Argenta

Syndicate Management Ltd

ANNUAL REPORT & FINANCIAL STATEMENTS

31 DECEMBER 2022

COMPANY REGISTRATION NUMBER: 3632880

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The directors present their Strategic Report for Argenta Syndicate Management Limited ("ASML" or "the Company") for the year ended 31 December 2022.

The financial reporting framework that has been applied is United Kingdom Generally Accepted Accounting Practice ("UK GAAP") comprising Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") and applicable law.

Principal activities and review of the business

ASML was the managing agent of Syndicate 2121 throughout the year. Since its inception in 2000, the syndicate's capacity has steadily increased to £800 million for the 2023 year of account.

In 2018 ASML established Syndicate 6134, a Special Purpose Arrangement ("SPA") to be managed alongside and underwrite quota share reinsurance protections of Syndicate 2121. The SPA is sponsored and capitalised by the Hannover Re group, which may also introduce new business to Syndicate 2121 to be reinsured by the SPA. Syndicate 2121 will retain at least 10% of the business introduced by the sponsor.

Capacity under management	**2023**	**2022**	**2021**
	£million	£million	£million
Syndicate 2121	800	660	600
Syndicate 6134	120	97	82
	920	757	682

The SPA commenced the year with a business plan to underwrite gross net premium in 2023 of £99.6m across various classes of business within the underwriting capability of the host syndicate. Syndicate 2121 receives an overriding commission in respect of these arrangements. The quota share contracts are being underwritten on a funds withheld basis.

	2022	**2021**
	£000	£000
Managed syndicate capacity	757,000	682,000
Management fees	5,757	5,244
Profit commission	-	-
Profit before taxation	3,839	3,388
Net assets	5,060	4,695
Net assets solvency margin	3,360	2,995

ASML receives income principally from fees for managing syndicates and profit commission that may arise when managed syndicates release profits to supporting capital providers.

There was no profit commission in respect of Syndicate 2121 or Syndicate 6134 for the year ended 31 December 2022 (2021: £nil). The 2019 years of account of the syndicates remained open beyond their usual point of closing, affected by Covid-19 and the associated business interruption claims; particular from Australia. During 2022 the Australian courts handed down positive decisions such that the 2019 years could be closed at 31 December 2022 alongside the 2020 year of account.

The net asset solvency margin represents the amount of the net assets as adjusted in line with Lloyd's instructions in excess of the higher of: Lloyd's minimum solvency capital requirement of 0.3% of capacity under management (subject to a maximum of £2.0m); and £400,000.

Financial performance during the year

The results of the Company for the financial year are shown on page 12. The profit for the financial year amounted to £3,110,000 (2021: £2,745,000).

Section 172 (1) statement

The Directors are aware of their responsibilities to take into consideration the interests of all stakeholders in their decision making process and to promote the success of the Company in accordance with s172 of the Companies Act 2006. The Directors continue to pay full regard to the interests of the Company's stakeholders, including the impact of its activities on its employees, shareholder, capital providers, regulators, customers, suppliers, the community, the environment and on the Company's reputation. Whilst always acting in good faith and exercising fairness and equality, the Directors also consider what is most likely to promote the success of the Company in the interests of its member.

The importance of giving due consideration to all stakeholders is a continuous and ongoing process and includes the following:

- The Directors fully understand their obligations to act responsibly towards the Company's sole shareholder and commit to act in accordance with the standards set by it.

- In December 2022 the Company Managing Director and Argenta Group ("the Group") Chief Executive Officer, Mr A Annandale, retired and was immediately replaced by Mr N Moore, who joined the Group in 2009 and brings a wealth of experience and continued stability to the role.

- The Directors continue to promote the success of the Company through expansion of its activities as referred to in the Strategic Report above. Syndicate 2121 has increased its capacity again for the 2023 year of account and, as part of its ongoing commitment to support the expansion of the Company, Hannover Re continues to supply increasing levels of capital support to the core underwriting business on Syndicates 2121 and 6134 ("the Syndicates"). The Company's ongoing dividend policy is to distribute profits to the extent that they are not expected to be required in the business.

- The Group has a diversity and inclusion policy that sets out the principles underpinning the approach to ensuring fairness and equality in the workplace across all levels of the organisation, including the Company. In accordance with a commitment to diversity and inclusion, the Group is signed-up to the Lloyd's Diversity and Inclusion Charter, which makes a public pledge to champion diversity and positive change.

- The Directors continue in their commitment to ensure that the Company maintains a healthy culture and working environment, which includes ongoing consideration of internal policies and procedures. Following a review, the Company has been able to more clearly articulate its culture, vision and purpose which in turn have been communicated to all staff. This has enabled all employees to gain a better understanding of what the Company stands for and its ultimate objectives in the overall context of the Group.

- The Group recently introduced a Behavioural Framework to its employees designed to ensure that employees understand the core values and behaviours to which they are expected to observe for the benefit of both the employees and the business as a whole.

- The Directors understand that the quality and experience of the Company's employees are fundamental to the success of the business and the quality of its services. The Directors consider the training and development of its workforce to be fundamental and therefore promote a continuing commitment to training both internally and externally. Further commitment is made in the area of continuing professional development to ensure that its diversely qualified workforce continues to maintain a competitive level of training and qualification in an ever-changing industry.

- The Company is committed to the health, safety and wellbeing of its workforce, offering comprehensive health insurance and life cover and contributions to a defined contribution pension scheme. It has a hybrid-working environment for its employees to address the changing social environment. The Directors understand the importance of providing greater education and support for mental health issues in the workplace and continue to provide trained Mental Health First Aiders and to support the Employee Assistance Programme designed to offer further support to staff members.

- The Company is fully committed to working responsibly with its suppliers ensuring that those in the supply chain do not engage in slavery or human trafficking and regularly reviews its policies and procedures to ensure that they are up to date and reflect the changing regulatory environment. In addition to a periodic review of material outsourced arrangements, there are whistleblowing procedures in place to ensure that employees can raise any concerns they may have.

- The Company continues in its commitment to uphold The Criminal Finance act by providing further and focussed training to its employees in The area of Financial Crime compliance.

Section 172 (1) statement (continued)

- The Company and the Syndicates that it manages have a large, diverse number of customers and capital providers and strives to work with them to fully understand their needs and always to operate on the basis of treating customers fairly. It continues to seek to grow Syndicate's 2121 and 6134 to achieve greater economies of scale and improve returns for the capital providers. It is also mindful to ensure it maintains equity between its different capital supporters

- The Company works very closely with Lloyd's and other regulators, including those overseas. It places a high degree of importance on understanding and fully complying with the regulatory requirements that are set.

- The underwriting policy of the Syndicates is aligned with that of Hannover Re, which is not to provide cover to new coal-burning power stations or new thermal coal mines and the associated infrastructure on a direct or facultative reinsurance basis, and to effect a phased plan for a gradual withdrawal from such risks written on a treaty basis by the year 2038. The bespoke investment mandate adopted by the Group is aligned with Hannover Re's environmental, social and governance criteria.

Principal risks and uncertainties

Company risks

As a Lloyd's managing agent the principal risks to the Company's future cash flows come from its income generated from the management of the Syndicates. The management fees and profit commissions potentially receivable are related to the size and profitability of the Syndicates. If the results of the Syndicates are insufficient in the future, this may affect their ongoing sustainability with a consequent impact on the future income of the Company.

The Company must fulfil its expense obligations from the income it receives and is required to hold a minimum amount of regulatory capital. It monitors its financial position by way of monthly management accounts and quarterly regulatory returns. Action would be taken to maintain the regulatory capital position if required.

The Company does not enter into any hedging transactions. It has normal exposure to price, credit, liquidity and cash flow risks, arising from its trading activities as a managing agency, which are only conducted in sterling. These are actively monitored by the Board during the course of the year and action taken accordingly. The Company manages its cash and borrowing requirements to maximise investment income and minimise interest expense whilst ensuring that it has sufficient liquidity to meet the operational needs of its business.

In order to manage these risks the Board of Directors has established a strong risk management and internal control framework.

Syndicate risks

As underwriting businesses, the Syndicates are exposed to a variety of financial and non-financial risks. These risks, which shape the risk management strategy adopted by ASML, are integral to the capital setting process that is undertaken to ensure there is an appropriate level of capital held in respect of the insurance liabilities to which the Syndicates are exposed. The Own Risk and Solvency Assessments undertaken in respect of the Syndicates reflect the risk profile of the business as well as the business strategy. Risks are managed through the risk management framework in order to ensure that the risk profile of the business is fully understood and can be monitored against the agreed risk appetite.

ASML is committed to risk management as an integral part of management and governance best practice, and has developed a risk management strategy to protect the financial and non-financial assets of the Syndicates and to minimise losses and liabilities.

The risks to the business are grouped under various categories, each of which is the subject of a risk policy that sets out ASML's approach to the management of the risk in conjunction with the overarching risk management framework and risk strategy. ASML groups risks into the following key categories:

Principal risks and uncertainties (continued)

Insurance risk

Insurance risk is the risk that arises from the inherent uncertainties in the occurrence, amount and timing of insurance liabilities. The underwriting profile of the Syndicates is such that it is likely that claims will arise on the business underwritten. An expected level of claims in relation to attritional, large and catastrophe type losses has, therefore, been included in the business planning process. Other mitigating measures, in the form of internal controls, are used to preserve the Syndicates' performance by limiting the exposure to wider underwriting, claims and reserving risks, such as:

- Adverse catastrophe loss experience;
- Adverse large and attritional loss experience;
- Poor or inappropriate risk selection;
- Inadequate reinsurance placement; and
- Final claims costs deviating materially from estimated earned reserves due to the inherent variability of the business.

ASML manages these risks against an agreed risk appetite. The framework of systems and controls is designed to reduce the likelihood of such risks occurring and to mitigate their impact, as far as possible, on the overall business of the syndicate.

Operational risk

Operational risk is defined as the risk of loss resulting from the workforce or inadequate or failed internal processes or systems or from external events. Control procedures are used to proactively address the risks associated with ASML's business processes, systems and other resources that might otherwise be detrimental to overall performance. Business continuity is considered key and ASML has developed a plan that provides for the Syndicates to be operational within a 48 hour period in the event that its current offices are no longer available.

The retention of key staff is also fundamental to the success of the business and the strategy adopted by ASML is designed to ensure that the terms and conditions offered to employees, as part of their overall remuneration package, remain competitive with the rest of the London market insurance industry.

As a regulated business, ASML is fully aware of its regulatory obligations to the UK Financial Conduct Authority ("FCA"), the Prudential Regulation Authority ("PRA"), Lloyd's, the Monetary Authority of Singapore ("MAS") and other overseas regulators. The procedures adopted by ASML in this regard rigorously monitor compliance with the regulatory standards and, through continuous assessment, highlight any developments that might impact the business.

Capital risk

Capital risk is defined as the risk to the Syndicates of losses arising from inappropriate levels or sources of capital. The Syndicates are supported by third party capital providers whose ongoing support is important to the Syndicates continuing to trade forward. ASML is committed to the controlled growth of the Syndicates and discussions with current and prospective capital providers are an ongoing process.

Liquidity risk

Liquidity risk is the risk that the Syndicates will not have sufficient available cash resources to be able to meet their liabilities as they fall due. The liquidity of the Syndicates is influenced by a number of factors that have the potential to arise from across the business. Management information is used to enable the effective monitoring of the liquidity risk framework in line with the agreed procedures and governance arrangements. Robust procedures are in place for the monitoring of cash flow and effective credit control. Claims activity is closely scrutinised and the movement of existing claims is reported at regular intervals.

Credit risk

Credit risk is inherent to the business conducted with brokers, coverholders, reinsurers and other counterparties. The potential for losses arising from a counterparty failing to fulfil its contracted payment obligations is managed by strict control procedures. Aged debt in respect of the payment of premiums and reinsurance recoveries is closely monitored and actively managed. The ASML third party management group approves the brokers, coverholders and reinsurers with which the Syndicates may conduct their business. There is no appetite to deal with counterparties who have not been approved.

Principal risks and uncertainties (continued)

Financial Market risk

Financial market risk is concerned with the loss resulting from adverse movements in the financial markets. The risks are partly mitigated by following predominantly fixed income investment strategies designed to mitigate exposure to potential losses from movement in exchange rates, interest rates or inflation. The businesses have a low appetite for market risk and as such there is a requirement to hold only high grade fixed income investments, cash and high quality short term instruments. ASML may also invest in listed, highly diversified collective investment schemes, absolute return funds or funds of hedge funds, which serve to mitigate the impact of movements in the wider investment market. ASML also periodically seeks to match assets with liabilities in the Syndicates' principal reporting currencies to the extent that funds permit.

Emerging risk

In addition to monitoring the individual risk categories outlined above, ASML has in place an emerging risks process to review risks that may impact the business in the future, and to ensure that any such risks are understood and mitigated where possible.

Conduct risk

ASML defines conduct risk as any activities undertaken by the business that give rise to poor customer outcomes and has in place a mechanism for identifying, monitoring, reporting and mitigating its exposure to conduct related issues. This includes monitoring and reporting on a wide range of conduct management information and risk appetite metrics to the ASML board, risk framework and compliance committee and product oversight group.

Future developments

The impacts of the Russia-Ukraine conflict and inflation have both been considered within the reserves of the managed syndicates and the consequent impact on future profit commissions has been assessed. In addition, support has been provided to staff in respect of the cost of living crisis. Whilst there remains considerable uncertainty in respect of these, there are no going concern implications.

The principal areas of focus for the development of the agency's business relate to the managed syndicates. The strategic objective is to grow the Syndicates subject always to market conditions.

ON BEHALF OF THE BOARD

N Moore

Mr N J Moore
Director
23 May 2023

The directors present their report and the audited financial statements for the year ended 31 December 2022. The Company's registration number is 3632880.

Going concern

The Company has adequate financial resources and, consequently, the directors believe that it is well placed to manage its business risks successfully in the current market and economic environment. After reviewing the cash flow and the principal risks and uncertainties, the Company is considered to be a going concern for at least a period of the next 12 months. The Company's projected cash inflows and projected cash outflows including the settlement of liabilities, payment of tax and pension liabilities have been reviewed to ensure a positive net position.

Having made similar enquiries with the management of Argenta Holdings Limited ("AHL"), the directors therefore have a reasonable expectation that the Company and its parent undertaking, AHL, have sufficient resources to continue to operate for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these reports and financial statements.

Dividend

On 22 June 2022 the Company paid a final dividend of £2,745,000 for 2021. On 23 May 2023 the directors proposed a final dividend of £3,110,000 for 2022.

Board of directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements, unless stated otherwise, were:

Mr J L P Whiter	(Non-Executive Chairman)	
Mr A J Annandale	(Managing Director)	(Resigned 31 December 2022)
Mr G K Allen		
Mr S Althoff	(Non-Executive Director)	
Ms R Beaver	(Non-Executive Director)	(Appointed 24 April 2023)
Mr I Burford		
Ms S C-A Burton	(Company Secretary)	
Mr A E Grant	(Non-Executive Director)	(Resigned 29 June 2022)
Mr N S Meyer	(Non-Executive Director)	(Appointed 30 January 2023)
Mr N J Moore*		
Mr G A Powell	(Non-Executive Director)	
Mr J Schäfermeier	(Non-Executive Director)	
Mr D J Thompson		

*Mr N J Moore assumed the role of Managing Director on 1 January 2023 following the resignation of Mr A J Annandale on 31 December 2022.

No director had any interest in contracts or arrangements with the Company during the year other than directorship fees, salaries and other related remuneration.

Directors' and officers' insurance

The Company provided its Directors and Officers with a qualifying third party indemnity and cover under an annual Directors and Officers insurance policy, since 1 January 2022, up to the date of this report.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' responsibilities statement and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Directors' responsibilities statement (continued)

Under company law, directors 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 Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date that the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all of the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to have been reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

ON BEHALF OF THE BOARD

Mr N J Moore
Director
23 May 2023

Independent auditors' report to the members of Argenta Syndicate Management Limited

Report on the audit of the financial statements

Opinion

In our opinion, Argenta Syndicate Management Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Financial Statements (the "Annual Report"), which comprise: Statement of Financial Position as at 31 December 2022; Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and,

accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls),

and determined that the principal risks were related to posting inappropriate journal entries to increase turnover of the Company and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and the compliance function, including consideration of known or suspected instances of fraud and non-compliance with laws and regulations;
- Reviewing relevant meeting minutes, including those of the Board and correspondence with regulatory authorities, such as the Prudential Regulation Authority and Financial Conduct Authority;
- Testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias); and
- Performing test of details over the transactions in the major streams of turnover.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Alexis Gish (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

23 May 2023

Argenta Syndicate Management Limited
Statement of Comprehensive Income
For the year ended 31 December 2022

Continuing operations	Note	2022 £000	2021 £000
Turnover	3	5,759	5,247
Administrative expenses		(2,029)	(1,860)
Operating profit	4	3,730	3,387
Interest receivable and similar income	7	109	1
Profit before taxation		3,839	3,388
Tax on profit	8	(729)	(643)
Profit for the financial year		3,110	2,745

The notes on pages 15 to 22 form an integral part of these financial statements.

Argenta Syndicate Management Limited
Statement of Financial Position
As at 31 December 2022

	Note	2022 £000	2021 £000
Current assets			
Debtors: amounts falling due within one year	10	1,471	1,233
Cash at bank and in hand		10,367	9,038
		11,838	10,271
Current liabilities			
Creditors: amounts falling due within one year	11	(6,778)	(5,576)
Net current assets		5,060	4,695
Net assets		5,060	4,695
Capital and reserves			
Called up share capital	12	100	100
Profit and loss account		4,960	4,595
Total shareholder's funds		5,060	4,695

The financial statements on pages 12 to 22 were approved and authorised for issue by the Board of directors on 23 May 2023 and signed on its behalf by:

Mr G K Allen
Director

The notes on pages 15 to 22 form an integral part of these financial statements.

Argenta Syndicate Management Limited
Statement of Changes in Equity
For the year ended 31 December 2022

	Note	Called up share capital £000	Profit and loss account £000	Total £000
At 1 January 2021		100	4,496	4,596
Profit for the financial year		-	2,745	2,745
Dividends paid	13	-	(2,646)	(2,646)
At 31 December 2021		100	4,595	4,695
Profit for the financial year		-	3,110	3,110
Dividends paid	13	-	(2,745)	(2,745)
At 31 December 2022		100	4,960	5,060

Reserves

Profit and loss account
The profit and loss account reserve represents cumulative profits and losses of the Company.

The notes on pages 15 to 22 form an integral part of these financial statements.

1. Accounting policies

General information

The Company is a private company, limited by shares and registered in England and Wales. The address of its registered office and principal place of business is 5th Floor, 70 Gracechurch Street, London, EC3V 0XL. The principal activity of the Company is that of being a managing agent of Lloyd's syndicates.

These financial statements have been presented in Pounds Sterling as this is the Company's functional and presentational currency, being the primary economic environment in which the Company operates.

The following principal accounting policies have been applied consistently:

Basis of preparation

These financial statements have been prepared in accordance with FRS 102 and applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. These financial statements have been prepared under the historical cost convention.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, (which have been complied with). In preparing the financial statements, the Company has taken advantage of the following exemptions:

- from disclosing key management personnel compensation, as required by paragraph 7 of Section 33: Related Party Disclosures;
- from presenting a reconciliation of the number of shares outstanding at the beginning and end of the year, as required by paragraph 12 of Section 4: Statement of Financial Position; and
- from presenting a statement of cash flows, as required by Section 7: Statement of Cash Flows.

On the basis that equivalent disclosures are given in the consolidated financial statements of AHL, the Company has also taken advantage of the exemption not to provide:

- certain disclosures required by Section 11: Basic Financial Instruments and Section 12: Other Financial Instrument Issues.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts for the provision of services, net of sales-related taxes.

Management fees are receivable in the first year of any underwriting year of account and are recognised in the accounting period to which they relate as income over the period in which the services are performed.

Underwriting profit commission is recognised as income when the contractual right to receive it is established, but only to the extent that it can be estimated with sufficient reliability.

Other income relating to services rendered is recognised as income when the services are performed.

Interest income is recognised as interest accrues using the effective interest rate method.

1. Accounting policies (continued)

Administrative expenses

All expenses are accounted for on an accruals basis and are charged to the profit and loss account.

Cash at bank and in hand

Cash at bank and in hand includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of one month or less.

Employee benefits

Retirement benefits

The Company participates in a group personal pension scheme operated by its immediate parent company, AHL, the assets of which are held separately from those of the Company in independently administered funds.

Contributions to the defined contribution pension scheme are charged to the profit or loss in the year to which the contributions relate, based on an apportionment of the costs incurred by the group in respect of the Company.

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received. An accrual is recognised for short-term compensated absences where entitlement has accumulated, but has not been taken, at the reporting date.

Taxation

The tax expense for the year comprises current and deferred tax. Tax currently payable, relating to UK corporation tax, is calculated on the basis of the tax rates and laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax is recognised on all timing differences that have originated, but not reversed, at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income, as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date, that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Deferred income tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1. Accounting policies (continued)

Financial instruments

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument. The Company holds only basic financial instruments, which comprise cash at bank and in hand, debtors and creditors. Other than the exemptions noted above, the Company has chosen to apply the provisions of Section 11: Basic Financial Instruments and Section 12: Other Financial Instrument Issues in full.

Financial assets – classified as basic financial instruments

Debtors

Debtors are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Amounts that are receivable within one year are measured at the undiscounted amount expected to be receivable, net of any impairment.

Where a financial asset constitutes a financing transaction it is initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

Financial liabilities – classified as basic financial instruments

Creditors

Creditors are initially measured at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method. Amounts that are payable within one year are measured at the undiscounted amount of the amount expected to be payable.

Where a financial liability constitutes a financing transaction it is initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

2. *Critical accounting judgements and key sources of estimation uncertainty*

In applying the Company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

The Company's critical accounting judgements are as follows:

i) Recognition of management fees

The measurement and recognition of management fees requires the directors to make judgements regarding the period in which the services are performed. In arriving at this view, the directors considered the scope and scale of activities associated with the role of the managing agent.

ii) Recognition of underwriting profit commission

The measurement and recognition of profit commission requires the directors to make judgements regarding the final estimated profit position of the open years of account of the syndicates on which the Company earns profit commission. The actual profit commission received may vary from this estimate.

3. Turnover

An analysis of turnover by category is as follows:

	2022 £000	2021 £000
Management fees	5,757	5,244
Other services	2	3
	5,759	5,247

Turnover arises wholly within the United Kingdom.

4. Operating profit

	2022 £000	2021 £000
Operating profit is stated after charging:		
Salaries and associated expenses (note 5)	1,797	1,682
Fees payable to the Company's auditors for the audit of the Company's annual report and financial statements	24	21
Other expenses	207	157

Fees paid to the Company's auditors for services other than the statutory audit of the Company are not disclosed in the Company's annual report and financial statements, on the basis that the Company's immediate parent, AHL, is required to disclose non-audit fees on a consolidated basis.

Expenses recharged to the managed syndicates during the year amounted to £26,600,000 (2021: £23,400,000).

5. Employee information

Salaries and associated expenses net of amounts charged to managed syndicates:	2022 £000	2021 £000
Wages and salaries	1,563	1,474
Social security costs	228	202
Other pension costs	6	6
	1,797	1,682

5. Employee information (continued)

	2022 Number	2021 Number
Average number of persons employed by ASML during the year and working on the affairs of both the Company and the managed syndicates:		
Administration and finance	18	19
Underwriting	45	41
Underwriting support	42	40
Claims	15	14
	120	114

The staff numbers exclude employees providing services by way of a cross charge from other group companies.

6. Directors' emoluments

Remuneration disclosed below relates to amounts paid during the year to directors who are remunerated specifically for their services to the Company and is net of amounts charged to managed syndicates.

	2022 £000	2021 £000
Aggregate remuneration	1,458	750
Company pension contributions	2	2
	1,460	752

During the year three directors (2021: three) accrued benefits under a defined contribution scheme.

Directors' remuneration includes amounts paid to the highest paid director. This is outlined below and relates specifically to services to the Company.

	2022 £000	2021 £000
Aggregate remuneration	502	256
	502	256

7. Interest receivable and similar income

	2022 £000	2021 £000
Interest receivable on cash at bank and in hand	109	1

8. Tax on profit

a) Analysis of charge in the year

	2022 £000	2021 £000
Current tax:		
United Kingdom corporation tax on profit for the year	(729)	(643)
Adjustment in respect of prior periods	1	-
	(728)	(643)
Deferred tax:		
Origination and reversal of timing differences	(1)	(1)
Effect of changes in tax rates	-	1
Total deferred tax (note 9)	(1)	-
Total tax charge	(729)	(643)

b) Factors affecting the tax charge for the year

Tax on profit for the year is equal to (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences, where relevant, are reconciled below:

	2022 £000	2021 £000
Profit before taxation	3,839	3,388
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	(729)	(644)
Effects of:		
Adjustment in respect of prior periods	1	-
Expenses not deductible for tax purposes	(1)	
Effect of changes in tax rates	-	1
Total tax charge	(729)	(643)

Factors that may affect future tax charges

The increase in the UK corporation tax rate from 19% to 25% was enacted within the Finance Act 2021 and will be effective from 1 April 2023. Deferred tax expected to reverse in the year to 31 December 2023 has been measured using a rate of 23.5%. For years ending after 31 December 2023, the group has used the new tax rate of 25%.

9. Deferred taxation

	2022 £000	2021 £000
At 1 January	5	5
Charge to profit or loss in the year	(1)	-
At 31 December	4	5
The deferred tax asset at 31 December is made up of:		
Decelerated capital allowances	4	5

The deferred tax asset expected to reverse in 2023 is £3,429 (2022: £1,000). This relates to timing differences on capital allowances.

10. Debtors

	2022 £000	2021 £000
Amounts owed by group undertakings	15	29
Amounts owed by managed syndicates	1,240	1,029
Deferred tax asset (note 9)	4	5
Other debtors	193	169
Prepayments and accrued income	19	1
	1,471	1,233

Amounts owed by other group undertakings and managed syndicates are unsecured, interest free and are repayable on demand.

11. Creditors: amounts falling due within one year

	2022 £000	2021 £000
Amounts owed to parent undertaking	1,590	1,404
Corporation tax creditor	1,922	1,194
Other creditors	-	8
Accruals and deferred income	3,266	2,970
	6,778	5,576

Amounts owed to the parent undertaking are unsecured, interest free and are repayable on demand.

On 30 September 2004, AHL made an interest free subordinated loan to the Company. The loan was made to enable the Company to satisfy the Lloyd's Agency minimum fixed capital requirement. The loan is subordinated to all other creditors of the Company and is repayable only if and when all such creditors have been paid or satisfied in full and with the prior written consent of the Council of Lloyd's. There are no immediate plans for AHL to seek repayment of this loan but if Lloyd's were to approve repayment, at that point it would then be repayable on demand.

12 Called up share capital

	2022 Number	2022 £000	2021 Number	2021 £000
Allotted and fully paid:				
Non-voting 'A' ordinary shares of £1 each	100,000	100	100,000	100
Voting 'B' ordinary shares of £0.01 each	100	-	100	-
	100,100	100	100,100	100

Ordinary shares with voting rights entitle each shareholder to one vote per share. Voting shareholders have no rights to receive dividends or assets upon the winding up of the Company. Non-voting shareholders have the right to receive dividends and assets upon the winding up of the Company.

13. Dividends

The results of the Company for the year are shown on page 12. The profit for the year amounted to £3,110,000 (2021: £2,745,000).

	2022 £000	2021 £000
Dividends paid	2,745	2,646

During the year the Company paid a final dividend of £2,745,000 for the year ended 31 December 2021. The directors propose a final dividend of £3,110,000 for 31 December 2022. Dividends proposed after the reporting date are not included as a liability in the statement of financial position.

14. Related party transactions

The Company has taken advantage of the exemption conferred by Section 33: Related Party Disclosures not to disclose transactions entered into between two or more wholly owned members of the Group.

The Group referred to in these financial statements includes Argenta Holdings Limited, Argenta Private Capital Limited, Argenta Tax & Corporate Services Limited, Argenta Underwriting Asia Pte. Ltd, Argenta Underwriting No.2 Limited, Argenta Underwriting No.3 Limited, Argenta Underwriting No.9 Limited, Argenta Underwriting No.10 Limited, Argenta Underwriting No.11 Limited and Residual Services Limited.

15. Parent undertaking

The Company's immediate parent company is Argenta Holdings Limited, a company registered in England and Wales. The results of the Company are consolidated in the Financial Statements of Argenta Holdings Limited, which can be obtained from 70 Gracechurch Street, London, EC3V 0XL.

The Company's ultimate controlling party is HDI Haftpflichtverband der Deutschen Industrie V.a.G, a company registered in Germany. The financial statements of this company can be obtained from its registered office address at HDI-Platz 1, 30659 Hannover, Germany.