

FARADAY

Syndicate 0435

Annual Report for the year ended
31 December 2024

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Directors and Administration

Managing Agent

Managing Agent
Faraday Underwriting Limited

Directors
Nick Frankland, Chair and non-executive director
Paul Blight
Andrew D'Arcy, non-executive director
Vicky Cortese
Kevin Harker
Michael Hosking
Terry Masters, Senior non- executive director
Stephen Michael, non-executive director
Andrea Reynolds, non-executive director
Tom Shelley

Company Secretary
Elisabeth Richardson

Managing Agent's registered office
Corn Exchange
55 Mark Lane
London
EC3R 7NE

Managing Agent's registered number
01682486

Website

www.faraday.com

Syndicate

Active Underwriter
Paul Blight

Investment Managers
New England Asset Management Limited

Registered Auditor
Deloitte LLP
Statutory Auditor
2 New Street Square
London
EC4A 3BZ
United Kingdom

Strategic report of the Managing Agent

The Strategic report contains a review of the business including an analysis of its performance during the year ended 31 December 2024, as well as the principal risks and uncertainties facing the business and future developments.

Principal activity and review of the business

The principal activity of the business remains the transaction of general insurance and reinsurance business as part of the Lloyd's market in London.

2024 has been another turbulent year. The global economy continues to be impacted by geopolitical turmoil, of note Russia's incursions in Ukraine and on-going unrest in the Middle East in several territories. Around the world other regions are also experiencing tensions and unrest. Despite on-going inflation that prevailed throughout 2024 there are signs that the economic rate is reducing. Interest rates around the world have risen over recent years hindering economic growth but these, in the main, are now decreasing. Elections were held in many parts of the world and although there have been changes in government there is little evidence that stability is returning; business failures have been increasing and the cost of living crisis continues to impact consumer demand. The geopolitical tensions are having an impact on the robustness of supply chains including the provision of power supplies adding to general economic strain.

Increased focus is being applied to operational resilience bearing in mind enhanced use of electronic means of communication and its use in most business transactions. This has become an area of focus for various regulators. The effect of the COVID-19 pandemic whilst less of concern for day to day activities, still appears to be having some impact from an overall economic and personal perspective. Climatic events have resulted in several records being broken covering temperature, intensity of storms and the frequency of flooding and other so called 'secondary perils'.

Faraday's business looks to address the perceived consequences from all aspects of the above in relation to meeting ever changing client needs as well as running our own operations in an efficient and effective manner. Giving consideration to emerging risks is an important aspect of our focus. We remain mindful of sanctions issues as well.

Inflation both economic and social, continue to be significant factors for pricing and reserving. We maintain robust operational standards which include prudent reserving in line with Faraday's standard reserving philosophy. Inflation forecasts vary widely by both region and business class and Faraday is continuing with its enhanced and more frequent reviews of the drivers of inflation looking to prudently allow for its impact within pricing and reserving. Governments and Central Banks, following a period of increasing base interest rates, have started to reduce these suggesting that peak borrowing costs have been reached, although there is considerable uncertainty over any programme of reductions at present. However, with much and ever changing geopolitical tension around the globe plus the reaction of bond markets to local economic policies, forecasting interest rates with any certainty is far from straightforward; the pace of any reductions is neither predictable nor steady.

Foreign exchange movements during 2024 were wide ranging too.

For the wider (re)insurance industry 2024 has been above the 10 year average for insured natural catastrophe losses. The year commenced with severe flooding in California and after more severe convective storm activity in the US in the Spring, the hurricane season brought two major landfall events of note - Hurricanes Helene and Milton. The former resulted in much flooding after the storm itself had abated. Europe also faced a series of events notably Storm Boris in September 2024 and severe flooding in Spain in October. Australia and New Zealand had exceptional flooding as well. The global and wide ranging nature of these events is apparent and 2024 has been declared the warmest year on record. 2025 has begun on a difficult note with the vast area of wildfires in and around Los Angeles and severe winterstorms in the southern US States.

Strategic report of the Managing Agent (continued)

Underlying gross written premium income for Syndicate 435 decreased by 0.4% in 2024. This was principally due to the lapse of one large travel binder in Australia and other binder business in the direct and facultative (D&F) property space.

During early 2024 the syndicate achieved rate increases although from mid-year these generally abated and turned negative. Overall, across the portfolio rate change was around flat for the year compared with 2023. Despite this disappointment when viewed against the plan for the year, pricing levels remained adequate. Expected increases for certain areas, notably for Property Treaty, slowed earlier than expected in 2024. However, there were no serious concerns for the syndicate's portfolio. Our Underwriters' expertise across the many lines of business served to steer a satisfactory course through the volatility of the market conditions.

Faraday continues to be a market leading provider of (re)insurance in windstorm and earthquake prone areas and therefore expects to incur losses from such events when they occur. As noted above, 2024 was impacted by many noteworthy events. Whilst Syndicate 435 has exposure to the effects of weather around the globe Hurricanes Helene and Milton were the main natural catastrophe events generating losses in the year. Other events were of less significance. In general, the natural catastrophe losses in 2024 were below our priced expectations. Our Underwriters have worked hard to ensure the book of business is not overly exposed to any series of attritional or modest sized events. Our reserving process and philosophy for such events is entrenched in the business having developed significant expertise over many years in this market. Reserves are established following a review of all available information and after taking a conservative view of the potential for development of losses. The loss reserves therefore reflect Faraday's minimal appetite for any deterioration in its reported loss position. Reserves set in recent years in respect of other natural catastrophe events have, in aggregate, proved to be adequate. The syndicate's whole account catastrophe excess of loss reinsurance is not expected to be triggered by any of the 2024 events.

The Property Treaty team produced a profit driven by a favourable rating environment and prior year improved terms and conditions. Programme attachment points and consideration of all perils in the underwriting process contributed to the performance. The year's income forecast and available capacity had been increased in the expectation that improvements in terms would continue throughout 2024, however, conditions began to soften much earlier in the cycle than had been expected. This book also benefitted from reductions in prior years' loss estimates.

The Commercial Lines portfolio continued to perform well in 2024 despite experiencing the on-going effects of inflationary trends. We are looking to grow the D&F areas given the current profitability levels and further opportunities in various class sectors are being explored where favourable margin is still perceived.

Actions to strengthen the pricing and reserving of the US Casualty business taken in recent years have been well founded and further actions were taken this year with prior year loss experience developing broadly in line with our best estimate expectations in most segments. Whilst rates for this business have been increasing, claims costs, due to general and social inflationary pressures and litigation severity in particular, are continuing to offset these improvements, particularly in the general liability sectors. As noted above although economic inflation is abating social inflation and medical costs are continuing to rise notably in the US and to a lesser extent in other countries. Reserving in Casualty classes has been a focus of detailed review and where necessary revisions to the underlying original pricing assumptions and reserving bases. The work has utilised all market data and expert judgement in relation to the anticipated outcomes of legal, social and economic trend. The output from the specific exercise has resulted in further reserve strengthening in some parts of the portfolio to address claims volatility and development concerns and recent loss experience.

Strategic report of the Managing Agent (continued)

The Aviation market has despite notable airline losses in the year continued to see a deterioration in rates. We have broadened our approach to the airline sector to provide a better spread of business and increase the income levels. Litigation is now underway relating to aeroplanes which had been leased to Russian airlines. Faraday's Aviation book suffered adverse experience in 2024 due losses and increasing the cost reserves for Russia / Ukraine related litigations. As court cases begin to conclude there are indications that some of the costs may be recouped.

The Employers' Liability & Public Liability book continues to perform satisfactorily and is now growing to pre Covid levels with a broad base of clients and activities.

The International Casualty and Motor books were profitable benefitting from favourable prior year developments. We have allowed for the recent increase in the UK Personal Injury Discount Rate and the latest 2024 Annual Survey of Hours and Earnings (ASHE) which has decreased from the heightened UK inflation in 2023 but remains elevated by historical standards. Going forward we expect the account will develop in a diversified manner often outside of the UK.

The Financial Lines team continued to consolidate its position in the market place. Reserving on this line is robust as it becomes established and this, together with a couple of medium sized losses during 2024, gave rise to a small loss in the year. Trading conditions continue to be challenging but the team continues to search for profitable opportunities.

Agriculture remains a consistent performer within Syndicate 435's portfolio due to the risk selection of the experienced underwriting team. The account suffered one outsize loss in 2024 but underlying performance and premium growth remained very good. 2025 should see further growth in this line as the team continues to identify and engage in significant deals.

Energy continued upon its growth trajectory towards critical mass and has expanded linesize capability in order to compete more equitably in the marketplace.

New lines of business continue to be given consideration and Faraday aims to further broaden its portfolio in 2025 with the imminent addition of expertise in other underwriting sectors.

Faraday is looking to grow into new and existing lines where rates are deemed sufficient for the risk being taken on and wishes to optimise the portfolio towards areas anticipated to produce superior returns whilst maintaining strict underwriting discipline. Several initiatives are being worked on to produce underwriting strategies and disciplines that are commensurate with the prevailing environments. Faraday is willing to consider and engage in a large variety of arrangements and is already seeing the benefit of its recent expansion of engagement with other market participants.

Performance management remains an integral part of underwriting supervision and strategies. Coverages and exposures are continually evaluated in order to either improve the chances of likely positive outcomes or enhance the ongoing profitability of a sector. Where necessary we will act to limit areas of the business not delivering to target.

Principal risks and uncertainties

A formal risk strategy and set of risk policies have been put in place, these are consistent with our business strategy. The risk policies are supported by a series of risk appetites which set out our overall appetite for risk. The business strategy and risk appetites are subject to frequent review to ensure Faraday is able to respond to any changes in market conditions. The board retains responsibility for the design of the risk management framework and approval of the risk appetites. It has delegated other aspects of risk management to the Risk & Capital Committee and the Audit & Risk Committee; the latter reports to the board.

Strategic report of the Managing Agent (continued)

The Executive Management Committee is responsible for the execution of the business strategy and manages the business from an operational perspective. It is supported by formal groups responsible for day-to-day underwriting, investment review, overseeing the larger transactions, management of the syndicate's counterparty exposures, climate change, data analytics, operational resilience and information technology; these groups report directly to the Executive Management Committee.

The Risk & Capital Committee, reporting to the Audit & Risk Committee, oversees the risk profile of the syndicate.

The Audit & Risk Committee is composed entirely of non-executive directors; this body provides independent oversight and challenge to the way in which risk is managed, monitored and reported within the syndicate. It considers any changes to risk appetite ensuring consistency with the syndicate's risk strategy. In addition, this Committee reviews, amongst other matters, the risk management framework, the operation of the internal model and the internal control system. The Risk and Compliance functions provide input to the Audit & Risk Committee.

From an operational perspective, the Chief Executive Officer is responsible for strategic risk, risk related to personnel and group risk. The Chief Underwriting Officer monitors underwriting risk, including the oversight of catastrophe exposures and, in conjunction with the Chief Executive Officer reinsurance protections. The Head of Claims is responsible for claims management and the Chief Actuary, in conjunction with the Chief Financial Officer, is responsible for reserve risk. The Chief Financial Officer manages all aspects of market risk and credit risk. The Chief Operating Officer is responsible for the oversight of operational risks, as they relate to processes and systems.

The Chief Risk Officer is responsible for risk management and regulatory compliance. Risk and control owners are responsible for assessing and managing the risks for which they are held accountable using a series of key performance and key risk indicators. The former are reported on at the Executive Management Committee and the latter are the responsibility of the Risk & Capital Committee. Where an indicator triggers pre-set criteria an escalation to the board is implemented to support effective management of the syndicate's risk profile.

The principal risks and uncertainties facing the syndicate are as follows:

Insurance risk

There are three different elements to insurance risk, being the risk of losses from catastrophe events (catastrophe risk), the risk that business will prove to be inadequately priced given the coverage being provided (premium risk), and the risk that claims reserves prove to be insufficient (reserve risk). The board manages insurance risk by agreeing its underwriting appetite at least annually. This includes catastrophe appetites, combined ratio targets and line size guidelines. Underwriting performance is monitored against the business plan throughout the year by the Executive Management Committee. Licensed catastrophe models are used to model maximum probable losses from natural catastrophe exposed business for significant perils in key areas and to monitor exposures against pre-determined appetites. Reserve adequacy is monitored through a regular review of loss development and reserving analyses carried out by the Actuarial department.

Credit Risk

This represents the risk of default by one or more of the syndicate's counterparties, be they brokers, coverholders or reinsurers. The risk of default by issuers of investment holdings is captured in market risk. The syndicate conducts business only with brokers and coverholders that have been approved by the security group, which reviews the financial position and other information in respect of these entities on at least an annual basis. A similar process is followed with respect to the use of reinsurers on the syndicate's reinsurance programmes.

Strategic report of the Managing Agent (continued)

Market Risk

Market risk relates primarily to the exposures faced by the syndicate in respect of movements in key economic variables such as interest rates and foreign exchange rates and their potential impact on the valuation of the investment portfolio and other balance sheet items, such as claims reserves. These risks are managed through the adoption of a prudent investment strategy with respect to the duration and credit quality of the investment portfolio, as well as through the regular re-balancing of the foreign exchange position and exposures to match closely the liability currency profile.

In relation to investment holdings, the investment group recommends to the board the syndicate's investment strategy, having due regard to investment results, economic conditions and developments in financial markets. Benchmarks are set each year with reference to this strategy in order to monitor the performance of the syndicate's investment managers. Credit quality and asset concentration parameters are set which properly control the syndicate's exposure to investment risk. The syndicate makes no use of financial derivatives in the management of its risk exposures.

Liquidity risk

This is the risk that the syndicate will not be able to meet its liabilities as they fall due, because of a shortfall of liquid assets. To mitigate this risk, the level of short-term investment holdings is monitored by the Chief Financial Officer and the Executive Management and Risk & Capital Committees. The syndicate's conservative investment guidelines also help to ensure that its portfolio has the necessary liquidity to respond quickly to short-term funding needs.

Operational Risk

Operational risk arises from errors caused by people, processes or systems, to include cyber issues, that could lead to losses to the syndicate. It includes the impact from external bodies, such as outsourced service providers and related companies. A specific workstream addresses operational resilience in its many forms. We are mindful of the PRA's requirements to be able to demonstrate that we remain within our impact tolerances for our important business services (IBS). Much time has been spent in responding to the various requests from the PRA in support of our underlying work in readiness for the March 2025 deadline.

Operational risk is managed through a combination of robust service level agreements with external service providers, the implementation of detailed procedures and controls in all areas of its business and a structured programme of testing of processes and systems by the Risk, Compliance and Internal Audit departments. This is overseen by the Executive Management and Risk & Capital Committees.

Financial key performance indicators

The syndicate's underwriting strategy is focused on the profitability of business, a key performance indicator being the level of absolute profit achieved. In 2024, despite several catastrophe events and the further enhancement of reserves for social and economic inflation, the syndicate generated a profit of \$185,379,000 (2023: £134,555,000, restated in USD \$162,077,000) at a combined ratio of 83.5% (2023: 84.8%).

The other key financial performance indicator is the investment return achieved compared with the benchmark set by the board. Given the nature of the syndicate's business, 80% of its investment portfolio is denominated in US dollars. The 2024 calendar year investment return on this portfolio was 4.8% (2023: 4.1%), compared with a benchmark of 4.0% (2023: 4.2%). Following increases in global interest rates this is now working through into the syndicate's investment returns.

Strategic report of the Managing Agent (continued)

Key stakeholders and responsibilities

The managing agent is fully aware of on-going responsibilities. Accordingly, attention is given to key stakeholders. These include clients, regulators, staff employed by the group, third party suppliers, local communities, the environment and Berkshire Hathaway Inc. the ultimate parent company.

The managing agent acts in good faith to promote the success of the syndicate for the benefit of the member as a whole. Decision making is made in an informed manner, having regard to the impact on stakeholders and matters set out in s.172 of the Companies Act 2006.

Of particular note:

- The directors, in making decisions have considered the long term prospects of Syndicate 435. A review of the business is given above.
- The managing agent takes pride in all business relationships. The organisation looks to engage with clients, outsourcers, professional advisers, staff and other stakeholders in a straightforward and professional manner. Treating all stakeholders fairly is of paramount importance.
- Employees are fundamental to the success of the business. The managing agent strives to make Faraday an enjoyable and rewarding place to work. Regular meetings are held to update staff on the performance and operational aspects of the syndicate. The open style of management adopted by the directors encourages employees to raise any issues and appropriate steps can be taken. The directors regard this style as one of the core strengths; it assists with staff retention. Training and development of staff is another important factor of the board's focus; a skilled and content workforce is crucial to the success of the business. As well as participating in market surveys undertaking an in-house survey on culture a formal Culture Group has been established to enable full and frank discussion and dialogue on the survey's findings. Initiatives have been established to address the matters raised.
- The directors monitor developments in the wider business and financial arenas. In particular these include regulatory requirements and guidelines as well as legal frameworks and Risk and Compliance aspects of the (re)insurance industry. Faraday would adapt to any revisions as they arise having regard to our diverse stakeholders. Market conditions underpin the ever-changing needs of key stakeholders. The directors endeavour to react to the circumstances in a timely manner. High business standards are promoted throughout the organisation. The board revisits the overall strategy at a formal meeting each year. Work continues on an on-going basis to increase the quality of business being underwritten. When necessary, difficult decisions will be taken.
- The robust client focus assists with maintaining and improving relationships with clients, outsourcers and suppliers. Every effort is made by the directors, following recommendations from the Underwriters, to meet the changing needs of our customers. Products are regularly reviewed to ensure they meet the requirements and are acceptable to all parties in the distribution chain; revisions are made as necessary.
- The directors value market perception. Every effort is made to meet the wide range of financial responsibilities. Payment terms will be met and enquiries are always made where service levels are queried by any of the stakeholders.
- Finally, the managing agent is conscious of its environmental and social responsibilities. Care is taken to minimise any adverse impact the business might have on the wider environment. A hybrid working regime has been in operation during 2024; this continues to be monitored to achieve the best outcome for the business. It is pleasing to note that colleagues continue to undertake face to face meetings in person; the business is seeing benefits from this. Work continues to reduce the use of general office consumables. Specific attention is now being given to the broad reach of climate change from both a business and operational perspective.

Strategic report of the Managing Agent (continued)

Environment, Social & Governance : Climate change

The impact on the business from climate change continues to be assessed; relevant data is considered and action taken as appropriate bearing in mind the long term nature of the impacts of climate change. The managing agent is mindful of its corporate and social responsibilities in the global market place in which the syndicate is active. Specific resource has been dedicated to evaluating climate change with an on-going review of the risk factors from a financial and an operational perspective.

Future developments

Whilst it is too early to assess rates across the various lines of business 2025 has opened, in the main, with a very competitive trading environment. This is due, in part, to surplus capacity in many areas with aggressive appetite. Whilst disappointing, our Underwriters remain focussed on writing business that meets our strict internal metrics around price adequacy and finding opportunities that supplement the existing portfolio.

Faraday continues to work with Lloyd's to ensure we are positioned for long term success as well as supporting the Lloyd's franchise with engagement in the roll-out of The Future at Lloyd's, Blueprint 2 which has been subject to several delays.

The managing agent remains mindful that Faraday's primary platform continues to be the syndicate. However, in certain circumstances this may not be suitable and Faraday MGA Limited, our second platform, would provide a means to accommodate Faraday's clients' needs. In 2024 our MGA has bound business on behalf of General Reinsurance AG and it is dealing with the runoff of business bound in earlier years on behalf of Berkshire Hathaway International Insurance Limited, both are related group companies. And, as noted in the Managing Agent's Report Faraday Europe SAS was formed in late 2024. This, once fully operational, will provide a further route for business for Syndicate 435.

Faraday continues to review its vision and overall strategy. We strive to ensure the optimum outcome for policyholders as well as adding strength to the Faraday brand. We continue to investigate other classes of business and will look to broaden the Faraday product offering where appropriate. Faraday maintains its strong underwriting discipline across all lines of business and is prepared to take tough decisions should the underlying risk not pass strict criteria. Underwriters remain focused on the profitability of the business being written. We are actively looking to enhance our market presence during the coming year through growth in our younger teams, participation in further new lines of business and large individual bespoke arrangements.

By order of the board

Elisabeth Richardson

Company Secretary

London

26 February 2025

Managing Agent's report

The directors of Faraday Underwriting Limited ('the managing agent') present their report for the year ended 31 December 2024.

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 and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS102') and Financial Reporting Standard 103: Insurance Contracts ('FRS103').

Results

As can be seen from Note 5 – 'Segmental analysis' the majority of Syndicate 435's business is US based. After much thought it has been concluded that the presentation currency should change to US dollars from GB pounds; accordingly, the 2023 comparative figures have been restated at the relevant 2023 exchange rate. Any regulatory figures that are established in GB pounds are and will continue to be stated in that currency.

The result for the 2024 calendar year is a profit of \$185,379,000 (2023: £134,555,000 restated in USD \$162,077,000).

Going concern

After making enquiries, the directors have a reasonable expectation that Syndicate 435 ('the syndicate') has adequate resources to continue in operational existence for the foreseeable future. Moreover, the directors expect that continued capital support will be in place in order to do so. Accordingly, the going concern basis continues to be adopted in preparing the Annual Report.

Directors

The directors of the managing agent who served during the year ended 31 December 2024 and to the date of signing this report were as follows:

Paul Blight, Chief Underwriting Officer and Active Underwriter

Andrew D'Arcy, non-executive director

Vicky Cortese, HR director appointed to the board on 6 September 2024

Nick Frankland, non-executive director appointed on 1 February 2024, non-executive Chairman with effect from 13 June 2024

Kevin Harker, Chief Financial Officer

Michael Hosking, Chief Risk Officer, appointed to the board on 29 August 2024

Terry Masters, Senior non-executive director

Stephen Michael, non-executive director

Martin Pike, Chairman and non-executive director to date of retirement 31 May 2024

Andrea Reynolds, non-executive director

Tom Shelley, Chief Executive Officer

Faraday's wider role

Although Syndicate 435 is Faraday's main platform, Faraday MGA Limited ('the MGA') provides a means to accommodate our clients' needs when the Lloyd's platform does not. The MGA has a binding authority to write business on behalf of General Reinsurance AG (GRAG) and recently with Berkshire Hathaway International Insurance Limited (BHIIL), both of which are related companies.

In 2024 Faraday Europe SAS was incorporated in France. At present its infrastructure and operational capabilities are being finalised; in due course it will provide another route for business to pass to Syndicate 435.

Managing Agent's report (continued)

Statement of disclosure of information to auditors

Each of the directors at the date of this report confirms that:

- (a) so far as each of them is aware, there is no information relevant to the audit of the syndicate's financial statements for the year ended 31 December 2024 of which the auditors are unaware; and
- (b) the director has taken all the steps that she/he ought to have taken in her/his duty as a director to make her/ him aware of any relevant audit information and to establish that the syndicate's auditors are aware of that information.

Management and capacity

Faraday Underwriting Limited is the managing agent for Syndicate 435. Faraday Holdings Limited, the immediate parent company of the managing agent, is itself owned by General Re Corporation which is a subsidiary of Berkshire Hathaway Inc. The ultimate holding company of the Faraday group of companies is therefore Berkshire Hathaway Inc.

Syndicate capacity for the 2022 to 2023 years of account has been provided in full by Faraday Capital Limited, a wholly owned subsidiary of Faraday Holdings Limited. With effect from the 2024 year of account syndicate capacity is provided in full by Faraday Corporate Capital Limited, also a wholly owned subsidiary of Faraday Holdings Limited. The capacity in recent years is as follows 2022: £480m, 2023 and 2024: £680m.

Capacity for 2025 has been set at £640m. This is being provided by our corporate member Faraday Corporate Capital Limited which has received Lloyd's regulatory approval for the role with effect from the 2024 year of account. Faraday Capital Limited will continue to be the sole corporate name on the 2023 and prior years of account whilst they remain open.

Faraday Capital Limited has exercised its right to waive the requirement to prepare separate accounts for the 2022 closed year of account.

Faraday is composed of Faraday Holdings Limited and its subsidiaries Faraday Underwriting Limited, Faraday Corporate Capital Limited, Faraday Capital Limited, Faraday Europe SAS, Faraday MGA Limited and GRF Services Limited.

Future developments

Future developments at the syndicate are described in the Strategic Report on page 4.

Auditors and syndicate meeting

The managing agent hereby gives formal notification of a proposal to re-appoint Deloitte LLP as auditor of Syndicate 435 for a further year. In addition, the managing agent confirms that it does not propose to hold an annual general meeting of the syndicate.

By order of the board

Elisabeth Richardson

Company Secretary

London

26 February 2025

Statement of Managing Agent's responsibilities

31 December 2024

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

The Insurance Accounts Directive (Lloyd's syndicate and Aggregate Accounts) Regulations 2008 ('the 2008 Regulations') require the managing agent to prepare syndicate financial statements for each financial year. Under that law the managing agent has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the managing agent must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the syndicate and of the profit or loss of the syndicate for that period.

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

- (a) select suitable accounting policies and then apply them consistently
- (b) make judgments and accounting estimates that are reasonable and prudent;
- (c) state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- (d) prepare the syndicate financial statements on the going concern basis unless it is inappropriate to presume that the syndicate will continue to write business.

The managing agent is responsible for keeping adequate accounting records that are sufficient to show and explain the syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the financial statements comply with 2008 Regulations. 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 preparation and review of the iXBRL tagging that has been applied to the Syndicate Financial Statements in accordance with the instructions issued by Lloyd's, including designing, implementing and maintaining systems, processes and internal controls to result in tagging that is free from material non-compliance with the instructions issued by Lloyd's, whether due to fraud or error.

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 435

Report on the audit of the syndicate annual financial statements

Opinion

In our opinion the syndicate annual financial statements of Syndicate 435 (the 'syndicate'):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and sections 1 and 5 of the Syndicate Accounts Instructions Version 2.0 as modified by the Frequently Asked Questions Version 1.1 issued by Lloyd's (the "Lloyd's Syndicate Accounts Instructions").

We have audited the syndicate annual financial statements which comprise:

- the statement of profit or loss account and other comprehensive income;
- the balance sheet;
- the statement of changes in members' balances;
- the statement of cash flows; and
- the related notes 1 to 24.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law and the Syndicate Accounts Instructions. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the syndicate annual financial statements section of our report.

We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual financial statements in the UK, including the Financial Reporting Council's (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 managing agent's 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 syndicate's ability to continue in operations for a period of at least twelve months from when the syndicate financial statements are authorised for issue.

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

Independent Auditor's report to the members of Syndicate 435 (continued)

Other information

The other information comprises the information included in the annual report, other than the syndicate annual financial statements and our auditor's report thereon. The managing agent is responsible for the other information contained within the annual report. Our opinion on the syndicate annual financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual 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 this gives rise to a material misstatement themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of managing agent

As explained more fully in the managing agent's responsibilities statement, the managing agent is responsible for the preparation of the syndicate annual financial statements and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of syndicate annual financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the syndicate annual financial statements

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

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

Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the syndicate and its control environment, and reviewed the syndicate's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

Independent Auditor's report to the members of Syndicate 435 (continued)

We obtained an understanding of the legal and regulatory frameworks that the syndicate operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), the Lloyd's Syndicate Accounts Instructions; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the syndicate's ability to operate or to avoid a material penalty. These included the requirements of Solvency II.

We discussed among the audit engagement team including relevant internal specialists such as actuarial and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our procedures performed to address them are described below:

- Estimation of pipeline premiums requires significant management judgement and therefore there is potential for management bias through manipulation of core assumptions. In response our testing included, on a sample basis, comparing management's estimates on prior year policies against actual premiums received as well as to historical experience on similar policies.
- Valuation of technical provisions includes assumptions and methodology requiring significant management judgement and involves complex calculations, and therefore there is potential for management bias. There is also a risk of overriding controls by making late adjustments to the technical provisions. In response to these risks we involved our actuarial specialists to develop independent estimates of the technical provisions and we tested the late journal entries to technical provisions.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and internal audit concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with Lloyd's, Prudential Regulation Authority and Financial Conduct Authority.

Independent Auditor's report to the members of Syndicate 435 (continued)

Report on other legal and regulatory requirements

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

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

- the information given in the strategic report and the managing agent's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the managing agent's report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the managing agent's report.

Matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with regulation 10 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Syndicate Accounts Instructions Version 2.0, these financial statements will form part of the Electronic Format Annual Syndicate Accounts filed with the Council of Lloyd's and published on the Lloyd's website. This auditors' report provides no assurance over whether the Electronic Format Annual Syndicate Accounts have been prepared in compliance with Section 2 of the Syndicate Accounts Instructions Version 2. We have been engaged to provide assurance on whether the Electronic Format Annual Syndicate Accounts has been prepared in compliance with Section 2 of the Syndicate Accounts Instructions Version 2 and will privately report to the directors of the managing agent and the Council of Lloyd's on this.

Adam Ely FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

26 February 2025

Statement of profit or loss and other comprehensive income

Technical account – General business

For the year ended 31 December 2024

	Note	2024 \$000	Restated 2023 \$000
Gross premiums written	5	821,942	825,055
Outwards reinsurance premiums		(94,542)	(90,163)
Premiums written, net of reinsurance		727,400	734,892
<i>Changes in unearned premium</i>	17		
Change in the gross provision for unearned premiums		(38,427)	(9,143)
Change in the provision for unearned premiums reinsurers' share		6,609	10,655
Net change in provisions for unearned premiums		(31,818)	1,512
Earned premiums, net of reinsurance		695,582	736,404
Allocated investment return transferred from the non-technical account	10	75,049	55,830
<i>Claims paid</i>	17		
Gross amount		(353,056)	(388,726)
Reinsurers' share		32,912	34,044
Net claims paid		(320,144)	(354,682)
<i>Change in the provision for claims</i>	17		
Gross amount		(9,080)	(40,283)
Reinsurers' share		(46,531)	(21,816)
Net change in provisions for claims		(55,611)	(62,099)
Claims incurred, net of reinsurance		(375,755)	(416,781)
Net operating expenses	7	(204,457)	(207,127)
Balance on the technical account – general business		190,419	168,326

Statement of profit or loss and other comprehensive income (continued)

Non-technical account – General business

For the year ended 31 December 2024

	Note	2024 \$000	Restated 2023 \$000
Balance on the technical account – general business		190,419	168,326
Investment income	10	40,274	41,390
Realised gains/(losses) on investments	10	17,557	5,130
Unrealised gains/(losses) on investments	10	18,255	10,234
Investment expenses and charges	10	(1,037)	(924)
Total investment return		75,049	55,830
Allocated investment return transferred to the general business technical account		(75,049)	(55,830)
Foreign exchange		(5,040)	(6,249)
Profit for the financial year		185,379	162,077
Other comprehensive income:			
Other		-	-
Total profit for the year		185,379	162,077

The accompanying notes from page 24 to 46 form an integral part of these financial statements.

Balance sheet - Assets

As at 31 December 2024

	Note	2024 \$'000	Restated 2023 \$'000
Financial investments	11	1,652,241	1,480,803
Deposits with ceding undertakings		2,423	3,952
Investments		1,654,664	1,484,755
Provision for unearned premiums		29,669	23,315
Claims outstanding		199,979	246,654
Reinsurers' share of technical provisions	17	229,648	269,969
Debtors arising out of direct insurance operations	12	141,581	110,391
Debtors arising out of reinsurance operations	13	142,982	125,254
Other debtors	14	-	-
Debtors		284,563	235,645
Cash at bank and in hand		69,146	86,388
Other assets		69,146	86,388
Accrued interest and rent		7,252	14,445
Deferred acquisition costs	15	63,739	57,896
Other prepayments and accrued income		-	-
Prepayments and accrued income		70,991	72,341
Total assets		2,309,012	2,149,098

Balance sheet - Liabilities

As at 31 December 2024

	Note	2024 \$000	Restated 2023 \$000
Members' balances		204,200	79,661
Total capital and reserves		204,200	79,661
Provision for unearned premiums		332,010	295,682
Claims outstanding		1,667,532	1,669,683
Technical provisions	17	1,999,542	1,965,365
Creditors arising out of direct insurance operations	18	11,118	13,299
Creditors arising out of reinsurance operations	19	85,198	80,932
Other creditors including taxation and social security	20	56	56
Creditors		96,372	94,287
Accruals and deferred income		8,898	9,785
Total liabilities		2,104,812	2,069,437
Total liabilities, capital and reserves		2,309,012	2,149,098

The Syndicate financial statements on pages 18 to 46 were approved by the board of Faraday Underwriting Limited on 25 February 2025 and were signed on its behalf by;

Kevin Harker

Director

London

26 February 2025

Statement of changes in members' balances

For the year ended 31 December 2024

	2024 \$000	Restated 2023 \$000
Members' balances brought forward at 1 January	79,661	(37,963)
Total profit/(loss) for the year	185,379	162,077
Payments of profit to members' personal reserve funds	(60,847)	(44,451)
Other	7	(2)
Members' balances carried forward at 31 December	204,200	79,661

Statement of cash flows

For the year ended 31 December 2024

	Note	2024 \$000	Restated 2023 \$000
Cash flows from operating activities			
Profit/(loss) for the financial year		185,379	162,077
<i>Adjustments:</i>			
Increase/(decrease) in gross technical provisions		34,177	70,214
(Increase)/decrease in reinsurers' share of gross technical provisions		40,321	6,265
(Increase)/decrease in debtors		(48,918)	(4,870)
Increase/(decrease) in creditors		2,085	11,771
Movement in other assets/liabilities		463	778
Investment return		(75,049)	(55,830)
Foreign exchange		15,922	(9,856)
Other		(17,557)	(4,127)
Net cash flows from operating activities		136,823	176,422
Cash flows from investing activities			
Purchase of equity and debt instruments		(1,377,932)	(664,550)
Sale of equity and debt instruments		1,222,639	512,841
Investment income received		57,831	46,520
Other		8,241	(5,304)
Net cash flows from investing activities		(89,221)	(110,493)
Cash flows from financing activities			
Distribution of profit		(60,847)	(44,451)
Other		7	(2)
Net cash flows from financing activities		(60,840)	(44,453)
Net increase/(decrease) in cash and cash equivalents		(13,238)	21,476
Cash and cash equivalents at the beginning of the year		87,170	73,195
Foreign exchange on cash and cash equivalents		(3,737)	(7,501)
Cash and cash equivalents at the end of the year	21	70,195	87,170

Notes to the financial statements

1. Basis of preparation

Faraday Syndicate 435 ('The syndicate') comprises a group of members of the Society of Lloyd's that underwrites insurance business in the London Market. The address of the Syndicate's managing agent is Corn Exchange, 55 Mark Lane, London, EC3R 7NE.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable Accounting Standards in the United Kingdom and the Republic of Ireland, including Financial Reporting Standard 102 (FRS 102). FRS 102 requires the application of Financial Reporting Standard 103 (FRS 103) in relation to insurance contracts. Since all open years of account are aligned data under Schedule 3 Section 6(1)b of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has not been prepared.

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss and available for sale that are measured at fair value.

The financial years presented are 31 December 2024 and comparatives at 31 December 2023. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The financial statements are presented in US Dollars, the functional currency of the syndicate is US Dollars because that is the currency of the primary economic environment in which the syndicate operates. The 2023 accounts were presented in GB pounds, the 2023 financials in these accounts have been restated at the relevant 2023 exchange rates in US Dollars in alignment with FRS 102 section 30.18.

During 2024, Lloyd's introduced changes to the syndicate accounts process to rationalise and standardise financial reporting across the market. As a result, certain comparative information has been restated to ensure consistency with current year presentation and compliance with the Lloyd's Syndicate Accounts Instructions. The appropriate changes have been made.

The syndicate continues to engage in non-life business.

Going concern

The syndicate has financial resources to meet its financial needs and manages its portfolio of insurance risk. The directors have continued to review the business plans, liquidity and operational resilience of the syndicate and are satisfied that the syndicate is well positioned to manage its business risks in the current economic environment for the next 12 months. The syndicate 2024 year of account has opened and the directors have concluded that the syndicate has sufficient resources to, and a reasonable expectation that it will, open a 2025 year of account. There is no intention to cease underwriting or cease the operations of the syndicate.

Accordingly, the directors of the managing agent continue to adopt the going concern basis in preparing the annual report and financial statements.

2. Use of judgements and 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 following critical judgements have been made in applying the syndicate's accounting policies: There are no critical accounting judgements, apart from those involving estimations (which are dealt with separately below), in the process of applying the syndicate's accounting policies.

The syndicate makes estimates and assumptions concerning the future based on historical experience and other factors that are considered to be relevant. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis.

Notes to the financial statements (continued)

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Gross premiums written

Gross premiums written includes estimates for pipeline premiums together with adjustments to premiums written in prior accounting periods; these are key estimates. Gross premiums written include pipeline premiums calculated using actuarial projection techniques on the key assumption that historical development is representative of future development. In the syndicate, premiums written is initially based on the estimated premium income ('EPI') of each contract, adjusted by actuarial projection techniques where appropriate. EPI is adjusted as the year of account matures. Sensitivities have been run on the pipeline premium balance. A decrease in the pipeline premium of 20% would impact gross written premium by \$59.7m (2023: \$48.3m) and conversely an increase would add \$59.7m (2023: \$48.3m) to gross written premium. Neither movement would give rise to a material change in the overall result. Gross premiums written are disclosed in note 5.

Valuation of assets and liabilities of non-life insurance contracts

Estimates are made for both the expected ultimate cost of claims reported and claims IBNR at the balance sheet date. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. In calculating the estimated liability, the syndicate uses a variety of estimation techniques based upon statistical analyses of historical experience which assumes past trends can be used to project future developments. The estimation of the reinsurer's share of technical provisions, particularly IBNR, is subject to the same estimation uncertainty since its valuation is dependent on the gross estimate. Technical provisions are disclosed in note 17.

3. Significant accounting policies

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

Premiums written

Premiums written comprise premiums on policies inceptioned during the financial year as well as adjustments made in the year to premiums written in prior financial years. Premiums written are shown gross of acquisition costs payable and exclude taxes and duties levied on them. Premiums include estimates for pipeline premiums, representing amounts due to the syndicate not yet notified.

Unearned premiums

Unearned premiums represent the proportion of premiums written in the financial year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Reinsurance premium ceded

Outwards reinsurance premiums are accounted for in the same year as the premiums for the related inwards business being reinsured.

Claims provisions and related recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the financial year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding established in previous years.

Notes to the financial statements (continued)

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet date based on statistical methods.

These methods generally involve the projection from past experience of the development of claims over time to form a view of the likely ultimate claims to be incurred, 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 can arise 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 claims outstanding is based on the amounts of gross case reserves and IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the financial year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

The two most critical assumptions with regard to claims provisions are firstly that the past is, in general terms, a reasonable predictor of the likely level of claims development but subject always to unpredictable changes and secondly 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, the 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 financial 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.

Unexpired risks provision

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

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

Deferred acquisition costs

Acquisition costs, comprising commission and other costs related to the acquisition of insurance and reinsurance policies as well as reinsurance policies ceded, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

Foreign currencies

The syndicate's functional currency is considered to be US dollars (USD) because that is the currency of the primary economic environment in which the syndicate operates. The syndicate's chosen presentational currency is USD.

Underwriting transactions denominated in currencies other than USD, GBP or Canadian dollars (CAD) are predominantly converted to GBP at the rate of exchange ruling at the date the transaction is processed. Thereafter, GBP and CAD transactions are converted to the functional currency using the USD exchange rates prevailing at the respective month end.

Under FRS 102 and FRS 103, monetary assets and liabilities (which include 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. Non-monetary items denominated in foreign currencies, measured at fair value, are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined.

Notes to the financial statements (continued)

Exchange differences arising from translation to functional currency are recorded in the Profit and Loss Account, non-technical account.

Investments

Investments are stated at current value at the balance sheet date. For this purpose, listed investments are stated at market value and deposits with credit institutions which includes overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Unlisted investments for which a market does not exist, where the investment is held to maturity, are stated at cost.

The directors use their judgement in selecting an appropriate valuation technique. Where possible, financial instruments are marked at prices quoted in active markets. In certain instances, such price information is not available for all instruments and the syndicate uses valuation techniques to measure such instruments. These techniques use 'market observable inputs' where available, derived from similar assets in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions where observable reference data are not available for some or all parameters the syndicate estimates the non-market observable inputs used in its valuation models.

Investment fair value hierarchy

We have adopted FRS 102 section 11.27 which establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 – When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If it can be demonstrated that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

Level 3 – If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

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.

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the financial year, together with the reversal of unrealised gains and losses recognised in earlier financial years in respect of investment disposals in the current financial year.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the technical account – general business. Investment return has been wholly allocated to the technical account since all investments relate to the technical account.

Notes to the financial statements (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 deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to the member is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year are included in the balance sheet under the heading 'Other debtors'.

No provision has been made for any overseas tax payable by members on underwriting results.

Pension costs

Staff who provide services to the syndicate are employed by GRF Services Limited, a wholly owned subsidiary of Faraday Holdings Limited. GRF Services Limited operates a defined contribution pension scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

Profit commission

Profit commission is not being charged by the managing agent.

Deposits with ceding undertakings

Deposits with ceding undertakings are funds held by Lloyd's Europe on behalf of the syndicate to settle Part VII claims. These funds are held at amortised cost in the balance sheet.

4. Risk and capital management

Introduction and overview

This note presents information about the nature and extent of insurance and financial risks to which the syndicate is exposed, the managing agent's objectives, policies and processes for measuring and managing insurance and financial risks, and for managing the syndicate's capital.

Risk management framework

The Board of Directors of the Managing Agent has overall responsibility for the establishment and oversight of the syndicate's risk management framework. The Board has established a Risk Committee to oversee the operation of the syndicate's risk management framework and to review and monitor the management of the risks to which the syndicate is exposed.

The Risk Committee reports regularly to the Audit and Risk Committee on its activities.

The risk management policies are established to identify and analyse the risks faced by the syndicate, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

A. Insurance risk

The syndicate accepts 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 syndicate is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The syndicate manages its risk via its underwriting and reinsurance strategy within an overall risk management framework.

Notes to the financial statements (continued)

The claims development table in note number 16 shows the actual claims incurred to previous estimates for the last 10 years.

Concentration

The syndicate writes Property, Liability and Aviation risks primarily over a twelve month duration. The most significant risks arise from natural disasters and other catastrophes (i.e. high severity, low frequency events). A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.

The concentration of non-life insurance by type of contract is summarised below by reference to liabilities.

Sensitivity to insurance risk

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for large losses and catastrophes, or from changes in estimates of claims IBNR.

The following table presents the sensitivity of the value of insurance liabilities disclosed in the accounts to potential movements in the assumptions applied within the technical provisions. Given the nature of the business underwritten by the syndicate, the approach to calculating the technical provisions for each class can vary and as a result the sensitivity performed is to apply a beneficial and adverse risk margin to the total insurance liability.

General insurance business sensitivities as at 31 December 2024	Sensitivity	
	+5.0% \$000	-5.0% \$000
Claims outstanding – gross of reinsurance	83,377	(83,377)
Claims outstanding – net of reinsurance	73,378	(73,378)

General insurance business sensitivities as at 31 December 2023	Sensitivity	
	+5.0% Restated \$000	-5.0% Restated \$000
Claims outstanding – gross of reinsurance	83,484	(83,484)
Claims outstanding – net of reinsurance	71,151	(71,151)

B. Financial risk

The syndicate monitors and manages the financial risks relating to the operations of the syndicate through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

a. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the syndicate. The key areas of exposure to credit risk for the syndicate are in relation to its investment portfolio, reinsurance programme and to a lesser extent amounts due from policyholders and intermediaries.

Notes to the Financial Statements (continued)

The objective of the syndicate in managing its credit risk is to ensure risk is managed in line with the syndicate's risk appetite. The syndicate has established policies and procedures in order to manage credit risk and methods to measure it.

Year 2024	AAA \$000	AA \$000	A \$000	BBB \$000	Other \$000	Not rated \$000	Total \$000
Shares and other variable yield securities and units in unit trusts	-	6,848	-	-	-	-	6,848
Debt securities and other fixed income securities	77,229	522,948	996,652	-	-	-	1,596,829
Loans and deposits with credit institutions	-	47,515	1,049	-	-	-	48,564
Deposits with ceding undertakings	-	-	2,423	-	-	-	2,423
Reinsurers' share of claims outstanding	815	151,125	40,193	96	-	7,750	199,979
Debtors arising out of direct insurance operations	-	-	-	-	-	141,581	141,581
Debtors arising out of reinsurance operations	4	1,478	1,754	19	-	139,727	142,982
Cash at bank and in hand	-	-	69,146	-	-	-	69,146
Other debtors and accrued interest	797	6,455	-	-	-	-	7,252
Total	78,845	736,369	1,111,217	115	-	289,058	2,215,604

Figures below have been restated in USD.

Year 2023	AAA \$000	AA \$000	A \$000	BBB \$000	Other \$000	Not rated \$000	Total \$000
Shares and other variable yield securities and units in unit trusts	-	8,799	-	-	-	-	8,799
Debt securities and other fixed income securities	178,884	1,114,927	119,197	-	-	-	1,413,008
Loans and deposits with credit institutions	-	58,217	779	-	-	-	58,996
Deposits with ceding undertakings	-	-	3,952	-	-	-	3,952
Reinsurers' share of claims outstanding	-	185,323	50,423	35	-	10,873	246,654
Debtors arising out of direct insurance operations	-	-	-	-	-	110,391	110,391
Debtors arising out of reinsurance operations	296	815	3,409	32	-	120,702	125,254
Cash at bank and in hand	-	-	86,388	-	-	-	86,388
Other debtors and accrued interest	1,461	12,962	-	-	-	22	14,445
Total	180,641	1,381,043	264,148	67	-	241,988	2,067,887

The 2023 disclosure has been revised to reflect more accurately the credit ratings.

The syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date.

Notes to the financial statements (continued)

The table below sets out the age analysis of financial assets that are past due but not impaired at the balance sheet date:

	Past due but not impaired				Total
	0-3 months past due	3-6 months past due	6-12 months past due	Greater than 1 year past due	
2024	\$000	\$000	\$000	\$000	\$000
Debtors arising out of direct insurance operations	30,037	7,105	1,524	-	38,666
Debtors arising out of reinsurance operations	2,447	1,171	516	260	4,394
Total	32,484	8,276	2,040	260	43,060

Figures below have been restated in USD.

	Past due but not impaired				Total
	0-3 months past due	3-6 months past due	6-12 months past due	Greater than 1 year past due	
2023	\$000	\$000	\$000	\$000	\$000
Debtors arising out of direct insurance operations	31,049	6,798	707	-	38,554
Debtors arising out of reinsurance operations	757	3,041	1,045	263	5,106
Total	31,806	9,839	1,752	263	43,660

b. Liquidity risk

Liquidity risk is the risk that the syndicate cannot meet its obligations associated with financial liabilities as they fall due. The syndicate has adopted an appropriate liquidity risk management framework for the management of the syndicate's liquidity requirements. The syndicate is exposed to liquidity risk arising from clients on its insurance and investment contracts.

	Undiscounted net cash flows					Total
	No maturity stated	0-1 yrs	1-3 yrs	3-5 yrs	>5 yrs	
Year 2024	\$000	\$000	\$000	\$000	\$000	\$000
Claims outstanding	-	436,443	676,379	234,181	320,529	1,667,532
Creditors	-	68,632	27,740	-	-	96,372
Other credit balances	-	8,898	-	-	-	8,898
Total	-	513,973	704,119	234,181	320,529	1,772,802

Figures below have been restated in USD.

	Undiscounted net cash flows					Total
	No maturity stated	0-1 yrs	1-3 yrs	3-5 yrs	>5 yrs	
Year 2023	\$000	\$000	\$000	\$000	\$000	\$000
Claims outstanding	-	504,279	632,243	147,315	385,846	1,669,683
Creditors	-	67,340	26,947	-	-	94,287
Other credit balances	-	9,785	-	-	-	9,785
Total	-	581,404	659,190	147,315	385,846	1,773,755

Notes to the financial statements (continued)

c. Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the syndicate in managing its market risk is to ensure risk is managed in line with the syndicate's risk appetite.

The syndicate undertakes certain transactions denominated in foreign currencies and has minimal exposure to currency risk as the syndicate's financial assets are primarily matched to the same currencies as its insurance contract liabilities. As a result, foreign exchange risk arises only to the extent that assets and liabilities denominated in other currencies are not precisely matched.

The table below summarises the carrying value of the syndicate's assets and liabilities, at the reporting date:

	Sterling	US dollar	Euro	Canadian dollar	Australian dollar	Japanese Yen	Total
2024	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Investments	217,257	1,268,745	44,600	102,163	21,899	-	1,654,664
Reinsurers' share of technical provisions	85,040	135,052	810	5,240	3,506	-	229,648
Debtors	33,492	195,959	33,005	11,803	6,383	3,921	284,563
Other assets	7,255	11,512	7,940	1,703	26,139	14,597	69,146
Prepayments and accrued income	7,376	50,545	6,773	3,770	2,225	302	70,991
Total assets	350,420	1,661,813	93,128	124,679	60,152	18,820	2,309,012
Technical provisions	(328,385)	(1,432,551)	(88,202)	(91,885)	(48,169)	(10,350)	(1,999,542)
Creditors	(13,092)	(72,200)	(2,914)	(4,928)	(3,211)	(27)	(96,372)
Accruals and deferred income	(4,542)	(3,336)	(77)	(514)	(429)	-	(8,898)
Total liabilities	(346,019)	(1,508,087)	(91,193)	(97,327)	(51,809)	(10,377)	(2,104,812)
Total capital and reserves	4,401	153,726	1,935	27,352	8,343	8,443	204,200

Figures below have been restated in USD.

	Sterling	US dollar	Euro	Canadian dollar	Australian dollar	Japanese Yen	Total
2023	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Investments	86,427	1,184,818	44,884	137,136	31,490	-	1,484,755
Reinsurers' share of technical provisions	96,684	162,101	1,113	7,034	3,037	-	269,969
Debtors	22,378	173,815	14,338	12,633	9,542	2,939	235,645
Other assets	11,868	12,266	12,744	5,399	20,693	23,418	86,388
Prepayments and accrued income	7,100	54,036	2,034	5,167	3,907	97	72,341
Total assets	224,457	1,587,036	75,113	167,369	68,669	26,454	2,149,098
Technical provisions	(381,471)	(1,339,417)	(76,831)	(92,086)	(66,190)	(9,370)	(1,965,365)
Creditors	(18,343)	(64,260)	(3,101)	(6,169)	(1,540)	(874)	(94,287)
Accruals and deferred income	(6,783)	(1,647)	(38)	(873)	(444)	-	(9,785)
Total liabilities	(406,597)	(1,405,324)	(79,970)	(99,128)	(68,174)	(10,244)	(2,069,437)
Total capital and reserves	(182,140)	181,712	(4,857)	68,241	495	16,210	79,661

Notes to the financial statements (continued)

The following table details Interest rate risk. This is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The syndicate is exposed to interest rate risk as it invests in long term debt at both fixed and floating interest rates. The risk is managed by the syndicate by maintaining an appropriate mix of asset duration such that the duration of liabilities is closely matched by our asset portfolio.

The sensitivity analyses below have been determined based on the exposure to interest rates. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	2024 Impact on results before tax \$000	2024 Impact on members' balances \$000	Restated 2023 Impact on results before tax \$000	Restated 2023 Impact on members' balances \$000
Interest rate risk				
+ 50 basis points shift in yield curves	(3,194)	(3,194)	(5,564)	(5,564)
- 50 basis points shift in yield curves	3,208	3,208	5,601	5,601
Equity price risk				
5 percent increase in equity prices	342	342	440	440
5 percent decrease in equity prices	(342)	(342)	(440)	(440)

C. Capital management

i. Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to supervision by the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000, and in accordance with the Solvency II Framework.

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

Although, as described below, 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 Syndicate 435 is not disclosed in these financial statements.

ii. 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 syndicates on which it is participating but not other members' shares. Accordingly, the capital requirements that Lloyd's sets for each member operates on a similar basis.

Notes to the financial statements (continued)

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 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 2024 was 35% (2023: 35%) of the member's SCR 'to ultimate'.

iii. 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 (FAL), assets held and managed within a syndicate (FIS), or as the member's share of the members' balances on each syndicate on which it participates.

Accordingly, all of the assets less liabilities of the syndicate, as represented in the members' balances reported on the balance sheet represent resources available to meet members' and Lloyd's capital requirements.

Notes to the financial statements (continued)

5. Analysis of underwriting result

An analysis of the underwriting result before investment return is presented in the table below:

2024	Gross premiums written \$000	Gross premiums earned \$000	Gross claims incurred \$000	Gross operating expenses \$000	Reinsurance balance \$000	Underwriting result \$000
<i>Direct insurance</i>						
Accident and health	1,986	5,417	10,536	(9,303)	56	6,706
Motor (third party liability)	1,170	2,765	(4,500)	(737)	(7)	(2,479)
Motor (other classes)	46,672	43,346	(23,572)	(16,955)	(103)	2,716
Marine, aviation, and transport	26,263	19,836	(13,596)	(6,793)	(4,065)	(4,618)
Fire and other damage to property	247,489	241,982	(67,999)	(60,707)	(41,753)	71,523
Third party liability	120,580	117,073	(89,841)	(35,873)	(5,700)	(14,341)
Credit and suretyship	2,816	2,913	(2,462)	(984)	6	(527)
Legal expenses	1,191	1,077	(911)	(417)	1	(250)
Assistance	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total direct insurance	448,167	434,409	(192,345)	(131,769)	(51,565)	58,730
Reinsurance acceptances	373,775	349,106	(169,791)	(81,323)	(41,352)	56,640
Total	821,942	783,515	(362,136)	(213,092)	(92,917)	115,370

The below is an additional disclosure for Lloyd's reporting purposes and is included to facilitate the classification of the above segments into the Lloyd's aggregate classes of business:

2024	Gross premiums written \$000	Gross premiums earned \$000	Gross claims incurred \$000	Gross operating expenses \$000	Reinsurance balance \$000	Underwriting result \$000
Additional analysis						
<i>Fire and damage to property of which is:</i>						
Specialities	6,287	6,288	(2,493)	(2,372)	(381)	1,042
Energy	8,293	8,420	(3,512)	(2,163)	(1,142)	1,603
<i>Third party liability of which is:</i>						
Energy	192	91	(34)	(36)	(9)	12

Notes to the financial statements (continued)

Figures below have been restated in USD.

2023	Gross premiums written \$000	Gross premiums earned \$000	Gross claims incurred \$000	Gross operating expenses \$000	Reinsurance balance \$000	Underwriting result \$000
<i>Direct insurance</i>						
Accident and health	47,794	60,108	(34,997)	(26,024)	(1,366)	(2,279)
Motor (third party liability)	4,060	3,694	(4,948)	(1,185)	18	(2,421)
Motor (other classes)	41,616	37,223	(19,867)	(13,911)	(424)	3,021
Marine, aviation, and transport	15,828	16,583	(12,956)	(4,814)	(1,497)	(2,684)
Fire and other damage to property	243,706	230,619	(131,826)	(58,679)	(12,709)	27,405
Third party liability	112,247	106,208	(67,845)	(30,961)	(7,943)	(541)
Credit and suretyship	2,138	1,048	(203)	(567)	34	312
Legal expenses	258	327	(10)	(124)	(1)	192
Assistance	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total direct insurance	467,647	455,810	(272,652)	(136,265)	(23,888)	23,005
Reinsurance acceptances	357,408	360,102	(156,357)	(78,259)	(35,995)	89,491
Total	825,055	815,912	(429,009)	(214,524)	(59,883)	112,496

The below is an additional disclosure for Lloyd's reporting purposes and is included to facilitate the classification of the above segments into the Lloyd's aggregate classes of business. The figures have been restated in USD.

2023	Gross premiums written \$000	Gross premiums earned \$000	Gross claims incurred \$000	Gross operating expenses \$000	Reinsurance balance \$000	Underwriting result \$000
Additional analysis						
<i>Fire and damage to property of which is:</i>						
Specialities	6,023	5,848	(1,654)	(2,170)	(813)	1,211
Energy	9,466	7,667	(2,741)	(2,336)	(299)	2,291
<i>Third party liability of which is:</i>						
Energy	13	23	(10)	(8)	(2)	3

The gross premiums written for direct insurance by underwriting location of risk is presented in the table below:

	2024 \$000	Restated 2023 \$000
United Kingdom	89,236	74,728
European Union Member States	803	2,080
US	260,056	263,666
Rest of the world	98,072	127,173
Total gross premiums written	448,167	467,647

Notes to the financial statements (continued)

6. Claims

There has been no material change to the method of reserving during the year under review.

Overall loss development was lower than anticipated across the majority of years and business classes. In particular there were reserve releases of \$106,055,000 arising from Property business, as well as deficit of \$8,980,000 from Casualty business. In total there was a net release of \$97,075,000 during 2024 in respect of claims outstanding at 31 December 2023 (restated 2023: a net release of \$59,122,000).

7. Net operating expenses

	2024 \$000	Restated 2023 \$000
Acquisition costs	157,925	157,667
Change in deferred acquisition costs	(6,240)	1,774
Administrative expenses	51,170	48,660
Members' standard personal expenses	10,237	9,298
Reinsurance commissions and profit participation	(8,635)	(10,272)
Net operating expenses	204,457	207,127

Total commissions for direct insurance business for the year amounted to:

	2024 \$000	Restated 2023 \$000
Total commission for direct insurance business	100,579	104,841

Administrative expenses include:

	2024 \$000	Restated 2023 \$000
Auditors' remuneration:		
Fees payable to the syndicate's auditor for the audit of these financial statements	444	414
Fees payable to the syndicate's auditor and its associates in respect of other services pursuant to legislation	121	91

Fees payable to Deloitte LLP for the audit of the annual financial statements of the managing agent, Faraday Underwriting Limited, are \$101,000 (restated 2023: \$95,000). Fees payable for audit related assurance services provided to the managing agent are \$8,000 (restated 2023: \$7,000). There were no other fees payable for the provision of other non audit services.

8. Staff numbers and costs

All staff who provide services to the syndicate are employed by GRF Services Limited, a related company of the managing agent.

Notes to the financial statements (continued)

8. Staff numbers and costs (continued)

The average number of employees employed by GRF Services Limited and working for the syndicate during the year was as follows:

	Number of employees	
	2024	2023
Administration and finance	72	67
Underwriting	43	41
Claims	11	11
Investments	1	1
Total	127	120

The following amounts were recharged by GRF Services Limited to the syndicate in respect of payroll costs:

	2024	Restated 2023
	\$000	\$000
Wages and salaries	19,910	19,480
Social security costs	4,768	4,589
Other pension costs	1,550	1,492
Other short/long term incentive costs	8,414	7,748
Total	34,642	33,309

9. Key management personnel compensation

The directors of the managing agent received the following aggregate remuneration charged to the syndicate:

	2024	Restated 2023
	\$000	\$000
Directors' emoluments	3,403	2,860

The Active Underwriter received the following aggregate remuneration charged to the syndicate:

	2024	Restated 2023
	\$000	\$000
Active Underwriter emoluments	846	998

Notes to the financial statements (continued)

10. Investment return

	2024 \$000	Restated 2023 \$000
Interest and similar income		
<i>From financial instruments designated at fair value through profit or loss</i>		
Interest and similar income	36,591	39,630
Dividend income	331	329
<i>From financial instruments at amortised cost</i>		
Interest and similar income	3,290	1,377
Interest on cash at bank	62	54
Other income from investments		
<i>From financial instruments designated at fair value through profit or loss</i>		
Gains on the realisation of investments	17,558	5,506
Losses on the realisation of investments	(1)	(376)
Unrealised gains on investments	18,323	11,929
Unrealised losses on the investments	(68)	(1,695)
Investment management expenses	(1,037)	(924)
Total investment return	75,049	55,830
Transferred to the technical account from the non-technical account	75,049	55,830

No interest has been paid to or derived from any group undertakings in 2024 (2023: nil).

The investment return was wholly allocated to the technical account.

Notes to the financial statements (continued)

11. Financial investments

	Carrying value		Cost	
	2024 \$000	Restated 2023 \$000	2024 \$000	Restated 2023 \$000
Shares and other variable yield securities and units in unit trusts	6,848	8,799	6,848	8,799
Debt securities and other fixed income securities	1,596,829	1,413,008	1,578,728	1,402,771
Loans and deposits with credit institutions	48,564	58,996	48,564	58,996
Total financial investments	1,652,241	1,480,803	1,634,140	1,470,566

The amount ascribable to listed investments is \$1,046,025,000 (restated 2023: \$1,355,881,000).

The table below presents an analysis of financial investments by their measurement classification:

	2024 \$000	Restated 2023 \$000
Financial assets measured at fair value through profit or loss	1,603,677	1,421,807
Financial assets measured at amortised cost	48,564	58,996
Total financial investments	1,652,241	1,480,803

The syndicate classifies its financial instruments held at fair value in its balance sheet using a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 - Quoted prices for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 - When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If it can be demonstrated that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

Level 3 - If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. The table below analyses financial instruments held at fair value in the syndicate's balance sheet at the reporting date by its level in the fair value hierarchy.

Notes to the financial statements (continued)

11. Financial investments (continued)

2024	Level 1 \$000	Level 2 \$000	Level 3 \$000	Assets held at amortised cost	Total \$000
Shares and other variable yield securities and units in unit trusts	-	-	6,848	-	6,848
Debt securities and other fixed income securities	1,564,373	32,456	-	-	1,596,829
Loans and deposits with credit institutions	-	-	-	48,564	48,564
Total financial investments	1,564,373	32,456	6,848	48,564	1,652,241
Total	1,564,373	32,456	6,848	48,564	1,652,241

Figures below have been restated in USD

2023	Level 1 \$000	Level 2 \$000	Level 3 \$000	Assets held at amortised cost	Total \$000
Shares and other variable yield securities and units in unit trusts	-	-	8,799	-	8,799
Debt securities and other fixed income securities	1,373,837	39,171	-	-	1,413,008
Loans and deposits with credit institutions	-	-	-	58,996	58,996
Total financial investments	1,373,837	39,171	8,799	58,996	1,480,803
Total	1,373,837	39,171	8,799	58,996	1,480,803

The 2023 disclosure has been revised to reflect more accurately the assets held at amortised cost.

Movement in level 3 investments

The following table provides an analysis of investments valued with reference to level 3 inputs.

	2024 \$000	Restated 2023 \$000
At 1 January	8,799	8,403
Disposals	(1,969)	-
Foreign Exchange	18	396
At 31 December	6,848	8,799

Shares and other variable yield securities classified as Level 3 are loans to the Lloyd's Central Fund in respect of the 2019 and 2020 underwriting years; they are not tradeable. Their valuation, in accordance with our policy as fair value, recognises the credit and illiquidity risk of the loans and an element of subjectivity.

12. Debtors arising out of direct insurance operations

	2024 \$000	Restated 2023 \$000
Due within one year	141,581	110,391
Due after one year	-	-
Total	141,581	110,391

Notes to the financial statements (continued)

13. Debtors arising out of reinsurance operations

	2024 \$000	Restated 2023 \$000
Due within one year	142,982	125,254
Due after one year	-	-
Total	142,982	125,254

14. Other debtors

	2024 \$000	Restated 2023 \$000
Other	-	-
Total	-	-

15. Deferred acquisition costs

The table below shows changes in deferred acquisition costs assets from the beginning of the period to the end of the period:

	2024			Restated 2023		
	Gross \$000	Reinsurance \$000	Net \$000	Gross \$000	Reinsurance \$000	Net \$000
Balance at 1 January	57,896	(4,615)	53,281	56,316	(1,671)	54,645
Incurred deferred acquisition costs	157,925	(8,635)	149,290	157,667	(10,272)	147,395
Amortised deferred acquisition costs	(151,627)	8,577	(143,050)	(156,566)	7,397	(149,169)
Foreign exchange movements	(455)	57	(398)	479	(69)	410
Balance at 31 December	63,739	(4,616)	59,123	57,896	(4,615)	53,281

Notes to the financial statements (continued)

16. Claims development

The following tables illustrate the development of the estimates of earned ultimate cumulative claims incurred, including claims notified and IBNR, for each successive underwriting year, illustrating how amounts estimated have changed from the first estimates made.

As these tables are on an underwriting year basis, there is an apparent large increase from amounts reported for the end of the underwriting year to one year later as a large proportion of premiums are earned in the year of account's second year of development.

Balances have been translated at exchange rates prevailing at 31 December 2024 in all cases.

Gross:

Pure underwriting year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Estimate of gross claims											
At end of underwriting year	106,291	158,906	542,024	323,722	263,292	221,060	251,739	259,498	274,316	286,657	
One year later	196,113	309,333	680,522	500,431	428,856	393,287	404,394	461,999	402,225		
Two years later	185,332	310,805	652,772	480,330	396,274	384,942	383,079	446,869			
Three years later	174,302	289,405	612,047	426,094	373,932	371,419	374,248				
Four years later	169,047	279,364	592,065	417,371	363,100	372,342					
Five years later	165,691	271,286	586,030	408,320	339,489						
Six years later	161,395	274,085	591,825	387,596							
Seven years later	156,766	277,252	585,004								
Eight years later	161,154	278,409									
Nine years later	160,328										
Estimate of gross claims reserve	160,328	278,409	585,004	387,596	339,489	372,342	374,248	446,869	402,225	286,657	3,633,167
Provision in respect of prior years											365,549
Less gross claims paid	(140,859)	(227,191)	(500,682)	(327,341)	(262,965)	(254,935)	(242,422)	(239,088)	(112,285)	(23,416)	(2,331,184)
Gross claims reserve	19,469	51,218	84,322	60,255	76,524	117,407	131,826	207,781	289,940	263,241	1,667,532

Net:

Pure underwriting year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Estimate of net claims											
At end of underwriting year	103,318	148,918	321,835	230,493	240,667	213,533	246,388	250,060	262,944	276,326	
One year later	189,369	295,099	455,603	371,594	381,224	347,822	386,604	433,452	383,145		
Two years later	174,866	296,010	443,356	369,203	358,998	347,275	365,779	419,637			
Three years later	161,592	275,848	430,999	343,227	343,941	339,065	358,143				
Four years later	158,488	265,980	421,176	336,000	334,310	344,530					
Five years later	154,793	258,093	415,947	332,106	324,501						
Six years later	153,247	261,961	421,898	322,698							
Seven years later	149,338	264,813	414,671								
Eight years later	153,695	266,591									
Nine years later	152,694										
Estimate of net claims reserves	152,694	266,591	414,671	322,698	324,501	344,530	358,143	419,637	383,145	276,326	3,262,936
Provision in respect of prior years											219,574
Less net claims paid	(133,228)	(216,416)	(331,045)	(266,622)	(249,386)	(234,761)	(228,362)	(223,629)	(108,093)	(23,415)	(2,014,957)
Net claims reserve	19,466	50,175	83,626	56,076	75,115	109,769	129,781	196,008	275,052	252,911	1,467,553

Notes to the financial statements (continued)

17. Technical provisions

The table below shows changes in the insurance contract liabilities and assets from the beginning of the period to the end of the period.

	2024			Restated 2023		
	Gross provisions \$000	Reinsurance Assets \$000	Net \$000	Gross provisions \$000	Reinsurance Assets \$000	Net \$000
Claims outstanding						
Balance at 1 January	1,669,683	(246,654)	1,423,029	1,609,736	(263,884)	1,345,852
Claims paid during the year	(353,056)	32,912	(320,144)	(388,726)	34,044	(354,682)
Expected cost of current year claims	490,352	(17,522)	472,830	494,892	(18,989)	475,903
Change in estimates of prior year provisions	(128,216)	31,141	(97,075)	(65,883)	6,761	(59,122)
Foreign exchange movements	(11,231)	144	(11,087)	19,664	(4,586)	15,078
Balance at 31 December	1,667,532	(199,979)	1,467,553	1,669,683	(246,654)	1,423,029

	2024			Restated 2023		
	Gross provisions \$000	Reinsurance Assets \$000	Net \$000	Gross provisions \$000	Reinsurance Assets \$000	Net \$000
Unearned premiums						
Balance at 1 January	295,682	(23,315)	272,367	285,415	(12,350)	273,065
Premiums written during the year	821,942	(94,542)	727,400	825,055	(90,163)	734,892
Premiums earned during the year	(783,515)	87,933	(695,582)	(815,912)	79,508	(736,404)
Foreign exchange movements	(2,099)	255	(1,844)	1,124	(310)	814
Balance at 31 December	332,010	(29,669)	302,341	295,682	(23,315)	272,367

Refer to Note 4 for the sensitivity analysis performed over the value of insurance liabilities, disclosed in the accounts, to potential movements in the assumptions applied within the technical provisions.

18. Creditors arising out of direct insurance operations

	2024 \$000	Restated 2023 \$000
Due within one year	11,118	13,299
Due after one year	-	-
Total	11,118	13,299

Notes to the financial statements (continued)

19. Creditors arising out of reinsurance operations

	2024 \$000	Restated 2023 \$000
Due within one year	57,458	53,984
Due after one year	27,740	26,948
Total	85,198	80,932

20. Other creditors

	2024 \$000	Restated 2023 \$000
Other liabilities	56	56
Total	56	56

21. Cash and cash equivalents

	2024 \$000	Restated 2023 \$000
Cash at bank and in hand	69,146	86,388
Deposits with credit institutions	1,049	782
Total cash and cash equivalents	70,195	87,170

Of the total cash and cash equivalents, the following amount was held in regulated bank accounts in overseas jurisdictions:

	2024 \$000	Restated 2023 \$000
Cash at bank and in hand	-	-
Deposits with credit institutions	1,049	782
Total cash and cash equivalents not available for use by the syndicate	1,049	782

22. Related parties

In 2024 managing agency fees of \$2,785,000 (restated 2023: \$2,723,000) were paid by the syndicate to Faraday Underwriting Limited. In addition to this, expenses of \$50,234,000 (restated 2023: \$46,875,000) were paid to GRF Services Limited for expenses paid on behalf of the syndicate. At the year end, the amount owing to GRF Services Limited was \$nil (2023: \$nil). In respect of other transactions, Faraday Underwriting Limited was charged \$2,056,000 for expenses (restated 2023: \$2,065,000). The amount due to Faraday Underwriting Limited at the year end was \$nil (2023: \$nil).

Notes to the financial statements (continued)

23. Foreign exchange rates

The following currency exchange rates have been used for principal foreign currency transactions:

	2024			2023		
	Start of period rate	End of period rate	Average rate	Start of period rate	End of period rate	Average rate
Sterling	0.79	0.79	0.78	0.81	0.79	0.80
Euro	0.91	0.95	0.93	0.92	0.91	0.92
US dollar	1.00	1.00	1.00	1.00	1.00	1.00
Canadian dollar	1.33	1.43	1.37	1.34	1.33	1.35
Australian dollar	1.48	1.58	1.52	1.41	1.48	1.50
Japanese Yen	143.42	153.72	151.50	130.05	143.42	140.73

24. 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 Prudential Regulatory Authority requirements and resource criteria. The determination of 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 member's FAL to meet liquidity requirements or to settle losses.