7,857)	(7,976)
	11,445	(719)	10,726
Other acquisition costs	0	(778)	(778)
Net other expenses	342	(6,506)	(6,164)
Investment income	(2)	745	743
Balance on technical account	**11,785**	**(7,258)**	**4,527**

6. Reinsurance to Close Premium Payable Net of Reinsurance

	Reported £000	IBNR £000	Total £000
Gross outstanding losses	(75,372)	(22,076)	(97,448)
Reinsurance recoveries anticipated	25,078	10,872	35,950
Net outstanding losses	**(50,294)**	**(11,204)**	**(61,498)**

7. Net Operating Expenses

	£000
Acquisition costs	(8,754)
Standard personal expenses	(1,722)
Administration expenses	(4,596)
	(15,072)

	£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	(101)
Fees payable to the Syndicate's auditor and its associates in respect of:	
Other services pursuant to legislation	(6)
	(107)

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

Notes to the Financial Statements (continued)

for the 36 months ended 31 December 2016

8. Investment Income

	£000
Income from investments	1,117
Net Unrealised losses on investments	(76)
	1,041

	£000
Investment management expenses	(58)
Net Realised losses on investments	(240)
	(298)

9. Investments

	Fair Value £000's	Cost £000's
Holdings in collective investment schemes	4,287	4,287
Debt securities and other fixed income securities	59,352	59,454
	63,639	**63,741**

There was no material change in fair value for financial instruments held at fair value (other than derivatives) attributable to own credit risk in the current or comparative period.

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 2016				
Shares and other variable yield securities and units in unit trusts	–	3,253	–	3,253
Debt securities and other fixed income securities	1,004	58,348	–	59,352
Overseas deposits	484	550	–	1,034
Total	**1,488**	**62,151**	**–**	**63,639**

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

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

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

10. Non cash consideration received as part of RITC received

	£000
Portfolio investments	59,433
Debtors	174
Creditors	(2,210)
Non cash consideration received	57,397

11. Movement in cash and portfolio investments net of financing

	At 1 January 2014 £'000	Received within RITC Premium £'000	Cash flow £'000	Unrealised losses & foreign exchange £'000	At 31 December 2016 £'000
Cash	–	8,632	(4,594)	–	4,038
Portfolio	–	–	–	–	–
Investments	–	59,433	3,553	653	63,639
	–	68,065	(1,041)	653	67,677

12. Debtors Arising out of Direct Insurance Operations

	£'000
Due within one year – Intermediaries	2
	2

13. Creditors Arising out of Direct Insurance Operations

	£'000
Due within one year	(596)
	(596)

14. Creditors Arising out of Reinsurance Operations

	£'000
Due within one year	(495)
	(495)

15. Disclosure of Interests

Managing Agent's interest

During 2016 Asta was the managing agent for eight Syndicates and three Special Purpose Arrangements. Syndicate 1686, 1729, 1897, 1910, 2357, 2525, 2786 and 4242 as well as Special Purpose Arrangements 6117, 6123 and 6126 were managed on behalf of third party capital providers.

On 7 February 2017, Syndicate 1910 and Special Purpose Arrangement 6117 migrated to Argo Managing Agency Limited.

On 1 January 2017, Asta took on management of Syndicate 2689 and Syndicate 5886.

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

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

16. Related Parties

Asta provides services and support to Syndicate 2525 in its capacity as Managing Agent. The 2014 year of account was charged managing agency fees of £420,000. Asta also recharged £2,047,296 worth of service charges to the 2014 year of account. As at 31 December 2016, 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 £960,089 for profit commission.

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

17. Post Balance Sheet Event

The 2014 underwriting year result, less members' agents' fees, of £4.2m will be distributed to members during 2017.

Summary of Closed Year Results

as at 31 December 2016

	2008 £'000	2009 £'000	2010 £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000
Syndicate allocated capacity	**41,848**	**41,982**	**41,956**	**41,983**	**41,655**	**41,987**	**42,000**
Number of Underwriting members	469	469	496	505	518	547	547
Aggregate net premiums	26,588	22,658	22,379	23,475	22,963	25,501	27,510
Results for an illustrative share of £10,000							

	£	£	£	£	£	£	£
Gross premiums	9,856	9,407	8,904	8,627	8,657	9,415	10,246
Net premiums	6,353	5,397	5,334	5,592	5,513	6,074	6,550
Reinsurance to close from an earlier account	20,672	20,242	18,452	16,665	14,718	13,656	13,928
Net claims	(4,100)	(3,535)	(3,033)	(3,499)	(2,651)	(2,446)	(3,467)
Reinsurance to close	(20,307)	(18,504)	(16,649)	(14,670)	(13,827)	(13,764)	(14,642)
Profit/(Loss) on exchange	123	5	(15)	(127)	(52)	(32)	37
Syndicate operating expenses	(87)	(288)	(418)	(933)	(938)	(959)	(1,095)
Balance on technical account	2,654	3,317	3,671	3,028	2,763	2,527	1,311
Investment income less investment expenses and charges and investment gains less losses	559	442	380	183	138	116	177
Profit on ordinary activities	3,213	3,759	4,051	3,211	2,901	2,643	1,488
Illustrative personal expenses							
Managing agent's fee	60	75	75	75	101	100	100
Profit commission	461	632	683	537	481	432	229
Other personal expenses (excluding members' agents fees)	81	71	71	68	51	75	81
	602	778	829	680	633	607	410
Profit on ordinary activities after illustrative managing agent's fee and profit commission and illustrative personal expenses	2,611	2,981	3,222	2,531	2,268	2,036	1,078
Total of Syndicate operating expenses, managing agent's fee and profit commission	608	995	1,176	1,545	1,520	1,491	1,423
Capacity utilised	83.7%	73.4%	72.6%	70.8%	70.1%	76.58%	83.5%
Net capacity utilised	63.5%	54.0%	53.3%	55.9%	55.1%	60.74%	65.5%
Underwriting profit ratio	26.9%	36.7%	41.2%	35.1%	31.9%	26.84%	12.8%

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 2014 year of account, an illustrative share of £10,000 represents 0.0238% of the respective allocated capacity.

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