AmTrust Syndicates Limited

Directors' report and financial statements
31 December 2017

Registered number 04434499

Contents

Directors and advisers

Directors

D J L Barrett	(resigned, 30/11/2017, re-appointed 07/02/2018)
J E Cadle	(Non-Executive Director)
J Cartwright	(appointed, 18 December 2017)
M G Caviet	(Non-Executive Director)
P Dewey	
J P Fox	(Non-Executive Director)
B Gilman	(resigned, 5 September 2017)
J M Hamilton	(resigned, 31 December 2017)
S J Helson	(resigned, 31 December 2017)
B J Jackson	(Non-Executive Director)
B Jansli	(Non-Executive Director) (resigned, 31 December 2017)
S Lacy	(appointed, 8 May 2017)
N C T Pawson	(Non-Executive Chairman)
M A Sibthorpe	(resigned, 8 December 2017)
G Sweatman	(resigned, 20 February 2017)

Company secretary P A Cockburn

Registered office
47 Mark Lane
London
EC3R 7QQ

Registered number 04434499

Lloyd's Registration Number 2073D

Bankers Lloyds Bank plc

Auditor KPMG LLP

Strategic report

The directors present their Strategic report for AmTrust Syndicates Limited ("ASL"; the "Company" or the "Managing Agent") for the year ended 31 December 2017.

Principal activities and review of business

The principal activity of AmTrust Syndicates Limited is that of an approved Lloyd's managing agent. The Company also acts as a broker to its managed syndicates where business is not processed through the Lloyd's accounting system.

During 2017 the Company managed Lloyd's Syndicates 1861, 44, 5820, 1206, 2526 and 779 ("the Syndicates"), writing a globally diversified risk portfolio with twelve diverse and scalable lines of business, selected based on the platform's strategic position and the market opportunity within Lloyd's and the portfolio diversification and capital benefits these classes offer.

As part of a strategic review, the following syndicates were novated to the Company from AmTrust at Lloyd's Limited, another AmTrust group company, during the year:

Syndicate 1206 on 3 March 2017
Syndicate 44 on 3 March 2017
Syndicate 2526 on 22 June 2017

The following lines of business are core to the Company:

- Accident & Health and Special Risks
- Aviation & Space
- Consumer Products
- Cyber
- Energy
- Life
- Marine
- Non-Marine Liability
- Property
- Political Risks and Political Violence
- Professional Lines
- Specialty Reinsurance

Managed Capacity
The capacity managed by the Company by year of account, is as follows:

	2018	2017	2016
	£m	£m	£m
Syndicate 5820	-	131.1	131.1
Syndicate 779	-	-	22.2
Syndicate 1861	540.0	245.0	205.0
Syndicate 1206	-	260.0	-
Syndicate 44	20.0	17.5	-
Syndicate 2526	-	-	-
	560.0	653.6	358.3

Syndicate 2526 ceased underwriting at 31 December 2016, prior to its novation to the Company.

Strategic report *(continued)*

The Company's immediate parent is ANV Syndicate Management Ltd ("ASML"), a company registered in England and Wales.

The Company's ultimate holding company is AmTrust Financial Services, Inc. (AFSI) a company incorporated in Delaware, USA and listed on the NASDAQ Stock Market.

AFSI has entered into a definitive agreement with Evergreen Parent, L.P., an entity formed by private equity funds managed by Stone Point Capital LLC, together with Barry D. Zyskind, Chairman and CEO of AFSI, George Karfunkel and Leah Karfunkel (collectively, the "Karfunkel-Zyskind Family"), in which Evergreen Parent will acquire approximately 45% of the company's issued and outstanding common shares that the Karfunkel-Zyskind Family and certain of its affiliates and related parties do not presently own or control. The proposed transaction is anticipated to close in the second half of 2018, subject to satisfaction or waiver of the closing conditions, including approval by regulatory authorities and the company's independent shareholders.

Significant events during the year

The novation of the management of Syndicates 1206 and 44 from AmTrust at Lloyd's Limited to ASL in March 2017 was the first step in delivering on AmTrust at Lloyd's strategy to have one agency to manage the activities of a single combined property and casualty syndicate and an individual life syndicate.

To achieve this objective management has combined its non-life underwriting interests into Syndicate 1861 for the 2018 year of account. As a consequence of this Syndicates 1206 and 5820 ceased underwriting at 31 December 2017 and were placed into run-off.

On 8 December 2017, ASL's Chief Underwriting Officer, M A Sibthorpe resigned; consequently Chris Jarvis, Active Underwriter for Syndicates 1861 and 1206 was appointed as Director of Underwriting.

On 31 December 2017, ASL's Chairman Bjorn Jansli retired from the Board and Nicholas Pawson was appointed as Chairman pending regulatory approval, which was received on 5 April 2018.

Key Performance Indicators

Results
The results of the Company for the year are set out in the profit and loss account on page 10. The loss after taxation for the year was £0.7m (2016: profit £0.5m).

Key Performance Indicators
The Company's key financial performance indicators during the year were as follows:

	2017	**2016**
	£000	**£000**
(Loss)/profit on ordinary activities before taxation	**(931)**	630
Managing agency fees	**3,679**	2,726
Profit commissions	**11**	706
Net assets	**2,323**	3,009

The increase in managing agency fees is due to the novation of Syndicates 1206 and 44 to the Company during the year. This is offset by the deferral of £1.6m of managing agency fees to future periods, as the Company has reviewed when its obligations under the managing agency agreement have been completed. It now believes that 70% of the work is completed in year one, 15% in year two and 15% in year three.

AmTrust Central Bureau of Services Ltd ("CBS") carries out services on behalf of the Company and the Syndicates under management. ASL is charged a management fee from CBS in respect of these services.

Strategic report *(continued)*

Principal risks and uncertainties

The Syndicates' activities expose the Managing Agent to a number of key risks which have the potential to affect the Managing Agent's ability to achieve its and the Syndicates' objectives. The Managing Agent's Risk Committee oversees the operation of the Syndicates' risk management framework and reviews and monitors the management of the risks to which the Syndicates' are exposed. Risk management policies are established to identify and analyse the risks faced by the Syndicates, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The principal risks and uncertainties facing the Company and the managed syndicates are outlined below.

Managing agent risks

Capital risk - As a Managing Agent at Lloyd's the majority of the risks to the Company's future cash flows relate to its income arising from the management of Lloyd's Syndicates. The risks arise from the level of fees and profit commissions receivable from managed Syndicates, which will be governed largely by the future size and profitability of those Syndicates. If Syndicates' profit levels suffer, support from members may be reduced, impacting potential income to the Company. Any losses suffered by the Syndicates may reduce the capital available to support them in future years. As capital supporting Syndicates 1861 and 44 is fully provided by AmTrust Corporate Member Limited, via support from AmTrust group companies which are fully owned by AFSI, this risk is minimal. If significant losses are made by a Syndicate the Company may be at risk of litigation if capital providers to the Syndicate or other third parties consider they have suffered a loss due to inadequate management of the Syndicate. The Company has directors' and officers' indemnity insurance cover in place.

Liquidity risk - This is the risk that the Company will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. The Finance Director monitors cash flows and manages liquid assets to ensure that cash is available to meet obligations and operational liquidity needs.

Regulatory risk - The Company's approval as a Managing Agent of Lloyd's Syndicates is subject to continuing approval by Lloyd's, the Prudential Regulation Authority and the Financial Conduct Authority ("FCA"). The risk of this approval being removed is mitigated by monitoring and seeking to comply fully with all regulatory requirements of a Lloyd's Managing Agent and the operation of its managed Syndicates. The Company has a compliance officer who monitors regulatory developments and assesses the impact on the Company's policy.

Lloyd's requires a minimum level of available funds to be maintained by a managing agent. The capital requirements to support the proposed amount of Syndicate capacity for future years are also subject to Lloyd's approval. A variety of factors are taken into account by Lloyd's in setting these requirements including market conditions and Syndicate performance. Although the process is intended to be fair and reasonable the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the Syndicate is allowed to undertake in future years.

Conduct risk - This is the risk that customers experience poor outcomes in their engagement with the Company and is part of Regulatory Risk. This risk applies to all of the Syndicates' business but is particularly focussed where the Syndicates insure retail risks especially using delegated underwriting. This has been an area of particular emphasis by the FCA and by Lloyd's. The Company has a Product Governance Committee which oversees its response to these requirements and operates a conduct framework designed to ensure that appropriate outcomes are delivered to customers.

Operational risk - This is the risk that errors caused by people, processes, systems or external events lead to losses to the Company. The Managing Agent seeks to manage this risk through the use of detailed procedures manuals and a structured programme of testing of processes and systems by internal audit. The internal audit process is designed to provide management and the board, through its Audit Committee, with reasonable assurance that the controls and procedures are able to contain the risks within acceptable limits.

Group risks

Group risk - Refers to risks arising in other parts of the AmTrust group as well as those arising from the Company's own activities. The risk comes in relation to the provision of capital to group corporate members participating on the managed syndicates as well as delivering a variety of services to the group companies. These risks are monitored and controlled by the ASL Board and the Company's parent company.

Strategic report *(continued)*

Corporate governance

The ASL Board Chairman is supported by a combination of Executive Directors and Non-Executive Directors.

A defined operational and management structure as well as terms of reference for all Board committees has been in place throughout the period.

The ASL Board meets at least four times a year and more frequently when business needs require. The Board has a schedule of matters reserved for its decision and has appointed an Executive Committee to manage the operations of the business. The Board and the Executive Committee are supported by an Audit Committee and a Risk Committee. The Committee Framework includes a number of other Committees, including a dedicated Product Governance Committee to manage conduct risk issues.

Future developments

The consolidation of the managed syndicates into a single non-life syndicate and an individual life syndicate, is a significant step towards achieving AmTrust's overarching vision to be classed as top quartile by Lloyd's, representative of both strong performance against plan and relative to peers and the overall capabilities of the Managing Agent. The underlying ethos is based on achieving a satisfactory return on capital employed whilst taking a long term view across the market cycle.

The consolidation of activity into two syndicates will enable AmTrust to strengthen product offerings, increase capital efficiency, realise significant cost and process efficiencies and simplify reporting and regulatory commitments to ensure clients and brokers are provided with the best possible service.

The strategy for 2018 and beyond follows an extensive review of the combined underwriting operations to set the Syndicates on a clear positive trajectory to deliver profits in its core classes for 2018:

- Growing the business where opportunities exist through proactively managing and optimising the portfolio in response to developing market conditions, product development and diversification;
- Contracting the capacity in certain non-core and poorly performing classes where the Syndicate lacks the scale or expertise to compete;
- Gaining access to new distribution channels;
- Continuing to promote cross class initiatives; and
- Attracting underwriting talent to strengthen and develop our platform.

Management do not expect that the 'Brexit' vote represents a material threat to delivering on the non-Life Syndicate strategy. In the short-term the UK continues to be a full member of the EU with access to the single market and operating under the current passporting regime. Lloyd's remains committed to its European markets and is developing solutions to allow continued trading with the single market. However, there remains uncertainty in relation to the transaction of Life business. Management is closely monitoring developments of the ongoing negotiations and their implications on the transaction of Life premiums and claims. However, the vote is not believed to represent a material threat to delivering on the life Syndicate strategy which is materially based on the UK market.

By order of the Board

P Dewey
Director

47 Mark Lane
London
EC3R 7QQ

31 May 2018

Directors' report

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2017.

Results and dividends

The result for the 2017 financial year is a loss after tax of £0.7m (2016: profit £0.5m).

The directors do not recommend the payment of a dividend for the year ended 31 December 2017 (2016: £nil).

Going concern

Having reviewed the forecast income, expenditure and cash flows for the year ahead, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have therefore prepared the financial statements on the going concern basis.

Directors and directors' interests

The names of the directors who served during the year and as at the date of this report are listed on page 1.

Political donations

The Company made no political donations during the year (2016: £nil).

Auditors

During 2017 Deloitte LLP resigned as auditors of the Company and were replaced by KPMG LLP. In accordance with Section 487 of the Companies Act 2006, the auditors will be deemed reappointed and KPMG LLP will therefore continue in office.

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

P Dewey
Director

47 Mark Lane
London
EC3R 7QQ

31 May 2018

Statement of directors' responsibilities

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

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

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

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

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

Independent auditor's report to the members of AmTrust Syndicates Limited

We have audited the financial statements of AmTrust Syndicates Limited ("the Company") for the year ended 31 December 2017 which comprise the Statement of comprehensive income, statement of financial position and statement of changes in equity and related notes, including the accounting policies in note 4.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

David Maddams (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

31 May 2018

Statement of comprehensive income

for the year ended 31 December 2017

	Notes	2017 £'000	*2016 £'000*
Turnover	5	**3,769**	*3,550*
Administrative expenses		**(4,701)**	*(2,922)*
Operating (loss)/profit		**(932)**	*628*
Finance income	*6*	**1**	*2*
(Loss)/profit on ordinary activities before taxation	*7*	**(931)**	*630*
Taxation on (loss)/profit on ordinary activities	*10*	**245**	*(151)*
(Loss)/profit and total comprehensive income for the financial year		**(686)**	*479*

The Company's turnover and expenses all relate to continuing operations. There is no other comprehensive income.

The notes on pages 13 to 21 form part of these financial statements.

Statement of financial position

as at 31 December 2017

	Notes		2017		2016
		£'000	£'000	£'000	£'000
Current assets					
Debtors	11	573		1,194	
Deferred tax	10,11	822		756	
Cash at bank and in hand	12	15,877		5,696	
		17,272		7,646	
Creditors: amounts falling due within one year	13	(14,161)		(3,862)	
Net current assets		3,111		3,784	
Creditors: amounts falling due after one year	14		(788)		(775)
Total net assets			2,323		3,009
Capital and reserves					
Called up share capital	15		400		400
Profit and loss account			1,923		2,609
Total shareholder's funds - equity interests			2,323		3,009

These financial statements were approved by the board of directors on 31 May 2018 and were signed on its behalf by:

P Dewey
Director

The notes on pages 13 to 21 form part of these financial statements.

Statement of changes in equity

as at 31 December 2017

	Called-up share capital	Profit and loss account	Total
	£'000	**£'000**	**£'000**
At 1 January 2016	400	2,130	2,530
Profit and total comprehensive income for the financial year	-	479	479
At 31 December 2016	400	2,609	3,009
Loss and total comprehensive income for the financial year	-	(686)	(686)
At 31 December 2017	**400**	**1,923**	**2,323**

The notes on pages 13 to 21 form part of these financial statements.

Notes

1. Company information

AmTrust Syndicates Limited is a company domiciled in England and Wales, registration number 04434499. The Registered Office is at 47 Mark Lane, London, EC3R 7QQ.

2. Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard Applicable to the UK and Republic of Ireland (FRS 102) as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied.

The financial statements have been prepared on the historical cost basis.

The directors have prepared the financial statements on the basis that the Company is a going concern, as noted in the Directors' Report.

The financial statements are presented in Pound Sterling ("GBP"), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The Company's ultimate parent undertaking, AmTrust Financial Services, Inc. ("AFSI"), includes the Company in its consolidated financial statements. The consolidated financial statements of AFSI are prepared in accordance with US GAAP and are available to the public and may be obtained from that company's registered office, see note 17. The Company is considered a qualifying entity under FRS 102 and is therefore taking advantage of the exemption to prepare a cash flow statement, disclose related party transactions and information relating to financial instruments in the financial statements.

3. Critical accounting judgements and key sources of estimation uncertainty

In preparing these financial statements, the directors of the Company have made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which they are identified.

Key sources of estimation uncertainty

The key sources and other assumptions concerning any estimation or uncertainty at the balance sheet date that have a risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year relate to provisions as discussed below.

Provisions

The Company made a provision at the end of the 2016 in relation to premiums as discussed in note 13. The directors have taken all relevant information into account in the assessment of the carrying value of the provision and believe that the revised provision is sufficient at 31 December 2017. The final provision may be different from the actual position however assumptions used have been based on all available information at the date of these accounts. Payments in relation to this provision are expected to be made in 2018 and therefore the provision at 31 December 2017 is included within Creditors: amounts falling due within one year. The comparative amount at 31 December 2016, is therefore disclosed within Creditors: amounts falling due after one year.

Notes *(continued)*

4. Accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Turnover

Turnover is comprised of managing agency fees charged to the Company's managed syndicates, profit commissions earned during the year and consortium fees.

The managing agency fee is recognised when the contractual right has been established and to the extent that the Company has completed all of its obligations under the agency agreements within the year that it is charged. From 1 January 2017, this obligation has been treated as completed over three years, prior to this it was treated as completed over one year.

Profit commission is recognised for aligned Syndicates based on earned profitability for an underwriting year as of the reporting date. The profit commission is calculated in accordance with the Managing Agency agreements.

The Managing Agent recognises accrued profit commission in respect of the non-aligned Syndicates under management for underwriting years of account in their third year of development when it considers the ultimate result for those syndicates is sufficiently likely to meet the income recognition criteria.

Consortium fee income is derived from amounts charged for services provided under Consortium agreements entered into on behalf of the managed syndicates.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where 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 have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are not discounted.

Pensions

All employees working on the Company are employed by AmTrust Syndicate Holdings Limited ("ASH") or AmTrust Management Services Limited ("AMSL") or AmTrust Central Bureau of Services Limited ("CBS"). All three companies operate a defined contribution scheme. Pension contributions relating to staff are recharged to the Company as part of the management services fee received from CBS and are charged to the profit and loss account in the year they are recharged to the Company.

Notes *(continued)*

Insurance Broking Account (IBA) debtors and creditors

The Company carries out claims and premium processing services on behalf of the Syndicates under management in relation to non-Lloyd's registered intermediaries and, as such, is not liable for amounts arising from such transactions. Notwithstanding this legal relationship, debtors and creditors arising from insurance intermediary transactions are shown as assets and liabilities on the Company's balance sheet.

The Company's cash balance includes funds held in separately designated bank accounts through which insurance transactions for premiums, claims, commissions and other deductions are processed.

Foreign currencies

Transactions in foreign currencies are translated to the functional currency using the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rates of exchange ruling at the reporting date. Differences arising on retranslation of foreign currency amounts are included in the profit and loss account.

Basic financial instruments – trade and other debtors / creditors / cash at bank

Trade and other debtors are recognised at fair value. These are mainly in relation to the recharges with the relevant group entities and subsidiaries. Trade and other creditors, mainly relating to expenses incurred, are also recognised at fair value. Cash at hand and in bank comprises cash balances, which are measured at fair value and are subject to an insignificant risk of change.

Deferred income

Underwriting fees receivable from the managed syndicates are received on an annual basis. This income is recognised based on management's judgement on when the obligation under the contract is completed. Fees that have been received but not recognised as revenue at the balance sheet date are deferred.

5. Turnover

An analysis of the Company's turnover is as follows:

	2017	*2016*
	£'000	*£'000*
Managing agency fees	**3,679**	*2,726*
Consortium fees	**79**	-
Corporate member capacity fee	**-**	*118*
Profit commissions	**11**	*706*
	3,769	*3,550*

The turnover is attributable to underwriting agency activities and arises in the United Kingdom.

Notes *(continued)*

6. Finance income

	2017 £'000	*2016 £'000*
Investment income	**1**	*2*

7. (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging:

	2017 £'000	*2016 £'000*
Provision release (see notes 13 & 14)	**(275)**	-
The analysis of the auditor's remuneration is as follows:		
Audit of the Company's annual accounts – KPMG LLP (2016: Deloitte LLP)	**12**	*14*
Other services – KPMG LLP (2016: Deloitte LLP)	**-**	*1*

8. Staff numbers and costs

	2017 £'000	*2016 £'000*
Wages and salaries	**-**	*(5)*
Social security costs	**-**	*(2)*
Total staff costs	**-**	*(7)*

During 2017 the Company did not incur any employment costs and no employment costs were charged to the Company (2016: Nil). The income in 2016 is due to a release of an accrual for a performance bonus scheme.

At 31 December 2017 the Company did not employ any staff. The Company receives a charge for management services from CBS, which includes costs of staff working on behalf of the Company.

9. Directors' emoluments

The directors are remunerated by CBS or other group companies. The Company receives a charge for management services from CBS. Included within the management services are directors' emoluments of £287,807 (2016: 307,683) and pension contributions of £13,558 (2016: 11,709). The emoluments and pension contributions of the highest paid director are £80,858 (2016: £65,522) and £5,625 (2016: 1,762) respectively.

The number of directors who were accruing benefits under the defined contribution schemes during the year were ten (2016: ten).

Notes *(continued)*

10. Tax on (loss)/profit on ordinary activities

a) Analysis of tax charge for the year

	2017 £'000	*2016 £'000*
UK corporation tax		
Current tax credit on loss for the year	**(179)**	-
Tax on (loss)/profit on ordinary activities	**(179)**	-

Deferred tax

	2017 £'000	*2016 £'000*
Originating and reversal of timing differences	**-**	*125*
Adjustment in respect of previous periods	**(148)**	-
Effect of tax rate change on opening balance	**82**	*26*
Total deferred tax	**(66)**	*151*
Tax (credit)/charge per income statement	**(245)**	*151*

b) Factors affecting the tax charge for the year

The difference between the total tax (credit)/charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit before tax is as follows:

	2017 £'000	*2016 £'000*
(Loss)/profit on ordinary activities before tax	**(931)**	*630*
Tax on (loss)/profit on ordinary activities at standard rate of UK corporation tax of 19.25% (2016: 20.00%)	**(179)**	*125*
Effects of:		
- Adjustments in respect of prior years	**(148)**	-
- Effect of tax related changes on opening balance	**82**	*26*
Total current tax (credit)/charge for the year	**(245)**	*151*

Notes *(continued)*

10. Taxation (continued)

c) Change of tax rate

The calculation of taxes at the reporting date takes into account the reduction in the UK main corporation tax rate to 19% from 1 April 2017. The Finance Act 2018 enacted a further reduction from 1 April 2020 to 17%.

d) Deferred tax

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the group.

	2017	*2016*
	£'000	*£'000*
Brought forward at the start of the year	**756**	*907*
Adjustment in respect of prior years	**148**	-
Tax charge and other deductions	**(82)**	*(151)*
Deferred tax asset	**822**	*756*

A deferred tax asset of £0.8m (2016: £0.8m) has been recognised in 2017 in respect of unutilised losses.

The deferred tax asset is likely to be recovered against future taxable profits. In 2017, a deferred tax asset of £0.1m (2016: £0.1m) in respect of other timing differences has not been recognised at the reporting date.

11. Debtors

	2017	*2016*
	£'000	*£'000*
Amounts owed within one year		
Amounts owed by group undertakings	**186**	*15*
Prepayments and accrued income	**-**	*851*
Other debtors	**342**	*279*
IBA debtors	**45**	*49*
	573	*1,194*
Amounts owed after one year		
Deferred tax asset	**822**	*756*
	1,395	*1,950*

Notes *(continued)*

12. Cash at bank and in hand

	2017	2016
	£'000	£'000
Insurance cash balances	12,602	3,659
Other cash balances	3,275	2,037
	15,877	5,696

Insurance cash balances represent funds held in separately designated bank accounts through which insurance transactions for premiums, claims, commissions and other deductions are processed.

13. Creditors – amounts falling due within one year

	2017 £'000	2016 £'000
Amounts due to group undertakings	73	-
Other creditors	153	153
IBA creditors	12,647	3,709
Premium refund provision	500	-
Accruals and deferred income	788	-
	14,161	3,862

The Company acts as a Lloyd's managing agent for Syndicate 5820 which underwrites a significant volume of delegated distribution retail business. Where the Syndicate insures retail risks especially using delegated underwriting, there is a risk that historical practices in this business could have fallen short of current regulatory expectations. With a focus on positive customer outcomes, remedial action is likely to be required. A provision is recognised in respect of a potential premium refund arrangement which was expected to result in future cash outflows. These refunds are expected to be paid during 2018 and therefore the provision has been reclassified as a creditor falling due within one year.

The directors have taken all relevant information into account, including payments made in the year, in the assessment of the carrying value of the provision and believe that this provision is sufficient at 31 December 2017.

Notes *(continued)*

14. Creditors – amounts falling due after one year

	2017	*2016*
	£'000	*£'000*
Premium refund provision	-	*775*
Accruals and deferred income	**788**	-
	788	*775*

The nature of the premium provision is stated in note 13. The amounts payable under this provision are all expected to be settled in 2018 and therefore, the provision has been reclassified as a creditor falling due within one year.

15. Called-up share capital and reserves

	2017	*2016*
	£'000	*£'000*
Allotted, called-up and fully-paid		
10 ordinary class A shares of £1 each	-	-
399,990 ordinary class B shares of £1 each	**400**	*400*
	400	*400*

The Company has two classes of ordinary shares which carry no right to fixed income.

16. Financial commitments and contingent liabilities

The total future minimum lease payments under a non-cancellable operating building lease are as follows:

	2017	*2016*
Due:	**£'000**	*£'000*
- within one year	**475**	*356*
- between one and five years	**306**	*781*
	781	*1,137*

The Company did not retain any costs relating to lease expenses as the associated costs have been incurred by other group entities.

17. Ultimate parent company

The Company's immediate parent is ANV Syndicate Management Limited ("ASML"), a company registered in England and Wales. The Company's ultimate holding company is AmTrust Financial Services, Inc. (AFSI) a company incorporated in Delaware, USA and listed on the NASDAQ Stock Market. A copy of AFSI consolidated accounts can be obtained from that company's registered office, which is located at 59 Maiden Lane, 43rd Floor, New York, USA.

Notes *(continued)*

18. Related parties

Directors' interest
The respective active underwriters do not participate on the managed syndicates. The participation of directors is disclosed below.

Nicholas Pawson, a non-executive director of ASL, is a non-executive director of Starr Managing Agents Limited (SMAL). SMAL is a member of the Starr group, which includes Starr Underwriting Agents Limited, a company which has delegated underwriting authority for specific classes of business for Syndicate 1861. There are a number of contracts between companies in the ASL group and companies in the SMAL group. All such contracts are negotiated on an arm's length basis. Both the boards of SMAL and ASL have been advised of the potential conflict of interest.

Nicholas Pawson provided capital through a corporate entity to support underwriting on Syndicate 5820, which is a participant on a number of consortia led by Syndicate 1861. The consortia agreements were negotiated on an arm's length basis. The board of ASL has been advised of the potential conflict of interest.

Nicholas Pawson provided capital to Syndicate 779 through a corporate entity to support underwriting on the 2016 year of account.

19. Post Balance Sheet Events

AFSI has entered into a definitive agreement with Evergreen Parent, L.P., an entity formed by private equity funds managed by Stone Point Capital LLC, together with Barry D. Zyskind, Chairman and CEO of AFSI, George Karfunkel and Leah Karfunkel (collectively, the "Karfunkel-Zyskind Family"), in which Evergreen Parent will acquire approximately 45% of the company's issued and outstanding common shares that the Karfunkel-Zyskind Family and certain of its affiliates and related parties do not presently own or control. The proposed transaction is anticipated to close in the second half of 2018, subject to satisfaction or waiver of the closing conditions, including approval by regulatory authorities and the company's independent shareholders.