AmTrust Syndicates Limited

Directors' report and financial statements
31 December 2018
Registered number 04434499

Contents

Directors and advisers

Directors	D J L Barrett	(appointed 07/02/2018, resigned 30/04/2019)
	J E Cadle	(Non-Executive Director)
	J Cartwright	
	M G Caviet	(Non-Executive Director – resigned 09/12/2018)
	P Dewey	
	J P Fox	(Non-Executive Director)
	B J Jackson	(Non-Executive Director)
	C J Jarvis	(appointed 31/05/2018)
	S Lacy	
	N C T Pawson	(Non-Executive Chairman)
Company secretary	P A Cockburn	
Registered office	Exchequer Court 33 St Mary Axe London, EC3A 8AA	
Registered number	04434499	
Lloyd's Registration Number	2073D	
Banker	Lloyds Bank plc	
Auditor	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL	

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 2018.

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 2018 the Company managed Lloyd's Syndicates 1861, 44, 5820, 1206, 2526 and 779 ("the Syndicates"), writing a globally diversified risk portfolio with lines of business selected based on the platform's strategic position, the market opportunity within Lloyd's and the portfolio diversification and capital benefits these classes offer. As outlined within the Significant Events report, ASL reinsured to close Syndicate 779 into Syndicate 44 at 31 December 2018 and reinsured to close Syndicate 2526, along with the 2016 & Prior years of account of Syndicates 1861, 5820 and 1206 into StarStone's Syndicate 2008 at 31 December 2018.

Following a strategic review of its underwriting operations, the Company took the decision to cease actively underwriting Syndicate 44 with effect from 1 January 2019 at which point the Syndicate was placed into run-off. G Ross was appointed as the Run-Off manager and J Cartwright appointed as the Director responsible for run-off. The Syndicate is now developing its runoff closure plan overseen by Lloyd's to manage the Syndicate until finalisation of the Syndicate's liabilities.

The following lines of business are core to the Company:

- Accident & Health and Special Risks
- Aviation & Space
- Consumer Products
- Cyber
- Energy
- 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:

	2019	2018	2017	2016	2015	2014	2013
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Syndicate 1861[1,2]	500.0	540.0	245.0	205.0	-	-	-
Syndicate 1206[2]	-	-	260.0	200.0	-	-	-
Syndicate 5820[2]	-	-	131.1	131.0	-	-	-
Syndicate 44[3]	-	20.0	17.5	15.0	-	-	-
Syndicate 2526[4]	-	-	-	60.0	64.1	64.1	59.7
Syndicate 779[5]	-	-	-	22.2	22.2	22.3	-

[1]From the 2018 year of account onwards, the Company's non-life underwriting operations were concentrated into Syndicate 1861.

[2]The 2016 year of account of Syndicates 1861, 5820 & 1206 closed by way of reinsurance to close agreements into StarStone Underwriting Limited's Syndicate 2008's 2019 year of account at 31 December 2018.

[3]During the period ASL's Board took the decision to discontinue Life underwriting; consequently the 2019 year of account has not been formed.

[4]The 2016 & Prior years of account of Syndicate 2526 closed by way of reinsurance to close agreements into StarStone Underwriting Limited's Syndicate 2008's 2019 year of account at 31 December 2018.

[5]The 2016 & Prior years of account of Syndicate 779 closed by way of reinsurance to close agreements into Syndicate 44's 2018 year of account at 31 December 2018

Strategic report *(continued)*

Significant events during the year

The Company's immediate parent company is ANV Syndicate Management Ltd ("ASML"), a company registered in England and Wales . ASML is an indirect wholly owned subsidiary of AmTrust Financial Services, Inc. (AFSI) formerly the ultimate parent company of the AmTrust group of companies ("the Group", "AmTrust"). On 29 November 2018 a merger transaction was completed in which Evergreen Parent, L.P., an entity formed by private equity funds managed by Stone Point Capital LLC ("Stone Point"), together with Barry Zyskind, Chairman and CEO of AmTrust, George Karfunkel and Leah Karfunkel (collectively, the "Karfunkel-Zyskind Family"), acquired approximately 45% of AFSI's issued and outstanding common shares that the Karfunkel-Zyskind Family and certain of its affiliates and related parties did not already own or control. The merger transaction followed the approval of AmTrust common stockholders at a special meeting of stockholders held on June 21, 2018.

Following AmTrust's acquisition of 100% of the freehold capacity of Syndicate 5820 in December 2016, the novation of the management of Syndicates 1206, 2526 and 44 to the Company during 2017 and the decision to concentrate the Company's non-life underwriting interests and associated expenses into Syndicate 1861 for the 2018 year of account onwards, and as part of the "Integrate, Simplify, Refocus and Strengthen" strategy, the 2016 year of account of syndicates 1861, 5820 and 1206 have closed by way of a reinsurance to close arrangement into Syndicate 2008, a syndicate managed by StarStone Underwriting Limited.

Following the decision to cease underwriting Syndicate 2526 at the end of 2016, the managing agent has operated a run-off plan for the Syndicate with a dedicated run-off team working closely with the Syndicate's external consulting actuaries and overseen by Lloyd's Open Year Management team. During the course of 2018 the Company actively engaged with external markets in order to conclude the business of the Syndicate through a reinsurance to close ("RITC") transaction. A number of interested parties provided quotes to reinsure to close the open years. Syndicate 2008 ultimately represented the most favourable solution for the Syndicate's members across the open years of account. As a consequence, with effect from 31 December 2018 all of the open years closed by RITC into Syndicate 2008 thereby transferring the Syndicate's liabilities, consequently Syndicate 2526 ceased to exist from this date.

Syndicate 2008 is a syndicate whose capital is provided by SGL No.1 Limited, a 100% owned indirect subsidiary of Enstar Group Limited. The Syndicate is managed by StarStone Underwriting Limited, an indirectly held 59.0% owned subsidiary of Enstar Group Limited. Enstar Group Limited, through its affiliates Kayla Re Limited and Enstar Holdings Limited, holds a 7.36% interest in Evergreen Parent GP, LLC and its subsidiary Evergreen Parent LP, the ultimate parent of AFSI and shares a common investor in Stone Point Capital LLC.

Since cessation of underwriting Syndicate 779 in December 2016, the Syndicate has been operating under a run-off closure plan overseen by Lloyd's with the focus on assessing those elements of the portfolio that could prove a barrier to closure. This process was successfully completed during 2018 allowing Syndicate 44, another Life syndicate managed by ASL, to agree to reinsure to close the remaining liabilities of Syndicate 779 effective 31 December 2018, consequently Syndicate 779 ceased to exist from this date.

Following a strategic review of its underwriting operations, ASL took the decision to cease actively underwriting Syndicate 44 with effect from 1 January 2019 at which point the Syndicate was placed into run-off. G Ross was appointed as the Run-Off manager and J Cartwright appointed as the Director responsible for run-off. ASL has developed a run-off closure plan overseen by Lloyd's to manage the Syndicate until finalisation of the Syndicate's liabilities.

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 profit after taxation for the year was £0.1m (2017: loss £0.7m).

Key Performance Indicators

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

	2018 £000	2017 £000
Profit/(loss) on ordinary activities before taxation	**79**	(931)
Managing agency fees	**3,952**	3,679
Profit commissions	**-**	11
Net assets	**2,446**	2,323

Strategic report *(continued)*

Whilst the managed capacity of the underlying syndicates reduced for 2018 from 2017, the managing agency fee income has increased in 2018 following the change in estimate applied in 2017 for revenue recognition. The Company's policy is to recognise income to the extent it has completed its obligations under its agency agreements. In 2017 the change in estimate led to managing agency fees being earned over 3 years from 1 year in previous periods. A review of the estimates for the 2018 calendar confirmed this remained appropriate. An element of the managing agency fees charged to the 2017 years of account was deferred for 2 years in the 2017 calendar year and whilst the same treatment has been adopted in 2018, the revenue recognised in the income statement includes the earning of previously deferred income.

AmTrust Management Services Ltd ("AMSL"), AmTrust Central Bureau of Services Ltd ("CBS") and AmTrust Holdings Ltd ("ASH") carry out services on behalf of the Company and the Syndicates under management. ASL is charged a management fee from CBS in respect of all of these services.

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 and ability to meet the regulatory capital requirements relate to its income arising from the management of Lloyd's syndicates. The risks arise from the level of fees 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.

Following the decision to discontinue underwriting Syndicates 2526 and 779 at 31 December 2016, Syndicates 1206 and 5820 at 31 December 2017 and Syndicate 44 at 31 December 2018, ASL's future revenue, and therefore future cashflows, is dependent on the ongoing management of Syndicate 1861. As discussed under 'Future Developments', AmTrust has signed a definitive agreement with Canopius to merge their respective Lloyd's operations subject to regulatory approval. Under the deal structure the managing agency agreements for ASL's managed syndicates will be novated to Canopius. ASL will cease to manage any syndicates and will therefore cease to generate future cashflows. In the event that regulatory approval is granted it is the Board's intention to then deregister the company as a Lloyd's managing agent at which point the Company will no longer be required to operate within the Lloyd's regulatory capital parameters. In the event that regulatory approval is not granted, it is the Board's expectation that the 2020 year of account will be constituted and future cashflows generated through the levying of a managing agency fee.

Following the reinsurance to close of Syndicate 779 into Syndicate 44, Syndicate 2526 and the 2016 & Prior years of account of Syndicate 5820 to StarStone Syndicate 2008, all capital is provided by AmTrust group companies which are wholly owned by AFSI.

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 ("PRA") 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.

Strategic report *(continued)*

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.

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

On 18th April 2019, AmTrust and Canopius announced they had signed a definitive agreement to merge their respective Lloyd's operations under the management of Canopius Managing Agents, to create a stronger, market-leading Lloyd's franchise with a broader product offering and increased value to clients and brokers. Under the deal structure the managing agency agreements for ASL's managed non-life syndicates will be novated to Canopius with an option, exercisable at AmTrust's request, to novate the management of Syndicate 44. The deal remains subject to regulatory approval, but is expected to close during Q3 2019, consequently these Financial Statements continue to be prepared on the going concern basis.

Since the UK voted to leave the European Union and following invocation of Article 50 of the Treaty on European Union in March 2017, the UK will formally leave the EU on 31 October 2019 in the absence of further extensions to the withdrawal process.

A key implication of 'Brexit' is the loss of 'passporting rights' which allows Lloyd's to transact direct business across borders within the European Economic Area (EEA). In the majority of circumstances syndicates will continue to be able to write reinsurance business in the EEA from London on Lloyd's paper in the event of the UK leaving the single market and the customs union.

Strategic report *(continued)*

ASL has been working closely with Lloyd's and the market to develop a Brexit solution which is commercially viable, easy to use, future-proof and allows the Company to maintain its commercial relationships and the strong Lloyd's financial ratings. The formation of Lloyd's Brussels (Lloyd's Insurance Company S.A), a subsidiary of the Corporation of Lloyd's, operating since 1 January 2019 created a solution for new business and a plan to legally transfer business written within the EEA between 1993 and 2018 to Lloyd's Brussels via a Part VII transfer before the end of 2020. Lloyd's Brussels benefits from the market's financial strength through the Central Fund and has the same financial ratings as Lloyd's, AM Best (A "excellent"), Standard & Poor's (A+ "strong") and Fitch (AA- "very strong"). The company is authorised and regulated by the National Bank of Belgium and capitalised under Solvency II rules. Lloyd's Brussels is however, not licensed to transact life business, which was a contributory factor in the decision to close Syndicate 44 to new business.

All claims to policyholders can continue to be paid as normal until the UK leaves the EU and during any transition period agreed between the UK and EU. Lloyd's has instructed underwriters to honour their contractual commitments regardless of the outcome of the political negotiations, and AmTrust intends to comply with Lloyd's instruction. Syndicate 44 will be required to operate in the same way as currently after Brexit and any transition period in order to honour its policyholder commitments, even if that is in breach of rules preventing non-EU companies paying EU policyholders. Management notes that EIOPA's recent recommendation, that member states should apply a legal framework to facilitate the orderly run-off of European business, may resolve the potential challenge of settling claims after Brexit and any transition period.

Lloyd's expects that this will have the support of all European regulators as it goes to the heart of treating customers fairly and their approach has the full support of the UK's Financial Conduct Authority.

By order of the Board

P Dewey
Chief Executive Officer
30 May 2019

Directors' report

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2018.

Results and dividends

The result for the 2018 financial year is a profit after tax of £0.1m (2017: loss £0.7m).

The directors do not recommend the payment of a dividend for the year ended 31 December 2018 (2017: £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. As referenced in the Strategic Report, the proposed transaction with Canopius, including the novation of the management of ASL's managed syndicates, remains subject to regulatory approval.

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 (2017: £nil).

Auditors

Pursuant to Section 487 of the Companies Act 2006 KPMG LLP will be re-appointed as auditor.

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
Chief Executive Officer
30 May 2019

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

Opinion

We have audited the financial statements of AmTrust Syndicates Limited ("the Company") for the year ended 31 December 2018 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 2018 and of its profit 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The directors are responsible for the other information, which comprises the Directors and advisors, Strategic report and the Directors' report and Statement of directors' responsibilities. 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 other information;
- in our opinion the information given in the Strategic report and the Directors' report 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.

Independent auditor's report to the members of AmTrust Syndicates Limited *(continued)*

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 8, 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
Canary Wharf
London
E14 5GL

Date: 30/05/19

Statement of comprehensive income

for the year ended 31 December 2018

	Notes	**2018**	*2017*
		£'000	*£'000*
Turnover	5	**4,005**	*3,769*
Administrative expenses		**(3,934)**	*(4,701)*
Operating profit/(loss)		**71**	*(932)*
Finance income	*6*	**8**	*1*
Profit/(loss) on ordinary activities before taxation	*7*	**79**	*(931)*
Taxation on profit/(loss) on ordinary activities	*10*	**44**	*245*
Profit/(loss) and total comprehensive income for the financial year		**123**	*(686)*

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

The notes on pages 14 to 23 form part of these financial statements.

Statement of financial position

as at 31 December 2018

	Notes	£'000	**2018** £'000	*£'000*	*2017* *£'000*
Current assets					
Debtors	*11*	**1,664**		*573*	
Deferred tax	*10,11*	**866**		*822*	
Cash at bank and in hand	*12*	**15,596**		*15,877*	
		18,126		*17,272*	
Creditors: amounts falling due within one year	*13*	**(14,454)**		*(13,661)*	
Provisions for liabilities	*14*	**(548)**		*(500)*	
Net current assets			**3,124**		*3,111*
Creditors: amounts falling due after one year	*15*		**(678)**		*(788)*
Total net assets			**2,446**		*2,323*
Capital and reserves					
Called up share capital	*16*		**400**		*400*
Profit and loss account			**2,046**		*1,923*
Total shareholder's funds - equity interests			**2,446**		*2,323*

These financial statements were approved by the board of directors on 30 May 2019 and were signed on its behalf by:

P Dewey
Director

The notes on pages 14 to 23 form part of these financial statements.

Statement of changes in equity

as at 31 December 2018

	Called-up share capital	Profit and loss account	Total
	£'000	**£'000**	**£'000**
At 1 January 2017	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
Profit and total comprehensive income for the financial year	-	123	123
At 31 December 2018	**400**	**2,046**	**2,446**

The notes on pages 14 to 23 form part of these financial statements.

Notes

1. Company information

AmTrust Syndicates Limited is a company domiciled in England and Wales, registration number 04434499 and is authorised by the PRA and regulated by the FCA. The Registered Office is at Exchequer Court, 33 St Mary Axe, London, EC3A 8AA.

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 intermediate 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. The Company is considered a qualifying entity under FRS 102 and is therefore taking advantage of the exemption from preparing 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 statement of financial position 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 14. 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 2018. 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 2019 and therefore the provision at 31 December 2018 is included within Creditors: amounts falling due within 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 its obligations under the agency agreements within the year that it is charged.

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 statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position 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 statement of financial position 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 pension scheme. Pension contributions relating to staff are recharged to the Company as part of the management services fee received from CBS, ASH & AMSL and are accrued and charged to the profit and loss account in the period in which the obligation is incurred.

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 statement of financial position.

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 into 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 bank and in hand 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 of when the obligation under the contract is completed. Fees that have been received but not recognised as revenue at the statement of financial position date are deferred.

5. Turnover

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

	2018	*2017*
	£'000	*£'000*
Managing agency fees	**3,952**	*3,679*
Consortium fees	**37**	*79*
Other income	**16**	-
Profit commissions	**-**	*11*
	4,005	*3,769*

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

Notes *(continued)*

6. Finance income

	2018 £'000	*2017 £'000*
Investment income	**8**	*1*

7. Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging:

	2018 £'000	*2017 £'000*
Premium provision release (see note 14)	**(83)**	*(275)*
Management services recharge from CBS	**2,911**	*4,914*
The analysis of the auditor's remuneration is as follows:		
Audit of the Company's annual accounts – KPMG LLP	**12**	*12*

8. Staff numbers and costs

During 2018 the Company did not incur any employment costs and no employment costs were charged to the Company (2017: Nil).

At 31 December 2018 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 £41,307 (2017: £287,807) and pension contributions of £2,825 (2017: £13,558). The emoluments and pension contributions of the highest paid director are £20,843 (2017: £80,858) and £1,750 (2017: £ 5,625) respectively.

The number of directors who were accruing benefits under the defined contribution schemes during the year were two (2017: ten).

Notes *(continued)*

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

a) Analysis of tax charge for the year

	2018 **£'000**	*2017* *£'000*
UK corporation tax		
Current tax credit on loss for the year	-	*(179)*
Tax on profit/(loss) on ordinary activities	-	*(179)*

Deferred tax

	2018 **£'000**	*2017* *£'000*
Originating and reversal of timing differences	15	-
Adjustment in respect of previous periods	-	*(148)*
Effect of tax rate change on opening balance	(59)	*82*
Total deferred tax	**(44)**	*(66)*
Tax credit per income statement	**(44)**	*(245)*

b) Factors affecting the tax charge for the year

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

	2018 **£'000**	*2017* *£'000*
Profit/(loss) on ordinary activities before tax	**79**	*(931)*
Tax on profit/(loss) on ordinary activities at standard rate of UK corporation tax of 19% (2017: 19.25%)	15	*(179)*
Effects of:		
- Adjustments in respect of prior years	-	(148)
- Effect of tax related changes on opening balance	(59)	*82*
Total current tax credit for the year	**(44)**	*(245)*

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.

	2018	*2017*
	£'000	*£'000*
Brought forward at the start of the year	**822**	*756*
Adjustment in respect of prior years	**-**	*148*
Origination and reversal of timing differences	**(15)**	*-*
Effect of tax rate change on opening balance	**59**	*(82)*
Deferred tax asset	**866**	*822*

A deferred tax asset of £0.9m (2017: £0.8m) has been recognised in 2018 in respect of unutilised losses.

The deferred tax asset is likely to be recovered against future taxable profits. In 2018, no deferred tax asset (2017: £0.1m) in respect of other timing differences has been recognised at the reporting date.

11. Debtors

	2018	*2017*
	£'000	*£'000*
Amounts recoverable within one year		
Amounts owed by group undertakings	**185**	*186*
Prepayments and deferred expenses	**624**	*-*
Other debtors	**177**	*342*
IBA debtors	**54**	*45*
	1,040	*573*
Amounts recoverable after one year		
Prepayments and deferred expenses	**624**	*-*
Deferred tax asset	**866**	*822*
	1,490	*822*
	2,530	*1,395*

Notes *(continued)*

12. Cash at bank and in hand

	2018	*2017*
	£'000	*£'000*
Insurance cash balances	12,552	*12,602*
Other cash balances	3,044	*3,275*
	15,596	*15,877*

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

	2018	*2017*
	£'000	*£'000*
Amounts due to group undertakings	334	*73*
Other creditors	48	*153*
IBA creditors	12,606	*12,647*
Accruals and deferred income	1,466	*788*
	14,454	*13,661*

14. Provision for liabilities

	2018	*2017*
	£'000	*£'000*
Provision for legacy matters	548	*500*

The Company has made provision for future settlements expected to be made arising out of legacy regulatory and administration issues. Such matters include:

- Investigation into practices related to high conduct business through certain delegated underwriting arrangements, including the establishment of a premium refund programme for affected policyholders;
- Investigation by certain US state regulators into the writing of a master policy arrangement in accordance with applicable US surplus lines regulations; and
- Commercial settlement agreed with an intermediary following policy administration error.

Notes *(continued)*

15. Creditors – amounts falling due after one year

	2018 £'000	*2017 £'000*
Accruals and deferred income	678	*788*
	678	***788***

16. Called-up share capital and reserves

	2018 £'000	*2017 £'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.

17. Financial commitments and contingent liabilities

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

	2018	*2017*
Due:	£'000	*£'000*
- within one year	306	*475*
- between one and five years	-	*306*
	306	***781***

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

Notes *(continued)*

18. Ultimate parent company

The Company's immediate parent is ANV Syndicate Management Limited ("ASML"), a company registered in England and Wales. Until 29 November 2018 the company's ultimate holding company was AmTrust Financial services, Inc. (AFSI) a company incorporated in Delaware, USA. On 29 November 2018 a merger transaction was completed in which Evergreen Parent, L.P., an entity formed by private equity funds managed by Stone Point Capital LLC ("Stone Point"), together with Barry Zyskind, Chairman and CEO of AmTrust, George Karfunkel and Leah Karfunkel (collectively, the "Karfunkel-Zyskind Family"), acquired approximately 45% of AFSI's issued and outstanding common shares that the Karfunkel-Zyskind Family and certain of its affiliates and related parties did not already own or control.

18. Related parties

The Company is exempt from disclosing related party transactions with other companies that are wholly owned within the Group.

The Directors' interests in the managed syndicates are disclosed below.

Directors' interest
The respective active underwriters do not participate on the managed syndicates.

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. Following the board's approval of the Reinsurance to Close of the 2016 and prior years of account into StarStone Syndicate 2008, Nicholas Pawson's participations have ceased.

Nicholas Pawson provided capital to Syndicate 779 through a corporate entity to support underwriting on the 2016 year of account. Following the board's approval of the Reinsurance to Close of the 2016 and prior years of account into Syndicate 44, Nicholas Pawson's participations have ceased.

Notes *(continued)*

19. Post Balance Sheet Events

On 18th April 2019, AmTrust and Canopius announced they had signed a definitive agreement to merge their respective Lloyd's operations under the management of Canopius Managing Agents, to create a stronger, market-leading Lloyd's franchise with a broader product offering and increased value to clients and brokers. The deal remains subject to regulatory approval, but is expected to close during Q3 2019. Under the terms of the agreement AmTrust will novate the management of its Syndicates to Canopius and sell its 100% owned corporate member, AmTrust Corporate Member Limited, which represents 100% of its non-life Syndicate participations, to Canopius.

On 14 February 2019 the Company's Board authorised the closure of the 2016 year of account of Syndicates 1861, 1206 & 5820 and the closure of the 2013, 2014, 2015 & 2016 years of account of Syndicate 2586 by way of a reinsurance to close into Syndicate 2008, a syndicate managed by StarStone Underwriting Limited. The Board also approved the closure of all years of account of Syndicate 779 into Syndicate 44 by way of a reinsurance to close transaction at this date.