



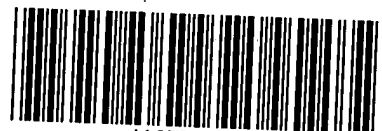
Report & Financial Statements

Ark Syndicate Management Limited

Registered number: 05887810

2015

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Directors and administration

Directors

I Beaton (Chief executive)

N Bonnar

N Deshpande

D Foreman (Chairman)

R Oakes (Non-executive)

P McIntosh

N Smith

V Southey (Non-executive)

J Wardrop (Non-executive)

C Watson (Non-executive)

Company secretary

J Masson

Registered office

30 Fenchurch Avenue

London

EC3M 5AD

Company registration number

05887810

Bankers

Lloyds Banking Group plc

PO Box 72

Bailey Drive

Gillingham Business Park

Kent

ME8 0LS

Registered auditors

KPMG LLP

15 Canada Square

London

E14 5GL

Directors' report

The directors present their annual report and financial statements for the year to 31 December 2015.

Group structure

The key trading companies within the Ark group ("the group") are as follows:

Company name	Short name	Place of incorporation	Principal activity / function
Ark Insurance Holdings Limited	AIHL	Bermuda	Ultimate holding company
Ark Syndicate Management Limited	ASML	UK	Managing agent of Syndicate 4020 ("the Syndicate") and Special Purpose Syndicate 6105 ("Syndicate 6105")
Ark Corporate Member Limited	ACML	UK	Corporate member, participates on the 2015, 2014 and 2013 years of account ("YOA") of the Syndicate
Ark Corporate Member (No. 2) Limited	ACML2	UK	Corporate member, participates on the 2015 and 2014 YOA of the Syndicate
Group Ark Insurance Limited	GAIL	Bermuda	Class III reinsurer, writes 90% quota share of ACML, provides Funds at Lloyd's ("FAL") on behalf of ACML to support the Syndicate

Directors and Directors interests

The directors served from 1 January 2015 to the date of this report, unless stated otherwise. Shareholdings are stated as at 31 December 2015.

Name	Date of appointment / resignation	AIHL B shares No.	AIHL G shares No.	AIHL H shares (2015) No.	AIHL H shares (2016) No.
I Beaton		92,230	121,788	386,341	494,516
N Bonnar		92,230	121,788	386,341	494,516
N Deshpande		11,955	23,787	3,863	4,945
D Foreman (Non-executive)		57,566	123,689	-	-
R Oakes (Non-executive)		-	-	-	-
P McIntosh		8,836	17,086	12,363	15,825
N Smith		7,147	13,457	10,818	13,847
V Southey (Non-executive)		-	-	-	-
J Wardrop (Non-executive)	1 January 2016	-	-	-	-
C Watson (Non-executive)		-	-	-	-

Disclosure of information to auditors

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

Accounting policies

The financial statements have been prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") for the first time, the impact of which is set out in note 1.

Directors' report

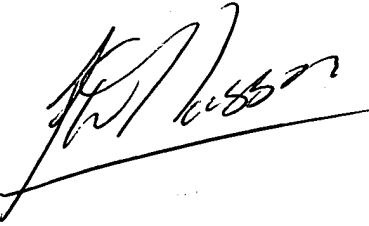
Auditors

KPMG LLP have expressed their willingness to continue in office as auditors to the company. The company has an elective resolution in place under Section 487(2) of the Companies Act 2006 to dispense with the obligation to appoint auditors annually.

Dividends

No dividends were paid in the year (2014: Nil). No dividend is proposed for the year.

By order of the Board

A handwritten signature in black ink, appearing to read 'J Masson', is written over a horizontal line.

J Masson, Company Secretary

9 March 2016

Strategic report

The Strategic Report has been prepared in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Principal activity and review of the business

The principal activity is that of a Lloyd's managing agent. The principal sources of revenue for the company are managing agency fees charged to the managed syndicates, a management fee charged to the Syndicate to reflect expenses incurred by the company on its behalf, override commission charged to Syndicate 6105 and profit commissions receivable based on the results of each YOA of the managed syndicates.

	2015 £'000	2014 £'000
Managing agency fee	3,056	3,049
Management fee	31,291	20,882
Override commission	3,706	3,502
Profit commission	8,843	13,866
Total revenue	46,896	41,299

The profit for the year was £7.1m (2014: £1.8m). The key performance indicators monitored by the board of directors are income and expenses against budget, liquidity and solvency. Income and expenditure for the year are within expectations, sufficient funds have been retained to meet all of its obligations as they fall due, and the solvency requirements of the regulators have been met throughout the year.

Future developments

The capacity of the Syndicate for the 2016 YOA is £400.0m (2015 YOA: £340.0m). Syndicate 6105 has ceased underwriting (2015 YOA capacity: £60.0m).

Principal risks and uncertainties

ASML maintains a risk register within its risk management framework. Identified risk events are grouped into major risk categories according to the nature of the potential threat they pose to the business. The risk management framework allows risks to be identified and controls to be put in place as necessary, either to prevent the occurrence of the event or to mitigate its impact.

The principal risks of the company are set out in note 2 of the accounts

By order of the Board



J Masson
Company Secretary
9 March 2016

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 are required 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 its profit or loss for that period. In preparing the 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 balance sheet of the company [and enable them to ensure that its financial statements comply with the Companies Act 2006]. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

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

We have audited the financial statements of Ark Syndicate Management Limited for the year ended 31 December 2015 set out on pages 8 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements. Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; 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

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

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



Ben Priestley (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

11 March 2016

Ark Syndicate Management Limited

Income statement

For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Turnover	3	46,896	41,299
Bank interest receivable		1	21
Total revenue		46,897	41,320
Operating expenses	5	(37,648)	(38,733)
Results of operating activities and profit before tax		9,249	2,587
Taxation charge	6	(2,143)	(784)
Profit for the year after tax		7,106	1,803

Statement of comprehensive income

	Notes	2015 £'000	2014 £'000
Profit for the year after tax		7,106	1,803
Other comprehensive income		-	-
		7,106	1,803

Balance sheet

As at 31 December 2015

	Notes	2015 £'000	2014 £'000
Assets			
Fixed assets	7	81	102
Other receivables	8	34,029	25,139
Cash and cash equivalents		604	661
Deferred taxation	9	1,317	1,673
Total assets		36,031	27,575
Equity and liabilities			
<i>Equity</i>			
Called up share capital	10	400	400
Profit and loss account		10,416	3,310
Total equity		10,816	3,710
<i>Liabilities</i>			
Other payables	11	25,215	23,865
Total equity and liabilities		36,031	27,575

The financial statements were approved by the Board of Ark Syndicate Management Limited on 9 March 2016 and signed on its behalf by



N Smith, Director
9 March 2016

Statement of changes in equity

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2013	400	1,507	1,907
Profit for the year	-	1,803	1,803
At 31 December 2014	400	3,310	3,710
Profit for the year	-	7,106	7,106
At 31 December 2015	400	10,416	10,816

Notes to the financial statements

1. Statement of accounting policies

The financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102").

This is the first set of financial statements prepared by the company in accordance with FRS 102. However, the transition from old UK GAAP to FRS 102 has not resulted in any significant change to the financial position or performance of the company.

Basis of preparation

The financial statements are prepared using the historical cost convention. All amounts presented are stated in Sterling, unless stated otherwise. The financial statements have been prepared on a going concern basis. The directors of the company have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The company is considered to be a qualifying entity (for the purposes of FRS) and has applied exemptions available under FRS 102 in respect of the requirement to include a cash flow statement and related notes.

Foreign currency translation

Items included in the financial statements are measured using Sterling, the currency of the primary economic environment in which the company operates (the "functional currency"). The financial statements are presented in Sterling, being the functional and presentation currency of the company.

Turnover

Turnover consists of managing agency fees, management fees and profit commission receivable from insurance underwriting activities at Lloyd's. Managing agency fees and overriding commission are recognised in the year in which they are earned. A proportion of the fee charged to each YOA is deferred to reflect that the agency provides services to the managed syndicates throughout the three year period each YOA is open. Management fees are recognised in the same year in which the expenses are incurred. Profit commissions expected to arise on closure of a Lloyd's YOA are recognised on an accruals basis subject to an assessment of certainty over the year's profitability.

Depreciation

Depreciation has been provided on a straight line basis to write off the costs of fixed assets, less their residual values, over their estimated useful lives. The rates used are as follows - Computer equipment and software 33%; and Office equipment 33%.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the UK taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account over the term of the lease.

Notes to the financial statements

1. Statement of accounting policies (continued)

Pensions

Contributions to defined contribution pension funds are charged to the profit and loss account when payable. The assets of all the schemes supported are held separately from those of the company in independently administered funds.

2. Management of risk

The company receives profit commission as a percentage of the profits of the Syndicate and Syndicate 6105. The key risk of the company is that it fails to manage the affairs of the Syndicate and Syndicate 6105 appropriately which in turn impacts the level of profit commission the company receives.

The table below gives an indication of the impact on profit after tax and net assets of a five per cent increase or decrease in profit commission:

	2015 Impact on profit after tax £'000	2014 Impact on profit after tax £'000	2015 Impact on net assets £'000	2014 Impact on net assets £'000
5% increase in profit commission	354	555	354	555
5% decrease in profit commission	(354)	(555)	(354)	(555)

Ark's core business relies on the assumption of internal and external risk within the appetites and tolerances established by the Board. Primarily Ark's business is the assumption of Insurance Risk and Market Risk, with the additional categories of Credit Risk, Liquidity Risk, Operational Risk and Group Risk. Managing these risks in a manner that is consistent with the strategy, appetites and tolerances established by the Board requires that Ark has in place a systematic, objective, and robust set of governance arrangements and processes for identifying and quantifying the risks to which it is exposed. This enables Ark to determine appropriate strategies and approaches for prevention and mitigation.

The ways in which these risks are managed by the company are disclosed in the financial statements of the Syndicate.

3. Turnover

	2015 £'000	2014 £'000
Managing agency fee	3,056	3,049
Management fee	31,291	20,882
Override commission	3,706	3,502
Profit commission	8,843	13,866
	46,896	41,299

4. Directors and employees

	2015 £'000	2014 £'000
Salaries	23,491	27,497
Social security costs	3,058	3,743
Pension costs	1,606	1,349
	28,155	32,589

The pension scheme is a defined contribution scheme. Outstanding employer contributions at the balance sheet date were £0.1m (2014: £0.1m).

Notes to the financial statements

4. Directors and employees (continued)

The average number of employees (including directors) during the year was as follows:

	2015 Number	2014 Number
Underwriting	71	62
Claims administration	21	17
Other administration	36	32
	128	111

The directors received the following aggregate remuneration:

	2015 £'000	2014 £'000
Gross emoluments excluding pension contributions	6,117	5,795
Contributions to money purchase pension schemes	86	119
	6,203	5,914

Included in the above are the emoluments of the highest paid director, as follows:

	2015 £'000	2014 £'000
Gross emoluments excluding pension contributions	1,682	1,428
Contributions to money purchase pension schemes	30	12
	1,712	1,440

Retirement benefits are accruing to the following number of directors under:

	2015 Number	2014 Number
Money purchase pension schemes	3	4

5. Operating expenses

	2015 £'000	2014 £'000
Staff costs	28,155	32,589
Accommodation costs	2,343	2,338
Legal and professional fees	3,350	2,165
Other	3,800	1,641
	37,648	38,733

Operating expenses include the following:

	2015 £'000	2014 £'000
Audit fees	19	18
Depreciation	78	270

Notes to the financial statements

6. Taxation

	2015 £'000	2014 £'000
Current tax:		
Expense for the year	1,718	1,255
Adjustment in respect of prior years	69	-
Total current tax	1,787	1,255
Deferred tax	356	(471)
Total tax charged to the income statement	2,143	784

There are no known factors that would significantly impact the future tax charge of the company. The current tax charge for the year is lower than the standard rate of corporation tax in the UK of 20.2% applied to the results of the UK operations, as set out below:

	2015 £'000	2014 £'000
Profit on ordinary activities in the UK	9,249	2,587
UK corporation tax at 20.2% (2014: 21.5%) based on the UK profit for the year	1,869	556
Taxation effect of:		
Expenses not deductible for tax purposes	116	390
Adjustment in respect of prior years	69	50
Profits not taxable in the current year	(267)	259
Tax charge for the period	1,787	1,255

7. Fixed assets

	Office equipment £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2015	631	1,949	2,580
Additions	-	57	57
At 31 December 2015	631	2,006	2,637
Depreciation			
At 1 January 2015	631	1,847	2,478
Charge for the year	-	78	78
At 31 December 2015	631	1,925	2,556
Net book value			
At 1 January 2015	-	102	102
At 31 December 2015	-	81	81

Notes to the financial statements

8. Other receivables

	2015 £'000	2014 £'000
Amounts due from other group companies	10,999	9,900
Prepayments and accrued income	22,624	14,389
Other debtors	406	850
	34,029	25,139

Included within prepayments and accrued income is £3.3m (2014: £7.9m) in respect of profit commission which is due after one year.

9. Deferred taxation

	2015 £'000	2014 £'000
Provision at 1 January	1,673	1,202
Timing differences in respect of capital allowances	29	10
Timing differences in respect of expense deduction	(385)	461
Deferred tax asset at 31 December	1,317	1,673

The UK corporation tax rate reduced from 21% to 20, effective 1 April 2015. This resulted in a weighted average rate of 20.2% for the year ended 31 December 2015 (2014: 21.5%). In 2015, further planned reductions were announced, from 20% to 19% from April 2017 and to 18% from April 2020. In accordance with accounting standards the effect of these rate reductions on deferred tax balances have been reflected in these accounts as the relevant legislation in relation to the reduction in the UK corporation tax rate has been substantively enacted at the balance sheet date.

10. Share capital

	2015 Authorised Number	2015 Authorised £'000	2015 Allotted, issued and fully paid Number	2015 Allotted, issued and fully paid £'000
Ordinary shares of £1 each	2,000,000	2,000	400,000	400

11. Other payables

	2015 £'000	2014 £'000
Amounts payable within one year:		
Amounts due to other group companies	174	174
Accruals and deferred income	20,419	22,475
Other creditors	4,622	1,216
	25,215	23,865

Notes to the financial statements

12. Commitments under operating leases

Non-cancelable operating lease rentals are payable as follows:

	2015	2014
	Land & buildings	Land & buildings
	£'000	£'000
Within 1 year	-	738
Within 2 to 5 years	3,000	554
Beyond 5 years	692	-
	3,692	1,292

During the year, £0.7m (2014: £0.7m) was recognised as an expense in the income statement in respect of operating leases.

13. Related parties

The results of the Company are consolidated in the financial statements of AIHL. The registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. No other group financial statements include the results of the company.

The company has taken advantage of the exemption for wholly owned subsidiaries available in FRS 102 and has not disclosed related party transactions between itself and other group companies.

Swiss Reinsurance Company Limited, which forms part of the Swiss Reinsurance group, holds 11.69% of the ordinary share capital of AIHL. The Syndicate has purchased reinsurance protection on normal commercial terms and at arms length from Swiss Reinsurance Company (UK) Limited ("Swiss Re"), which is part of the Swiss Reinsurance group. Premiums paid by the Syndicate to Swiss Re in the year amounted to £1.9m (2014: £4.5m).

C Watson is a director of Validus Holdings Ltd. The Syndicate has purchased reinsurance protection on normal commercial terms and at arms length from the Validus Group. Premiums paid by the Syndicate in the year amounted to £1.9m (2014: £1.7m).

R Oakes is a non-executive director of Cathedral Underwriting Limited, the managing agent of Syndicate 2010 and Syndicate 3010 at Lloyd's. The Syndicate has purchased reinsurance protection on normal commercial terms and at arms length from Syndicate 2010. Premiums paid by the Syndicate in the year amounted to less than £0.1m (2014: £0.1m). Also, the Syndicate provided reinsurance under separate contracts to Syndicate 2010 on normal commercial terms and at arms length. Gross premium income, excluding brokerage and commissions, due to the Syndicate under these contracts amounted to £Nil (2014: £0.4m).

Until his resignation on 10 April 2013, V Southey was a non-executive director of Talbot Underwriting Limited, managing agent of Syndicate 1183 at Lloyd's. The Syndicate has purchased reinsurance protection on normal commercial terms and at arms length from Syndicate 1183. Premiums paid by the Syndicate in the year amounted to £0.1m (2014: £0.3m). Also, the Syndicate provided reinsurance under separate contracts to Syndicate 1183 on normal commercial terms and at arms length. Gross premium income, excluding brokerage and commissions, due to the Syndicate under these contracts amounted to £0.2m (2014: £0.2m).

I Beaton, N Bonnar and D Foreman are partners of Elvis Capital Partners ("ECP"). GAIHL has a contingent profit commission arrangement with ECP based on the profit after tax produced by the Syndicate operations. Profit commission accrued by GAIHL under this contract amounted to £2.0m (2014: £1.7m).

ECP owns Mercury Capital Limited ("Mercury"), a catastrophe risk manager. Mercury provides actuarial consultancy services to GAIHL on normal commercial terms which GAIHL then recharges to ASML. Fees paid by GAIHL to Mercury in the year in respect of these services amounted to £0.1m (2014: £0.1m).

The Syndicate has made investments through Mercury in assets exposed to catastrophe insurance risk through various Industry Loss Warranty arrangements. At the year end, included within the investments of the Syndicate is £19.3m relating to these assets (2014: £16.0m). Investment income of £1.6m generated by these assets has been recognised in the year (2014: £0.3m). No fee is paid by the Syndicate to Mercury in respect of these arrangements.

Notes to the financial statements

13. Related parties (continued)

The Syndicate underwrites business through Cove Program Managers Limited ("Cove") under a binding authority. Gross premium income, excluding brokerage and commissions, due to the Syndicate under this binding authority amounted to £1.8m (2014: £3.8m). Commissions paid by the Syndicate in the year to Cove amounted to £1.0m (2014: £1.4m). ASML has entered into share and finance arrangements with Cove, which owns 90% of the Cove Program Underwriting cell of Aquila Underwriting LLP. ASML holds 14.52% of the ordinary share capital of Cove and under the terms of a Shareholders Agreement governing this investment has loaned £Nil (2014: £0.2m) to Cove. I Beaton serves without fee as a non-executive director of Cove.

The Syndicate acquired a share in a sea vessel after the underwriters on the slip exercised their subrogation rights under a political risk claim. MJHR Pte Limited ("MJHR") has been established to manage and ultimately sell the vessel. ASML holds 46% of the ordinary share capital of MJHR and ECP holds 9%.

The Xchanging group provides premium processing, administration and claims adjusting services to the Syndicate on normal commercial terms. Until his resignation in 2013, I Beaton served without fee as a non-executive director of Xchanging Claims Services Limited ("XCS") which is part of the Xchanging group. Fees paid by the Syndicate in the year to the Xchanging group amounted to £1.7m (2014: £1.8m).

Ark Underwriting Inc. ("AUI") is a wholly owned subsidiary of ASML, which facilitates the introduction of US reinsurance business into the Syndicate through a binding authority. AUI earns commission set on normal commercial terms. In 2015 the amount paid in commission by the Syndicate to AUI was £0.6m (2014: £0.5m).