ASTA CORPORATE MEMBER (No. 2) LIMITED

Annual Report

For the year-ended 31 December 2021

Registered number: 07392970

Contents

Directors and Administration

Directors

J M Tighe
S P A Norton

Secretary

N J Burdett (Resigned 13 July 2022)

Registered Office

5th Floor
20 Gracechurch Street
London
EC3V 0BG

Registered Number

07392970

Auditors

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Tax Advisors

PKF Littlejohn LLP
1 Westferry Circus
Canary Wharf
London
E14 4HD

Banker

Lloyds Bank
10 Gresham Street
London
EC2V 7AE

Strategic Report

The Directors present their Strategic Report for the year ended 31 December 2021.

Financial Results

Asta Corporate Member (No. 2) Limited (the Company) generated a profit of $22,422 ($9,330 profit in 2020) on gross written premiums of $197,571 ($6,465,096 in 2020).

Principal Activity and Review of the Business

The Company is incorporated in the United Kingdom (U.K.) and is a corporate member underwriting at Lloyd's of London (Lloyd's). The Company underwrote (on a limited liability basis) on Lloyd's Syndicate 4242 until 31 December 2018, Lloyd's Syndicate 6123 until 31 December 2019 and on Lloyd's Syndicate 2288 until 31 December 2020 (together, the Syndicates). Despite ceasing to participate on Lloyd's Syndicate 4242 on 31st December 2018, the 2017 year of account remains open and the Company will continue to participate until the 2017 underwriting year closes. Syndicates 2288 ceased underwriting operations from 11:59pm on 31st December 2021 and the Syndicate was put into run-off.

The table below summarises the Company's insurance capacity in the Syndicates by underwriting year.

Underwriting Year	**2020**	**2019**	**2017**
Syndicate	**2288**	**6123**	**4242**
	£'000	**£'000**	**£'000**
Company insurance capacity	4,400	4,679	6,406
Total Syndicates insurance capacity	56,798	35,000	100,000
Percentage of total	7.8%	13.4%	6.4%

Underwriting years normally close at the end of three calendar years.

The Syndicates transact general insurance and reinsurance business in the United Kingdom (U.K.) within the Lloyd's market. The Syndicates specialise in underwriting property insurance policies covering small and middle market businesses located in areas of the United States (U.S.) that are prone to hurricanes and earthquakes. Hurricane policies include coverage for tropical storms and also provide attritional protection against tornados, hail, and other windstorm risks. The Syndicates also offer incidental general liability, equipment breakdown, and limited flood coverage when purchased alongside hurricane or earthquake coverage and All Other Peril (AOP) coverage. AOP coverage provides protection against fires, theft, vandalism, water damage, and other covered property perils. The Syndicates also provides reinsurance to U.S. insurance companies covering personal lines property risks against named hurricanes in Hawaii and earthquakes in California and Hawaii.

An unrelated reinsurer proportionately reinsures all of the Company's underwriting business from the Syndicates.

Strategic Report (Continued)

Key Financial Performance Indicators

In the opinion of the Directors, the key financial performance indicators below best represent the performance and position of the Company before reinsurance of all its underwriting business from the Syndicates to the unrelated reinsurer.

	2021	2020
	$'000	$'000
Gross written premium	198	6,465
Profit for the financial year	22	9
Net loss ratio	124.5%	224.9%
Combined ratio	256.0%	317.5%

Non-financial Key Performance Indicators

Due to the nature of the Company's operations as a Lloyd's corporate member, the Syndicates carry out most of the Company's activities. The Company is not directly involved in the management of the Syndicates' activities, including the employment of staff. The Managing Agent is responsible for the management of the Syndicates. The Managing Agent also has responsibility for the environmental activities of the Syndicates, though by their nature, insurers generally do not produce significant environmental emissions. Therefore, the Directors do not consider it appropriate to monitor and report any performance indicators for staff or environmental matters.

Member Outward Reinsurance Arrangement

The Company proportionally reinsures all its underwriting business from the Syndicates to an unrelated reinsurer. Outward reinsurance premiums equal the Company's share of Syndicates gross premiums, less Syndicates outward reinsurance premiums; reinsured liabilities equal the Company's share of Syndicates losses and expenses, less investment income. The reinsurance contract limits the Company's net reinsurance recoveries to the reinsurer's related funds at Lloyd's. The reinsurer reimburses the Company for related administrative expenses (including accounting services and professional fees for audit and tax) and market charges.

Foreign Exchange

Foreign exchange is not significant to the Company, since the Syndicates transacts most of its business in the U.S. in U.S. Dollars, and the Company only undertakes a few transactions of its own.

Strategic Report (Continued)

Insurance risks

As a corporate member of Lloyd's, most of the significant insurance risks and uncertainties facing the Company arise from its participation on the Syndicates. The Company's role in managing these risks is limited to monitoring the Syndicates' performance. This starts in advance of committing support to the Syndicates for the following underwriting year, with a review of the Syndicates' business plan as prepared by the Syndicates' Managing Agent. During the year, the Directors monitor and, if necessary, enquires into the Syndicates' quarterly reports and annual accounts together with any other information made available by the Managing Agent. If the Directors deem a risk in the Syndicates to be excessive, they will seek confirmation from the Managing Agent that adequate management of the risk is in place and, if considered appropriate, may withdraw the Company's support from the next underwriting year if they are not satisfied with the Managing Agent's response.

The Annual Report of the Directors of the Managing Agent on the audited annual accounts for the Syndicates details the significant risks and uncertainties facing the Syndicates. The Managing Agent manages these risks together with the Syndicates' service providers.

Since the Company proportionately reinsures all its underwriting business from the Syndicates to an unrelated reinsurer, the risks it faces from its participation on the Syndicates are significantly reduced. The Company, however, faces the risk that the reinsurer will not meet its reinsurance obligations, though the Directors consider this risk remote, since the reinsurer provided a $6.2 million letter of credit to Lloyd's (Funds at Lloyd's) to collateralise its reinsurance obligations to the Company.

Operational Risk

Since the Company only undertakes a few transactions of its own, it has limited systems and staffing requirements. Therefore, the Directors do not consider the Company's operational risks to be significant. Close involvement of all the Directors in the Company's key decision making and the fact that the Syndicates conduct most of the Company's operations, provides control over any remaining operational risk.

Market, Credit, and Liquidity Risk

Other significant risks faced by the Company include its investment of available funds within its own custody. The elements of these risks are interest rate, investment price, and liquidity risk. Liquidity risk would arise if the Syndicates had inadequate liquid resources for a large claim and sought funds from the Company to pay the claim. To minimise interest rate, investment price, and liquidity risk, the Company holds all of its financial assets in cash.

Since the Company only undertakes a few transactions of its own, the Directors do not consider currency or credit risk to be significant.

Strategic Report (Continued)

Regulatory and Compliance Risk

The Company is subject to continuing approval by Lloyd's to be a corporate member of the Syndicates. The Company tries to reduce the risk of this approval being revoked by monitoring and fully complying with all its Lloyd's membership requirements. This risk is reduced, now that the Company is no longer actively participating on the new underwriting years.

Future Developments and Important Events since the End of the Financial Year

On 13th July 2022, the Company's immediate parent, Asta Capital Limited, was acquired by the Davies Group Ltd.

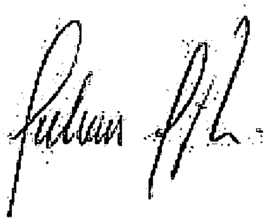
During February 2022, Russia instigated military action in Ukraine. The event is still developing as at the date of the Financial Statements, but has been assessed by the Directors as an event that will increase risk and uncertainty globally in the foreseeable future.

There will be multiple and far reaching consequences, but in particular the Directors highlight:

- There is likely to be an impact on financial markets (including currency markets), inflation and possibly interest rates, which is presently unquantifiable but increases market risk through 2022.
- There is increased underwriting risk throughout the insurance market with direct and indirect exposures across many lines of business.

The Annual Report of the Directors of the Managing Agent in the annual accounts for the Syndicates discusses future developments and events since the end of the financial year in the Syndicates' business review.

On behalf of the Board



J M Tighe
Director
26 September 2022

Registered number: 07392970

Directors' Report

The Directors present their report below for the year ended 31 December 2021.

Below are the names of the people who were Directors of Asta Corporate Member (No. 2) Limited (the Company) during the year and to the date of this report.

J M Tighe
S P A Norton

N J Burdett* (Resigned 13 July 2022)

Company Secretary*

Dividend

There has been no dividend payment declaration for 2021 (2020: A dividend payment of $66k was paid prior to the acquisition of Beat CCM 6 Limited by Asta Capital Limited).

Political Donations

The Company made no political donations nor incurred any political expenditure during the year (2020: nil).

Future Developments

The Directors discussed the future developments for the Company in the Strategic Report on page 5.

Going Concern

The Strategic Report summarises the Company's activities, its financial performance and financial position together with any factors likely to affect its future development. In addition, the Strategic Report discusses the principal risks and uncertainties it faces.

The Board has followed the UK Financial Reporting Council's "Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks (April 2016)" when performing their going concern assessment. To this end, the Board has undertaken a review of solvency, liquidity and cash flow projections under normal and stressed conditions.

As a result of this review the Directors believe the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Disclosure of Information to Auditors

Each of the Directors who held office at the approval date of this report confirms to the best of their knowledge, that there is no relevant audit information of which the Company's auditors are unaware, and each Director took all action necessary as a Director to become aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Report (Continued)

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

On behalf of the Board

J M Tighe
Director
26 September 2022

Registered number: 07392970

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and FRS 103 *"Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice)*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of Asta Corporate Member (No. 2) Limited

Opinion

We have audited the financial statements of Asta Corporate Member (No. 2) Limited for the year ended 31 December 2021 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 23, including a summary of significant accounting policies The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independent Auditors' Report (Continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the relevant laws and regulations related to company law, tax legislation and the financial reporting framework.

- We understood how Asta Corporate Member (No. 2) Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters. We gained an understanding of the Company's approach to governance demonstrated by the approval of the governance framework.

Independent Auditors' Report (Continued)

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. Additionally, we tested year-end adjustments including manual journals, to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved making enquiries of those charged with governance and management for their awareness of any non-compliance with laws or regulations; inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees; inquiring about the Company's methods of enforcing and monitoring compliance with such policies.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Stuart Wilson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
28 September 2022

Income Statement

Technical Account

For the year that ended 31 December 2021

	Note	2021 $'000	2020 $'000
Gross premiums written	4	198	6,465
Outwards reinsurance premiums		(198)	(6,465)
Net written premiums		-	-
Change in the provision for unearned premiums	15		
- Gross amount		2,936	(821)
- Reinsurers share		(2,936)	821
		-	-
Earned premiums, net of reinsurance		-	-
Allocated investment return transferred from the non-technical account		-	-
Claims paid	15		
- Gross amount		(7,482)	(7,725)
- Reinsurers share		7,482	7,725
		-	-
Changes in the provision for claims outstanding	15		
- Gross amount		4,342	(3,322)
- Reinsurers share		(4,342)	3,322
		-	-
Claims incurred, net of reinsurance		-	-
Net operating expenses	6	-	-
Balance on technical account		-	-

All operations relate to continuing activities.

The notes on pages 18 to 43 form part of these financial statements.

Income Statement (Continued)

Non-technical account

For the year ended 31 December 2021

	Note	2021 $'000	2020 $'000
Balance on technical account		-	-
Investment income	5	-	-
Unrealised gains on investments	5	-	-
Investment expenses and charges	5	-	-
Allocated investments return transferred to the general business technical account		-	-
Other income		145	68
Other Charges		(123)	(59)
Operating profit on ordinary activities before tax	7	22	9
Tax on loss on ordinary activities	8	-	-
Profit for the financial year		22	9

Other than the items reported in the income statement the Company has no items of other comprehensive income in any of the periods for which the financial statements are presented. In accordance with FRS 102.3.19 the Company only presents an income statement and does not present a statement of comprehensive income.

All operations relate to continuing activities.

The notes on pages 18 to 43 form part of these financial statements.

Statement of Financial Position

As at 31 December 2021

	Note	2021 $'000	2020 $'000
Assets			
Investments:			
Other financial investments	10	365	596
Reinsurers' share of technical provisions:	15		
Provision for unearned premiums		-	2,942
Claims outstanding		8,684	15,305
		8,684	18,247
Debtors:			
Debtors arising out of direct insurance operations	11	463	1,170
Debtors arising out of reinsurance operations	12	2,151	2,378
Other debtors		1	10
		2,615	3,358
Cash and other assets:		146	4,041
		146	4,041
Prepayments and accrued income:			
Accrued interest		-	-
Deferred acquisition costs		-	825
Other prepayments and accrued income		131	281
		131	1,106
Total assets:		11,941	27,548

The notes on pages 18 to 43 form part of the financial statements.

Statement of Financial Position (Continued)

As at 31 December 2021

	Note	2021 $'000	2020 $'000
Liabilities			
Capital and reserves:			
Called up share capital		-	-
Profit and loss account		32	9
		32	9
Technical provisions:	15		
Provision for unearned premiums		-	2,942
Claims outstanding		8,684	15,305
		8,684	18,247
Creditors:			
Creditors arising out of direct insurance operations		-	-
Creditors arising out of reinsurance operations	13	1,821	4,762
Other creditors including taxation	16	1,201	1,285
		3,022	6,047
Accruals and deferred income:		203	3,245
Total liabilities		11,909	27,539
Total equity and liabilities:		11,941	27,548

The board of Asta Corporate Member (No. 2) Limited approved the financial statements on pages 13 to 43 on 26 September 2022, which the Director below signed on the board's behalf.

J M Tighe
Director
26 September 2022
Registered number: 07392970
The notes on pages 18 to 43 form part of the financial statements.

Statement of Changes in Equity

For the year ended 31 December 2021

	Called up Share Capital $'000	Capital Contribution $'000	Profit and Loss Account $'000	Total Equity $'000
Balance at 1 January 2021	-	-	9	9
Dividend payment			-	-
Profit or (loss)	-	-	22	22
Other comprehensive income	-	-	-	-
Total income for the period	-	-	31	31
Balance at 31 December 2021	-	-	31	31

For the year ended 31 December 2020

	Called up Share Capital $'000	Capital Contribution $'000	Profit and Loss Account $'000	Total Equity $'000
Balance at 1 January 2020	-	-	66	66
Dividend payment			(66)	(66)
Profit or (loss)	-	-	9	9
Other comprehensive income	-	-	-	-
Total income for the period	-	-	9	9
Balance at 31 December 2020	-	-	9	9

The notes on pages 18 to 43 form part of the financial statements.

1. Basis of Preparation

The Directors prepared these financial statements under the historical cost basis of accounting, except for certain financial instruments measured at fair value through profit or loss, and presented them in U.S. Dollars, which is the functional and presentational currency of Asta Corporate Member (No. 2) Limited (the Company), and in compliance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice), 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 Directors, based on their assessment of Company's financial position and after making appropriate enquiries, reasonably expect that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they prepared these financial statements on a going concern basis.

The financial statements are prepared in USD and rounded to the nearest $'000.

As permitted by FRS 103, the Company continues to apply the same accounting policies that it applied prior to this standard for its insurance contracts.

Since the Company is a wholly owned subsidiary of Asta Capital Limited (Group) and the Group's consolidated financial statements, in which the Company is included, are publicly available from Companies House, the Company is exempt from preparing a cash flow statement under FRS 102.

2. Basis of Accounting for Underwriting Activities

The Company underwrites insurance business on an underwriting year basis through its participation in Lloyd's of London (Lloyd's) Syndicates 4242, 2288 and SPA 6123 under agency agreements with the Syndicates; each underwriting year is a separate annual venture. Agency agreements grant underwriting control to the Managing Agent of the Syndicates, and the Company has no access to funds controlled by the Syndicates. The Syndicates release funds to the Company from the Syndicates Premium Trust Funds when underwriting years close (normally after three calendar years). The Managing Agent assesses the result and net assets for each underwriting year based on the insurance policies incepting in that year for the membership of that year. The Syndicates may also release funds early on open underwriting years if the Managing Agent can determine the ultimate profitability of the year with enough accuracy (generally at the end of two calendar years).

The Company reports its share of the Syndicates' underwriting transactions, investment return, and operating expenses in its profit and loss account, and its share of the Syndicates' assets and liabilities on its balance sheet. The Directors calculate these shares based on the Company's participation in the Syndicates as a percentage of the Syndicates' total insurance capacity.

The Syndicates hold assets subject to trust deeds for the benefit of the Company's insurance creditors.

3. Accounting Policies

The Directors consistently applied the material accounting policies below in preparing these financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.K. GAAP requires that the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include:

- provision for claims outstanding;
- estimates of future premium for binder contracts; and
- recoverability of reinsurance assets.

Insurance contracts

Insurance contracts are contracts where the Company (as an insurer or reinsurer) accepts significant insurance risk, arising from both underwriting risk and timing risk, from a policyholder or reinsured by agreeing to compensate them if a specified uncertain future event (the insured or reinsured event) adversely affects them. The Company determines whether it has significant insurance risk by comparing the amount and timing of premiums, commissions, and claim settlement expenses paid with the amount and timing of such cash flows if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once the Company classifies a contract as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk decreases significantly during this period, unless all rights and obligations extinguish or expire.

Gross Premiums Written

Gross premiums written consist of premiums on insurance contracts bound during the year. Gross premiums written also include premiums on reported but unprocessed insurance contracts at the balance sheet date, inward reinsurance premiums from ceding insurance companies, including portfolio transfers, and a deduction for expected insurance contract cancellations based on historical cancellation activity over the past two years. The Company shows premiums gross of coverholder commissions and excludes taxes and fees levied on them.

Outward Reinsurance Premiums

Outward reinsurance premiums consist of: (a) the Company's share of the Syndicates' reinsurance premiums on the outward reinsurance contracts bound during the year, and (b) the Company's reinsurance premiums on the outward reinsurance contracts that it has with its reinsurer to proportionally reinsure a majority of its underwriting business from the Syndicates. Reinsurance transactions do not relieve the Company of its primary obligations to its policyholders.

The Company offsets actual or estimated assets and liabilities under each outward reinsurance contract with the foreign reinsurers that proportionately reinsure a majority of its underwriting business from the Syndicates into single net balances, because they do not represent separate assets and liabilities.

Accounting Policies (Continued)

Provision for Unearned Premiums

The provision for unearned premiums is the Company's share of the Syndicates' gross premiums written and corresponding reinsurance premiums that the Syndicates will earn in the future. The Syndicates earn hurricane premiums, inclusive of attritional catastrophe coverage for tornados, hail, and other windstorm risks, evenly over the Atlantic Hurricane Season (the incidence of risk) that occur during the policy term. The Atlantic Hurricane Season runs from July 15th to November 15th of each year. The Syndicates earn earthquake and all other property peril premiums evenly over the policy term. The Syndicates expenses related reinsurance premiums evenly over the contract term, or incidence of risk, if significantly different.

Provision for Unexpired Risks

At the balance sheet date, the Company performs a liability adequacy test on it insurance liabilities less related deferred acquisition costs to ensure that the carrying value is adequate, using current estimates of future cash flows. If this test shows that the liabilities is inadequate, any deficiency is recognised as an expense to the profit or loss account initially by recognising an additional liability for claims provisions or recognising a provision for unexpired risks.

The Directors assess the provision for unexpired risks by class of business, after considering related investment returns. No provision for unexpired risks was recorded in 2021 nor 2020.

Claims Incurred, Net of Reinsurance

Gross claims incurred consist of the Company's share of the Syndicates' estimated cost of settling all claims occurring during the year, whether reported or not, including related claims handling expenses. Gross claims incurred consist of the estimated cost of settling all claims occurring before the balance sheet date, whether reported or not, including related claims handling expenses. The Company does not discount claims outstanding. The Company anticipates subrogation recoveries when it sets provisions for reported claims. The Company accounts for reinsurance recoveries when it incurs the related losses. The Directors assess the provision for claims outstanding on a case basis based on the estimated cost of all claims notified but not settled at the balance sheet date.

The provision also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date based on statistical methods and includes adjustments for catastrophes and other significant events, changes in historical trends, economic and social conditions, judicial decisions, and legislation, as necessary.

In evaluating the provision, the Directors use the findings of the Syndicates' actuaries, which include an associated third-party claims administrator's loss estimates for large catastrophes. The claims administrator, together with loss modelling staff, base the selected estimate of losses for each large catastrophe after considering the range of ultimate loss estimates using various methods. Such methods include expected claim count and average cost per claim, incurred loss development, stochastic event scenario modelling from different software vendors, market share analysis, and other information, including independent third-party evaluations. For smaller catastrophes, all other property perils, equipment breakdown, and general liability claims, the Syndicates' actuaries apply Initial Expected Loss Ratios (IELRs) for each class of business, which is segmented by homogeneous regions and policy types. The Syndicates' actuaries develop these IELRs against catastrophe models, market data, and past claims on similar classes of business.

Accounting Policies (Continued)

Claims Incurred, Net of Reinsurance (Continued)

The provision for claims outstanding is subject to significant variability. While the Directors believe that the recorded provision for gross claims and reinsurance recoveries is adequate, establishing this liability is a judgmental and inherently uncertain process. Therefore, it is possible that actual losses may not conform to the assumptions that the Directors used in determining the amount of this provision. Accordingly, the ultimate provision may be significantly greater or less than the outstanding amount held at the balance sheet date. The Company recognises adjustments to the provision for claims outstanding in the profit and loss account when known. The nature of short tail claims, such as the property insurance that the Syndicates provide, where policyholders typically notify the Syndicates of their claims within an average of 28 days and the Syndicates typically settle these claims within a short time period which is normally less uncertain after a few years than long tail risks, such as some liability lines of business, where it may be several years before policyholders advise their insurance carriers of their claims and the carriers settle them.

The Directors base the reinsurers' share of the provision for claims outstanding on the provisions for reported claims and IBNR, net of estimated irrecoverable amounts from potential reinsurer insolvencies based on the type of balance and security ratings of the involved reinsurers. The Directors use statistical methods to help them make these estimates.

Claims Handling Expenses

Claims handling expenses mostly consist of the Company's share of the fees that the Syndicates pay to an associated third-party claims administrator for the handling of claims on its behalf. In exchange for these services, the Syndicates pay a base fee equal to a percentage of gross premiums written. The paid fee gives the Syndicates access to the claims administrator's staff for the administration of claims; it also entitles the Syndicates to a predetermined number of new claim file allowances. To the extent that actual claim volume exceeds the accumulated claim file allowances under the base fee, the claims administrator charges an additional fee for each additional claim.

This claims administration arrangement contains multiple deliverables, each representing a separate unit of accounting. As such, the Syndicates defer the portion of fees attributable to new claim file allowances based on their selling prices (contract rates) until actual claims are reported against them, or the allowances expire, whichever occurs first. If an actual claim is reported against a claim file allowance, the Syndicates recognise the allowance expense over the period that the claim is administered based on historical settlement patterns. If a claim is not reported against a claim file allowance before the allowance expires, the Syndicates include the allowance in the profit and loss account when the allowance expires. The Syndicates defer the rest of the base fee (for access to staff and infrastructure) and recognises it as expense evenly over the term of services. The Company includes its share of the Syndicates' deferred claims handling expenses in other prepayments and accrued income.

Accounting Policies (Continued)

Closed Years of Account

At the end of the third calendar year that an underwriting year is open, the year normally closes by way of reinsurance into the following open underwriting year. The Managing Agent determines the amount of the reinsurance to close premium payable, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling expenses. The open underwriting year into which the closed underwriting year is reinsured bares the risk of any subsequent variation in the ultimate liabilities of the closed year.

The payment of a reinsurance to close premium does not relieve the closed year from its primary obligations for outstanding claims. If the reinsuring Syndicates is unable to meet its obligations and other elements of Lloyd's chain of security fail, then the closed underwriting year would have to settle the outstanding claims. The Directors consider the likelihood of such a reinsurance to close failure to be remote and therefore deem reinsurance to close as settlement of the liabilities outstanding at the closure of an underwriting year. The Company includes its share of the reinsurance to close premiums payable in creditors arising out of reinsurance operations at the balance sheet date, and the Company makes no further provision for any potential risk of variation in the ultimate liability of closed years.

Run-off Years of Account

If an underwriting year is not closed at the end of the third calendar year that it is open (a "run-off" year), the Company makes a provision for the estimated cost of all known and unknown outstanding liabilities of that year. The Managing Agent first determines the provision on a similar basis to the reinsurance to close. The Company determines any subsequent variation in the ultimate liabilities for that year. Therefore, the Company will continue to report movements in its results from any run-off year after the third calendar year until it secures reinsurance to close.

Acquisition Costs, Net of Reinsurance

Acquisition costs consist of the Company's share of Syndicates' related coverholder and ceding commissions (on inward reinsurance acceptances) primarily related to the production of new and renewal business. The Syndicates defer acquisition costs to the extent that they are attributable to unearned premiums at the balance sheet date and expense them as it earns the underlying insurance contract premiums. The Company includes its share of the Syndicates' acquisition costs in net operating expenses. The Syndicates defer recoveries of acquisition costs (ceding commissions) from outward reinsurers; the Company includes its share of these deferrals in accruals and deferred revenue. The Syndicates earn ceding commissions as they expense underlying reinsurance contract premiums. The Company includes its share of these commissions in net operating expenses under reinsurance commissions and profit participation.

Accounting Policies (Continued)

Investment Return

Investment return primarily consists of income from the Company's share of the Syndicates' investments, gains and losses on the realisation of investments, and movements in unrealised gains and losses on investments, net of investment management expenses. Income from investments consists of interest, which the Syndicates recognise when earned. The Syndicates record realised gains and losses on investments on the difference between the sale proceeds and the cost of the investment. Movements in unrealised gains and losses on investments represent the difference between the carrying value of investments at the balance sheet date and the purchase price of investments in earlier accounting periods, after considering investment disposals. Investment management expenses consist of investment custodian and management fees.

The Company first records its investment return in the non-technical account. The Company then transfers this return to the general business technical account to reflect the investment return on funds supporting its share of the Syndicates' underwriting business; no funds outside of those in the Syndicates support the Company's underwriting business.

Net Operating Expenses

The Company recognises operating expenses when incurred. Operating expenses include acquisition costs and the change in deferred acquisition costs, administrative expenses, and reinsurance commissions and profit participation. Administrative expenses consist of:

- the Company's share of the Syndicates operating costs,
- Managing Agent fees and profit commissions,
- Lloyd's membership costs, and
- the reimbursement of administrative expenses from the foreign reinsurers that proportionately reinsure a majority of the Company's underwriting business from the Syndicates.

The Company also includes its share of the Syndicates' brokerage sharing from reinsurance brokers that place reinsurance coverage for the Syndicates in administrative expenses. The Company recognises brokerage sharing as revenue when brokers place the reinsurance coverage.

Reinsurance commissions and profit participation consist of: (a) the Company's share of the Syndicates' ceding and contingent profit commissions from outward reinsurers, and (b) the recovery of acquisition costs from the foreign reinsurers that proportionately reinsure a majority of the Company's underwriting business from the Syndicates.

Accounting Policies (Continued)

Investments

Investments consist of the Company's share of the Syndicates' shares and other variable yield securities and debt and other fixed income securities, including the Lloyd's Central Fund Loan.

Fair Value Measurements of Financial Assets and Liabilities

In applying FRS 102, the Syndicates have chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted in the United Kingdom).

The Company measures its investments at fair value through profit or loss using valuation techniques that maximise the use of observable market data and minimise the use of unobservable market data. The Company determines fair value based on assumptions that market participants would use in pricing an investment in the principal or most advantageous market. When considering market participant assumptions in its fair value measurements, the Company uses the fair value hierarchy below to classify its investments.

- Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 – Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the Company bases the entire fair value measurement on the lowest level input that is significant to the entire measurement. The Company recognises transfers between levels of the fair value hierarchy when events or changes in circumstances causing the transfer to occur.

The Company carries all its other financial assets and liabilities at cost.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Company's share of the Syndicates' cash and Company's own cash at banks and in hand.

Offsetting

The Company sets off and presents its financial assets and liabilities net where:

- each it and another party owe the other determinable amounts,
- it has the right to set off the amount owed with the amount owed by the other party,
- it intends to set off, and
- the right of setoff is enforceable at law.

Accounting Policies (Continued)

Foreign Currency Translation

The Company's functional and reporting currency is the U.S. Dollar. The Company measures foreign currency assets and liabilities at the closing exchange rate in effect at the balance sheet date, while it measures foreign currency revenues and expenses at the historical exchange rates in effect at the time of the related transactions. The Directors used an exchange rate of 1.35 to translate Sterling balances into U.S. Dollars at 31 December 2021 (1.37 at 31 December 2020).

Current Taxation

The Company makes a provision for current United Kingdom (U.K.) taxes based on its taxable result for the year after considering permanent and temporary timing differences between the treatment of certain items for book and tax. The Company also makes a provision for current United States (U.S.) federal tax where due based on U.S. taxable income for the year.

Deferred Taxation

The Company makes a full provision for deferred taxation on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when these items reverse based on current tax rates and law. Timing differences arise from including income and expense items in tax computations in different periods from those in which the financial statements include them. The Company recognises deferred tax assets to the extent that it is more likely than not that they will be recovered. The Company does not discount deferred tax assets and liabilities.

Contingent Liabilities

The Company records liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources when it is probable that it incurred such a liability, and that liability is reasonably estimable. The Company expenses legal costs in connection with loss contingencies when incur and includes them in net operating expenses.

4. Segmental Analysis

The tables below detail the Company's underwriting results before investment return by class of business.

2021
$'000

	Gross Premiums Written	Gross Premiums Earned	Gross Claims Incurred	Gross Operating Expenses	Reinsurance Balance	Total
Fire and other damage to property	(50)	2,480	(2,648)	(923)	1,091	-
Third party liability	4	41	(58)	(6)	23	-
Reinsurance accepted	244	613	(434)	(129)	(50)	-
Total	198	3,134	(3,140)	(1,058)	1,064	-

2020
$'000

	Gross Premiums Written	Gross Premiums Earned	Gross Claims Incurred	Gross Operating Expenses	Reinsurance Balance	Total
Fire and other damage to property	5,542	3,023	(7,820)	(1,234)	6,031	-
Third party liability	65	28	(16)	(13)	1	-
Reinsurance accepted	858	2,593	(3,211)	(943)	1,561	-
Total	6,465	5,644	(11,047)	(2,190)	7,593	-

The Company only writes business in the U.S. through its participation in the Syndicates. Surplus lines wholesale brokers pay fire and other damage to property premiums to the Syndicates' coverholders in single payments, while policyholders working through licensed retail agents pay premiums in single or multiple instalments.

5. Investment Return

	2021	2020
	$'000	$'000
Gross investment return:		
Income from investments	3	6
Gains on realisation of investments	-	2
Unrealised gains / (losses) on investments	24	(8)
Investment management expenses	-	-
	27	-
Reinsurance share of investment return	(27)	-
Total	-	-

6. Net Operating Expenses

	2021	2020
	$'000	$'000
Acquisition costs	(15)	1,701
Change in deferred acquisition costs	(842)	(247)
Net administrative expenses	-	-
Reinsurance commissions and profit participations	857	(1,454)
Total	-	-

Net operating expenses represent the Company's share of expenses incurred directly by the Syndicates, less the recovery of these expenses from an unrelated reinsurer that proportionately reinsures all the Company's underwriting business from the Syndicates.

This table details net administrative expenses included in net operating expenses.

	2021	2020
	$'000	$'000
Share of Syndicates' operating costs	(223)	694
Managing Agent fees and profit commissions	-	56
Lloyd's membership costs	-	53
Share of Syndicates' brokerage sharing	22	(67)
Reinsurer reimbursements of administrative expenses	201	(736)
Total	-	-

7. Profit on Ordinary Activities Before Tax

This table details the charges/credits to profit on ordinary activities before taxation in the non-technical account under other income and charges.

	2021	2020
	$'000	$'000
Audit of these financial statements	(10)	(11)
Professional fees	(6)	(34)
Reinsurance reimbursements of member expenses	144	40
Interest on Funds at Lloyd's and the bank	-	25
Other expenses	(106)	(11)
Total	22	9

8. Tax on Profit on Ordinary Activities

This table summarises the tax charge on the Company's loss on ordinary activities during the year.

	2021	2020
	$'000	$'000
Current tax:		
U.K. corporation tax		
- Tax on profit for the year	4	2
- Double tax relief	(2)	(2)
- Adjustments to prior periods	(2)	-
	-	-
Foreign tax:		
- Tax on profit for the year	-	-
- Adjustments to prior periods	-	-
	-	-
Deferred tax:		
- Origination and reversal of timing differences	-	-
- Impact of rate changes	-	-
- Adjustments to prior periods	-	-
	-	-
Tax on profit on ordinary activities	-	-

Tax on Profit on Ordinary Activities (Continued)

Factors Affecting the Tax for the Year

This table summarises why the current tax charge for the year is different than the tax from applying the main U.K. corporation tax rate to the Company's profit on ordinary activities.

	2021	2020
	$'000	$'000
Profit on ordinary activities before tax	22	9
Current tax at 19.00% (19.00% in 2019)	4	2
Tax effect of:		
- Expenses not deductible for tax purposes	1	-
- Group relief surrendered for no payment	-	-
- Double tax relief	(3)	(2)
- Deferred tax not recognised	-	-
Foreign tax credits	(2)	-
Foreign taxes	-	-
Tax on profit on ordinary activities	-	-

In the Finance Act 2016, the government enacted a reduction to the main rate of corporation tax, reducing it from 20% to 19% from 1 April 2017 and 17% from 1 April 2020.

On 11 March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. On 3 March 2021, it was announced that the UK corporation tax rate would increase to 25% from April 2023. There are currently no timing differences on which to recognise deferred tax, therefore these rate changes have no impact on the financial statements.

9. Directors' Compensation and Staffing

None of the Directors received any compensation for their services during 2021 or 2020.

The Company has no employees.

10. Other Financial Investments

	2021	
	Fair Value	**Cost**
	$'000	**$'000**
Share and other variable yield securities	102	103
Debt securities and other fixed income securities	208	208
Deposits with credit institutions (overseas deposits)	55	55
Total	365	366

	2020	
	Fair Value	**Cost**
	$'000	**$'000**
Share and other variable yield securities	316	316
Debt securities and other fixed income securities	222	222
Deposits with credit institutions (overseas deposits)	58	58
Total	596	596

All debt securities and other fixed income securities are listed. The Company did not write-down any of its investments during 2021 or 2020. The tables below detail the placement in the fair value hierarchy of non-deposit related investments measured at fair value through profit or loss.

Other Financial Investments (Continued)

	2021			
	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Share and other variable yield securities	1	12	89	102
Debt securities and other fixed income securities	94	114	-	208
Deposits with credit institutions	10	45	-	55
Total	105	171	89	365

	2020			
	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Share and other variable yield securities	8	218	90	316
Debt securities and other fixed income securities	191	31	-	222
Deposits with credit institutions	28	30	-	58
Total	227	279	90	596

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Recent prices for identical investments.
- Level 3 – 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 Syndicates' 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 Syndicates' own data. The only asset in this category is the loan provided to the Lloyd's Central Fund.

11. Debtors Arising Out of Direct Insurance Operations

	2021	2020
	$'000	$'000
Due from associated intermediaries (within one year)	463	1,170
Total	463	1,170

12. Debtors Arising Out of Reinsurance Operations

	2021	2020
	$'000	$'000
Due from ceding insurers (within one year)	2,151	1,355
Due from ceding insurers (after one year)	-	1,023
Total	2,151	2,378

13. Creditors Arising Out of Reinsurance Operations

	2021	2020
	$'000	$'000
Reinsurance ceded (within one year)	980	3,915
Reinsurance ceded (after one year)	842	847
Total	1,822	4,762

14. Deferred Acquisition Costs

	2021	2020
	$'000	$'000
Balance at 1 January	825	595
Change in deferred acquisition costs	(842)	247
Exchange difference	17	(17)
Balance at 31 December	-	825

15. Technical Provisions

The tables below detail the changes in Asta Corporate Member (No. 2) share of the Syndicates' claims outstanding and also the corresponding quota share changes.

		2021	
	Gross	**Reinsurers' Share**	**Net**
	$'000	**$'000**	**$'000**
At 1 January 2021	15,305	(15,305)	-
Claims incurred during the year related to:			
- Reinsurance to close	(2,286)	2,286	-
- Prior underwriting years	3,140	(3,140)	-
Total claims incurred during the year	854	(854)	-
Paid claims during the year	(7,482)	7,482	-
Exchange difference	7	(7)	
At 31 December 2021	8,684	(8,684)	-

		2020	
	Gross	**Reinsurers' Share**	**Net**
	$'000	**$'000**	**$'000**
At 1 January 2020	11,919	(11,919)	-
Claims incurred during the year related to:			
- Current underwriting year	7,011	(7,011)	-
- Prior underwriting years	4,036	(4,036)	-
Total claims incurred during the year	11,047	(11,047)	-
Paid claims during the year	(7,725)	7,725	
Exchange difference	64	(64)	-
At 31 December 2020	15,305	(15,305)	-

Technical Provisions (Continued)

The tables below detail the changes in Asta Corporate Member (No. 2) Limited's share of the Syndicates' provision for unearned premiums and also the corresponding quota share changes.

	2021		
	Gross	Reinsurers' Share	Net
	$'000	$'000	$'000
At 1 January 2021	2,942	(2,942)	-
Premiums:			
- Written	198	(198)	-
- Earned	(3,133)	3,133	-
Exchange difference	(7)	7	
At 31 December 2021	-	-	-

	2020		
	Gross	Reinsurers' Share	Net
	$'000	$'000	$'000
At 1 January 2020	2,116	(2,116)	-
Premiums:			
- Written	6,465	(6,465)	-
- Earned	(5,644)	5,644	-
Exchange difference	5	(5)	-
At 31 December 2020	2,942	(2,942)	-

16. Other Creditors

	2021	2020
	$'000	$'000
Amounts owed to Credit Institutions	-	1,165
Amounts owed to associated and group companies	11	11
Amounts owed to others	1,190	109
Total	1,201	1,285

17. Related Parties

Asta Managing Agency Limited paid invoices on behalf of Asta Corporate Member (No. 2) Limited in the year. There was an outstanding intercompany balance of $11,303 at year end (2020: $11,303).

Asta provides services and support to Asta Corporate Member (No. 2) Limited. During the year, Asta recharged $12,660 worth of service charges in the year and as at 31 December 2021 an amount of $12,660 was owed to Asta in respect of this (2020: $24,133).

18. Funds at Lloyd's

The unrelated reinsurer that proportionately reinsures all the Company's underwriting results from the Syndicates provided a $6.2 million letter of credit as at 31 December 2021 to Lloyd's to collateralise its reinsurance obligations to the Company (2020: $6.4m).

19. Contingent Liabilities

Lloyd's Obligations

Other group companies operate under separate agreements with Lloyd's. Under these agreements, however, if any other group companies fail to meet their Lloyd's obligations, Lloyd's can require the Company to cease or reduce its underwriting.

At the date of these financial statements, no group company failed to meet its Lloyd's obligations.

Legal Proceedings

The Syndicates and wider group are regularly involved in various legal proceedings in the ordinary course of their insurance business. The Directors believe the outcome of these proceedings will not have a material adverse effect on the Company's financial position or future profitability.

20. Risk Management

As a corporate member of Lloyd's, most of the significant risks and uncertainties facing the Company arise from its participation in the Syndicates. The Company's role in managing these risks is limited to monitoring the Syndicates' performance.

Governance Framework

The Company is subject to continuing approval by Lloyd's to be a corporate member of the Syndicates. The Company tries to reduce the risk of this approval being revoked by monitoring and fully complying with all its Lloyd's membership requirements.

Risk Management (Continued)

Capital Management

The object of the Company in managing its capital is to ensure that it will be able to continue as a going concern and comply with Lloyd's market requirements, while maximising the return to capital providers through the optimisation of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders, comprising issued capital and retained earnings. As a corporate member of the Syndicates, the Company provides capital to meet the Syndicates Economic Capital Assessment by assets held in trust by Lloyd's (Funds at Lloyd's) to represent resources available to meet members' and Lloyd's capital requirements.

The Company complied with regulatory requirements during the financial year.

Capital Provider Credit Risk

The unrelated reinsurer that proportionately reinsures all the Company's underwriting results from the Syndicates provided a $6.2 million letter of credit to Lloyd's to collateralise its reinsurance obligations to the Company (2020: $6.4m).

Insurance Risk

As a corporate member of Lloyd's, most of the significant insurance risks and uncertainties facing the Company arise from its participation in the Syndicates. The Syndicates accept insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The Syndicates are exposed to the uncertainty surroundings the timing, frequency and severity of claims under these contracts. The Syndicates manage their risk via their underwriting and reinsurance strategy within an overall risk management framework, which is detailed in the Risk Management note in the Syndicates annual accounts.

The tables below detail the Company's liabilities for claims outstanding by class of business.

	2021		
	Gross	**Reinsurers' Share**	**Net**
	$'000	**$'000**	**$'000**
Fire and other damage to property	7,324	(7,324)	-
Third party liability	159	(159)	-
Reinsurance accepted	1,201	(1,201)	-
Total	8,684	(8,684)	-

Risk Management (Continued)

	2020 Gross	2020 Reinsurers' Share	2020 Net
	$'000	$'000	$'000
Fire and other damage to property	11,364	(11,364)	-
Third party liability	118	(118)	-
Reinsurance accepted	3,823	(3,823)	-
Total	15,305	(15,305)	-

The liabilities in the tables above may be significantly greater or less than the ultimate cost of settling the associated claims; this level of uncertainty varies by class of business. The Company considers a five percent increase or decrease in the ultimate cost of settling its outstanding claim liabilities reasonably possible at the balance sheet date.

The tables below show the share of the Syndicates' cumulative incurred claims development, including both claims notified and IBNR for each underwriting year, together with the cumulative payments to date on a gross (first table) and net (second table) of reinsurance basis at the balance sheet date. The net tables show nil balances because of the 100% quota share arrangement.

	2014	2015	2016	2017	2018	2019	2020	Total
Underwriting year	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of cumulative claims incurred:								
- End of u/w year	373	774	1,647	8,062	-	835	6,954	-
- One year later	880	1,685	4,516	20,282	-	3,993	9,169	9,169
- Two years later	873	1,814	6,333	20,981	-	4,156		4,156
- Three years later	792	1,818	6,336	21,625	-			-
- Four years later	803	2,062	6,640	22,397				22,397
- Five years later	812	2,076	6,675					6,675
- Six years later	814	2,067						2,067
- Seven years later	821							821
Less cumulative paid	(805)	(2,014)	(6,059)	(19,490)	-	(2,141)	(6,092)	(36,601)
Liability for gross outstanding claims	16	53	616	2,907	-	2,015	3,077	**8,684**

Risk Management (Continued)

Underwriting year	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	Total $'000
Estimate of cumulative claims incurred:								
- End of u/w year	-	-	-	-	-	-	-	-
- One year later	-	-	-	-	-	-	-	-
- Two years later	-	-	-	-	-	-		-
- Three years later	-	-	-	-	-			-
- Four years later	-	-	-	-				-
- Five years later	-	-	-					-
- Six years later	-	-						-
- Seven years later	-							
Less cumulative paid	-	-	-	-	-	-	-	-
Liability for gross outstanding claims	-	-	-	-	-	-	-	-

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 to the uncertainty inherent in the claims estimation process, initial reserves may not always be in a surplus.

Market risk

Market risk is the risk that the fair value or future cash flows of the Syndicates' financial assets will fluctuate because of changes in the market. Market risk consists of the three risks below.

- Interest Rate Risk

Increasing market interest rates reduce the value of the Syndicates' fixed maturities. The Syndicates may realise a loss if it sells fixed maturities whose value has fallen below their acquisition cost. Declining market interest rates may reduce the Syndicates' investment income, as it invests proceeds from positive operating cash flows and reinvests proceeds from maturing or sold investments in new investments that may yield less than the investment portfolio's historical average rate of return. Interest rates are highly sensitive to many factors, including government monetary policies, domestic and international economic and political conditions, and other factors beyond the Syndicates' control. The Syndicates significantly reduce this risk by maintaining high quality investments (rated AA or better on average by Standard & Poor's) with an average duration of one year or less in its investment portfolio to provide downside protection against increases in interest rates; accordingly, the Company does not have material interest rate risk.

- Currency Risk

Risk Management (Continued)

The Company's share of Syndicates' business is in U.S. Dollars, which is its functional currency. The Company also keeps all of its reinsurance balances and investments in U.S. Dollars. The Company has negligible exposure to other currencies. Since the Company only undertakes a few transactions of its own, the Directors do not consider currency risk to be significant.

- Investment Price Risk

Disruptions in the public debt market, including widening credit spreads, bankruptcies, and government intervention in large financial institutions, may result in significant realised and unrealised losses in the Company's share of the Syndicates' investment portfolio. Also, market conditions and other factors beyond the Company's control could cause the credit quality ratings of its investments to deteriorate. The Company significantly limits this risk by holding its financial assets as cash. Accordingly, the Company does not have material investment price risk.

Credit risk

Credit risk is the risk that other parties, including issuers of investments, fail to honour their obligations to the Company. Bankruptcy, liquidity problems, distressed financial condition, or the general effects of today's economic environment may increase the risk that policyholders or intermediaries, such as insurance agents and brokers, may not pay a part of or the full amount of premiums owed to the Syndicates' coverholders, despite an obligation to do so. If non-payment becomes widespread, whether as a result of bankruptcy, lack of liquidity, adverse economic conditions, operational failure, or otherwise, it may affect the coverholders' ability to pay the premiums they in turn owe to the Syndicates.

The Company transfers significant amounts of insurance risk to reinsurers. If these reinsurers fail to honour their obligations, the Company's financial condition, profitability, and cash flows could be adversely affected. The Syndicates try to reduce the risk of reinsurers failing to honour their obligations by setting maximum exposure and credit limits for each of its reinsurers based on their industry credit rating and net asset balance. The Syndicates regularly evaluate the financial condition and payment performance of its reinsurers with the help of outside brokers; evaluations include reviewing credit ratings and monitoring concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics to minimise the Syndicates' exposure to significant losses from reinsurer insolvencies. The Syndicates mostly purchase reinsurance from reinsurers with an A.M. Best or Standard & Poor's rating of A or better. If a reinsurer does not have an A or better rating, the Syndicates may obtain U.S. Dollar denominated collateral from the reinsurer to secure their reinsurance obligations.

Risk Management (Continued)

	2021			
	Neither Past Due nor Impaired	Past Due	Impaired	Total
	$'000	$'000	$'000	$'000
Other financial investments	365	-	-	365
Reinsurers' share of claims outstanding	8,684	-	-	8,684
Debtors arising out of direct insurance operations	463	-	-	463
Debtors arising out of reinsurance operations	1,514	637	-	2,151
Other debtors	1	-	-	1
Cash and cash equivalents	146	-	-	146
Total	11,173	637	-	11,810

	2020			
	Neither Past Due nor Impaired	Past Due	Impaired	Total
	$'000	$'000	$'000	$'000
Other financial investments	596	-	-	596
Reinsurers' share of claims outstanding	15,305	-	-	15,305
Debtors arising out of direct insurance operations	1,170	-	-	1,170
Debtors arising out of reinsurance operations	2,378	-	-	2,378
Other debtors	10	-	-	10
Cash and cash equivalents	4,041	-	-	4,041
Total	23,500	-	-	23,500

Past due balances were less than three months past due at 31 December.

Risk Management (Continued)

The tables below classify the exposure that the Syndicates' assets have to credit risk by the Standard & Poor's credit ratings of the investments and parties involved.

	2021 $'000					
	AAA	AA	A	BBB	Not Rated	Total
Other financial investments	236	15	110	4	-	365
Reinsurers' share of claims outstanding	-	1,055	3,601	-	4,028	8,684
Debtors arising out of direct insurance operations	-	-	-	-	463	463
Debtors arising out of direct reinsurance operations	-	519	946	-	686	2,151
Other debtors	-	-	-	-	1	1
Cash and cash equivalents	-	-	146	-	-	146
Total	236	1,589	4,803	4	5,178	11,810

	2020 $'000					
	AAA	AA	A	BBB	Not Rated	Total
Other financial investments	210	81	305	-	-	596
Reinsurers' share of claims outstanding	-	1,811	5,942	-	7,552	15,305
Debtors arising out of direct insurance operations	-	-	-	-	1,170	1,170
Debtors arising out of direct reinsurance operations	-	481	1,015	-	882	2,378
Other debtors	-	-	-	-	10	10
Cash and cash equivalents	-	-	4,041	-	-	4,041
Total	210	2,373	11,303	-	9,614	23,500

Risk Management (Continued)

Liquidity Risk

Liquidity risk would arise if the Syndicates had inadequate liquid resources for a large claim and sought funds from the Company to pay the claim. The Syndicates 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. The Syndicates settles its payment obligations in accordance with the vendor terms of each transaction The Syndicates holds any excess funds in cash or invests them in money funds readily convertible to cash without excessive cost to the business.

The tables below summarise the Company's future expected cash obligations on its undiscounted liabilities, including payments of its outstanding claim liabilities based on historical settlement patterns.

	2021 $'000				
	Up to a year	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
Claims outstanding	6,167	2,007	308	202	8,684
Creditors arising out of reinsurance operations	1,821	-	-	-	1,821
Other creditors	1,201	-	-	-	1,201
Total	9,189	2,007	308	202	11,706

	2020 $'000				
	Up to a year	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
Claims outstanding	8,781	5,864	509	151	15,305
Creditors arising out of reinsurance operations	4,648	114	-	-	4,762
Other creditors	1,285	-	-	-	1,285
Total	14,714	5,978	509	151	21,352

21. Share Capital

	2021	2020
	£	£
Authorised share capital		
Ordinary shares of £1.00 each	1	1
	1	1
Allotted, called up, and fully paid up		
Ordinary shares of £1.00 each	1	1
	1	1

22. Immediate, Intermediate, and Ultimate Parents

As at 31st December 2021, the Company's ultimate parent, which prepares group financial statements, was Asta Capital Limited, a company incorporated in the UK and registered in England and Wales. Copies of the group's consolidated financial statements can be obtained from the registered office address listed on page 1 of this report.

On 13th July 2022, the Company's parent, Asta Capital Limited, was acquired by the Davies Group Limited. Davies Group Limited is a wholly owned subsidiary of Tennessee Topco Limited.

BC Partners is the ultimate controlling party of Tennessee Topco Limited.

23. Post balance sheet events

Syndicates 2288 made a cash call to members in January 2022 for $20m (ACM 2 Share: $1.5m) on the 2020 YoA.

Syndicates 2288 made a further cash call to members in March 2022 for $3.5m (ACM 2 Share: $0.3m) on the 2020 YoA.

Syndicates 6123 made a final cash call to members in June 2022 for $4.5m to close the 2019 YoA (ACM 2 Share: $0.6m).

All cash calls were funded by the Company's reinsurer.

A change of ownership of the Company occurred on 13th July 2022. Please see note 22 for more details.