

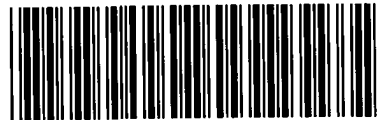


Report & Financial Statements  
Ark Syndicate Management Limited

Registered number: 05887810

2020

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## Directors and administration

### Directors

C Atkin	(Non-executive Chairman)
I Beaton	(Chief Executive)
N Bonnar	
N Brothers	
P Dawson	
P McIntosh	
M Rountree	(Non-executive)
N Smith	
J Wardrop	(Non-executive)
J Welman	(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 2020.

### 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 ("4020") and Syndicate 3902 ("3902")
Ark Corporate Member Limited	ACML	UK	Corporate member
Group Ark Insurance Limited	GAIL	Bermuda	Class IV reinsurer, writes a quota share of ACML, provides Funds at Lloyd's ("FAL") on behalf of ACML to support 4020 and 3902

### Directors and Directors interests

The directors served from 1 January 2020 to the date of this report, unless stated otherwise. Shareholdings in AIHL are stated as at 31 December 2020.

Name	H Shares (2015) No.	H Shares (2016) No.	H Shares (2017) No.	H Shares (2018) No.	H Shares (2019) No.	H Shares (2020) No.
C Atkin (appointed 1 June 2020)	-	-	-	-	-	-
I Beaton	386,341	494,516	-	494,516	494,516	-
N Bonnar	386,341	494,516	-	494,516	494,516	-
N Brothers	-	-	-	4,500	6,000	6,000
P Dawson	-	-	-	18,545	20,000	20,000
D Foreman (resigned 1 January 2021)	-	-	-	-	-	-
P McIntosh	-	-	-	15,825	17,000	17,000
M Rountree (appointed 4 February 2021)	-	-	-	-	-	-
N Smith	-	-	-	13,847	15,000	17,500
J Wardrop	-	-	-	-	-	-
C Watson (resigned 1 January 2021)	-	-	-	-	-	-
J Welman	-	-	-	-	-	-

I Beaton and N Bonnar also each hold the following shares in AIHL - 92,230 Preference 1 shares (2019: 92,230), 121,788 Preference 2 shares (2019: 121,788), 100 T shares (2019: 100) and 70 Z shares (2019: 70). AIHL has maintained throughout the year Directors' and officers' liability insurance for the benefit of the Ark group, the Directors and its officers.

### 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 auditor is 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 auditor is aware of that information.

## Directors' report

### Auditors

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. The company intends to appoint PWC LLP as auditors for the year ending 31 December 2021.

### Dividends

No dividends were paid in the year (2019: £Nil). No dividend is proposed for the year (2019: £Nil)

By order of the Board

A handwritten signature in black ink, appearing to read 'J Masson', with a long horizontal flourish extending to the right.

J Masson, Company Secretary

4 March 2021

## Strategic report

The Strategic Report has been prepared in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2014. ASML does not meet the criteria to report compliance with Section 172 of the Companies Act 2006.

### 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, management fees charged to the managed syndicates to reflect expenses incurred by ASML on their behalf and profit commissions receivable based on the results of each YOA of the managed syndicates.

	2020 £'000	2019 £'000
Managing agency fee	3,120	3,000
Management fee	38,946	29,085
Profit commission	2,101	(754)
Total revenue	44,167	31,331

The loss for the year is £2.8m (2019: loss of £5.8m). The key performance indicators monitored by the board of directors are income and expenses against budget, liquidity and solvency. Revenue and expenditure for the year are within expectations given the underlying performance of the managed syndicates, 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.

### 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.

### Going concern

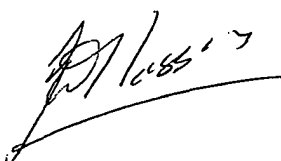
On 12 March 2020, the World Health Organisation classified the COVID-19 outbreak as a pandemic ("COVID-19"). COVID-19 is an ongoing situation making it difficult to accurately predict the ultimate impact on the company or the wider insurance industry. The directors consider that the going concern basis of preparation remains appropriate, but COVID-19 has heightened the inherent uncertainty in the assessment made. The directors have reviewed the business plan, liquidity and operational resilience of the company, including the risks associated with COVID-19. As part of this review, the directors have considered changes to income and expenditure under reasonably plausible severe scenarios arising from both direct and secondary impacts. The directors have concluded that there are no material uncertainties that could cast significant doubt over the company's ability to continue as a going concern for at least a year from the date of approval of the Syndicate annual accounts. Management's assessment of going concern is set out in note 1 on page 12.

### Future developments

The capacity of Syndicate 4020 for the 2021 YOA is £350.0m (2020 YOA: £300.0m), and for Syndicate 3902 is £150.0m (2020 YOA: £120.0m).

On 1 January 2021, AIHL completed a subscription and purchase agreement with Bridge Holdings (Bermuda) Ltd (the 'Investor'), White Mountains Insurance Group Ltd, I Beaton ('IB'), N Bonnar ('NKB') and the employees of ASML (who are the legal and beneficial owners of AIHL – together with IB and NKB, the 'Selling Shareholders'), for the purposes of regulating the purchase by the Investor of c.USD40m of existing shares in AIHL from the Selling Shareholders and the investment by the Investor of USD600m of new equity in AIHL.

By order of the Board



J Masson, Company Secretary

4 March 2021

Ark Syndicate Management Limited

## Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the 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.

On behalf of the ASML board



Neil Smith  
Finance Director  
4 March 2021

# Independent auditor's report to the members of Ark Syndicate Management Limited

## Opinion

We have audited the financial statements of Ark syndicate management limited ("the company") for the year ended 31 December 2020 which comprise the Income statement, Balance Sheet, Statement of comprehensive income and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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

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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

## Fraud and breaches of laws and regulations – ability to detect

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit committee minutes.
- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as actuarial reserving.

We did not identify any additional fraud risks.



## Independent auditor's report to the members of Ark Syndicate Management Limited

### Fraud and breaches of laws and regulations – ability to detect (continued)

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted and approved by the same user and those posted over weekends and bank holidays.
- Assessing significant accounting estimates for bias.

### Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Financial Statements from our general commercial and sector experience, through discussion with the directors, and from inspection of the company's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

As the company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the Financial Statements varies considerably. The company is subject to laws and regulations that directly affect the Financial Statements including financial reporting legislation (including related companies legislation), and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the Financial Statements. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Financial Statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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.

## Independent auditor's report to the members of Ark Syndicate Management Limited

### 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 6, the directors are responsible for: the preparation of financial statements, which are intended by them to 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](http://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.



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

4 March 2021

# Income statement

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Turnover	3	44,167	31,331
Bank interest receivable		2	1
Total revenue		44,169	31,332
Operating expenses	5	(47,559)	(37,893)
Results of operating activities and (loss) before tax		(3,390)	(6,561)
Taxation charge	6	621	720
(Loss) for the year after tax		(2,769)	(5,841)

## Statement of comprehensive income

	Notes	2020 £'000	2019 £'000
(Loss) for the year after tax		(2,769)	(5,841)
Other comprehensive income		-	-
		(2,769)	(5,841)

The notes on pages 13 to 20 form part of these accounts.

# Balance sheet

As at 31 December 2020

	Notes	2020 £'000	2019 £'000
<b>Assets</b>			
Fixed assets	7	350	88
Other receivables	8	29,712	28,360
Cash and cash equivalents		684	816
Deferred taxation	9	454	59
<b>Total assets</b>		<b>31,200</b>	<b>29,323</b>
<b>Equity and liabilities</b>			
<i>Equity</i>			
Called up share capital	10	400	400
Profit and loss account		4,390	7,159
<b>Total equity</b>		<b>4,790</b>	<b>7,559</b>
<i>Liabilities</i>			
Other payables	11	26,410	21,764
<b>Total equity and liabilities</b>		<b>31,200</b>	<b>29,323</b>

The notes on pages 13 to 20 form part of these accounts. The financial statements were approved by the Board of Ark Syndicate Management Limited on 4 March 2021 and signed on its behalf by



N Smith, Director

4 March 2021

## Statement of changes in equity

	Share capital £'000	Retained earnings £'000	Total £'000
At 31 December 2018	400	13,000	13,400
(Loss) for the year	-	(5,841)	(5,841)
At 31 December 2019	400	7,159	7,559
(Loss) for the year	-	(2,769)	(2,769)
At 31 December 2020	400	4,390	4,790

The notes on pages 13 to 20 form part of these accounts.

## 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").

#### 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 have performed an assessment of the company's ability to continue as a going concern, including the impact of the COVID-19 pandemic. On 12 March 2020, the World Health Organisation classified the COVID-19 outbreak as a pandemic. The COVID-19 pandemic is an ongoing situation making it difficult to accurately predict the ultimate impact on the company or the wider insurance industry, and has heightened the inherent uncertainty in the going concern assessment.

Management has conducted a going concern assessment taking into consideration sources of capital, liquidity and stress testing. The managed syndicates are expected to remain a key platform for the Ark group. ACML has already formed and provided capital for the 2021 underwriting year. On the basis of this and the expected improvement in performance as a result of planned rate increases, ACML also expects to have the ability and intention to form a 2022 underwriting year. The directors have continued to review the business plans, liquidity and operational resilience of the company, particularly in light of the risks associated with COVID-19. In considering the potential of COVID-19 to impact the conclusion of this assessment, the directors have had regard to changes in income and expenditure under reasonably plausible severe scenarios.

The directors have also concluded that there are no material uncertainties that could have cast significant doubt over the ability of the company to continue as a going concern for at least a year from the date of approval of the financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

#### 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 primarily 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.

#### Financial assets

Financial assets are recognised in the balance sheet at such time as ASML becomes a party to the contractual provisions of the asset. Purchases and sales of financial assets are recognised on the trade date, which is the date ASML commits to purchase or sell the asset. A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred, together with substantially all the risks and rewards of ownership. Financial liabilities are derecognised if ASML's obligations specified in the contract expire, are discharged or cancelled.

On acquisition of a financial asset, ASML is required to classify the asset into one of the following categories: financial assets at fair value through the statement of profit or loss, loans and receivables, assets held to maturity and assets available for sale. Assets are designated as fair value through the statement of profit or loss upon initial recognition because they are managed and their performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to ASML's key management. ASML's investment strategy is to invest and evaluate their performance with reference to their fair values. Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. ASML has measured the fair value of investments using the transaction price, i.e. the fair value of the consideration given or received.

Upon initial recognition, attributable transaction costs relating to financial instruments at fair value through profit or loss are recognised in the statement of profit or loss when incurred. Financial assets at fair value through profit or loss are continually measured at fair value, and changes therein are recognised in the statement of profit or loss. Net changes in the fair value of financial assets at fair value through profit or loss exclude interest and dividend income, as these items are accounted for separately as set out below.

## Notes to the financial statements

### 1. Statement of accounting policies (continued)

#### Investment income

Investment income consists of dividends, interest, realised and unrealised gains and losses and foreign exchange gains and losses on financial assets at fair value through the statement of profit or loss. Dividends on equity securities are recorded as revenue on the ex-dividend date. Interest is recognised separately on an amortised cost basis using the effective interest rate method for financial assets at fair value through the statement of profit or loss. The realised gains or losses on disposal of an investment are the difference between the proceeds and the original cost of the investment. Unrealised investment gains and losses represent the difference between the carrying value at the reporting date, and the carrying value at the previous period end or purchase value during the period.

#### 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.

#### 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 managed syndicates. The key risk of the company is that it fails to manage the affairs of the managed syndicates 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:

	2020 Impact on profit after tax £'000	2019 Impact on profit after tax £'000	2020 Impact on net assets £'000	2019 Impact on net assets £'000
5% increase in profit commission	105	38	105	38
5% decrease in profit commission	(105)	(38)	(105)	(38)

## Notes to the financial statements

### 2. Management of risk (continued)

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 Syndicate 4020.

### 3. Turnover

	2020 £'000	2019 £'000
Managing agency fee	3,120	3,000
Management fee	38,946	29,085
Profit commission	2,101	(754)
	44,167	31,331

### 4. Directors and employees

	2020 £'000	2019 £'000
Salaries	28,911	22,277
Social security costs	3,735	3,216
Pension costs	1,939	1,781
	35,585	27,274

The pension scheme is a defined contribution scheme. Outstanding employer contributions at the balance sheet date were £0.1m (2019: £0.1m).

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

	2020 Number	2019 Number
Underwriting	87	79
Claims administration	19	17
Other administration	41	37
	147	133

The directors received the following aggregate remuneration:

	2020 £'000	2019 £'000
Gross emoluments excluding pension contributions	4,606	3,090
Contributions to money purchase pension schemes	26	26
	4,632	3,116



## Notes to the financial statements

### 4. Directors and employees (continued)

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

	2020 £'000	2019 £'000
Gross emoluments	1,065	548

ASML did not make any contributions to money purchases pension schemes in the year in respect of the highest paid director (2019: £Nil).

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

	2020 Number	2019 Number
Money purchase pension schemes	6	6

### 5. Operating expenses

	2020 £'000	2019 £'000
Staff costs	35,585	27,274
Accommodation costs	3,003	3,028
Legal and professional fees	5,636	2,101
Other	3,335	5,490
	47,559	37,893

Other operating expenses include the following:

	2020 £'000	2019 £'000
Audit fees	22	22
Depreciation	94	50

### 6. Taxation

	2020 £'000	2019 £'000
Current tax:		
Expense for the year	(263)	(772)
Adjustment in respect of prior years	37	47
Total current tax	(226)	(725)
Deferred tax	395	5
Total tax charged to the income statement	(621)	(720)

## Notes to the financial statements

### 6. Taxation (continued)

There are no known factors that would significantly impact the future tax charge of the company. A reconciliation of the tax charge is set out below:

	2020 £'000	2019 £'000
(Loss) on ordinary activities	(3,390)	(6,561)
UK corporation tax at 19.0% (2019: 19.0%) based on the UK profit for the year	(644)	(1,247)
Taxation effect of:		
Expenses not deductible for tax purposes	381	480
Timing difference in respect of tax losses carried forward and capital allowances	(395)	-
Adjustment in respect of prior years	37	47
Tax charge for the period	(621)	(720)

### 7. Fixed assets

	Office equipment £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2020	631	2,197	2,828
Additions	-	356	356
At 31 December 2020	631	2,553	3,184
Depreciation			
At 1 January 2020	631	2,109	2,740
Charge for the year	-	94	94
At 31 December 2020	631	2,203	2,834
Net book value			
At 1 January 2020	-	88	88
At 31 December 2020	-	350	350

### 8. Other receivables

	2020 £'000	2019 £'000
Amounts due from other group companies	22,933	22,680
Prepayments and accrued income	809	652
Other debtors	5,970	5,028
	29,712	28,360

## Notes to the financial statements

### 9. Deferred taxation

	2020 £'000	2019 £'000
At 1 January	59	64
Accelerated capital allowances	6	(5)
Tax losses carried forward	389	-
At 31 December	454	59

The UK corporation tax rate is 18.2% for the year ended 31 December 2019 (2019: 19.0%). The Finance Bill 2016 confirmed a reduction to the corporation rate to 17% from April 2021. 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

	2020 Authorised Number	2020 Authorised £'000	2020 Allotted, issued and fully paid Number	2020 Allotted, issued and fully paid £'000
Ordinary shares of £1 each	2,000,000	2,000	400,000	400

### 11. Other payables, payable within one year

	2020 £'000	2019 £'000
Amounts due to other group companies	12,669	11,043
Accruals and deferred income	12,491	8,472
Other creditors	1,250	2,249
	26,410	21,764

### 13. Commitments under operating leases

Non-cancelable operating lease rentals are payable as follows:

	2020 Land & buildings £'000	2019 Land & buildings £'000
Within 1 year	692	923
Within 2 to 5 years		692
	692	1,615

During the year, £0.8m (2019: £0.8m) was recognised as an expense in the income statement in respect of operating leases.

### 14. Related parties

C Watson is a director of Aquiline Capital Partners LLC ("Aquiline"). The Syndicates have invested funds totalling £10.6m (2019: £9.2m) in two private equity funds managed by Aquiline.

Accident & Health Underwriting Limited ("AHU") is a wholly owned subsidiary of GAIHL. N Brothers serves without fee as a director of AHU. The Syndicates underwrite business through AHU under a binding authority. Gross premium income, excluding brokerage and commissions, due to the Syndicates under this binding authority amounted to £5.1m (2019: £5.8m). Brokerage and commissions paid in the year by the Syndicates to AHU amounted to £3.5m (2019: £3.9m).

## Notes to the financial statements

### 14. Related parties (continued)

I Beaton, N Bonnar and D Foreman are partners of Elvis Capital Partners ("ECP"). ECP owns Mercury Capital Limited ("Mercury"), a catastrophe risk manager. The Syndicates have 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 Syndicates is £3.2m relating to these assets (2019: £18.0m). An investment loss of £0.1m (2019: gain of £3.6m) was generated by these assets in the year. No fee is paid by the Syndicates to Mercury in respect of these arrangements.

The Syndicates underwrite business through Cove Program Managers Limited ("Cove") under a binding authority. Gross premium income, excluding brokerage and commissions, due to the Syndicates under this binding authority amounted to £Nil (2019: £0.1m). Commissions paid by the Syndicates in the year to Cove amounted to £Nil (2019: £0.1m). The Syndicates have entered into share and finance arrangements with Cove, which owns 90% of the Cove Program Underwriting cell of Aquila Underwriting LLP. The Syndicate held 14.52% of the ordinary share capital of Cove until it was sold in 2019. I Beaton served without fee as a non-executive director of Cove until 2 April 2019.

With effect from 21 October 2019 I Beaton was appointed a director of Optio, the new parent company of Cove. The Syndicates underwrite business through Ascent Underwriting LLP, a company owned by Optio. Gross premium income, less brokerage and commissions due to the Syndicates is less than £0.1m (2019: £0.1m)

GAIHL is a member controlling 50% of Accident & Health Claims Services LLP ("AHC"), the other 50% being controlled by AHU. AHC provides claims handling services to the Syndicates. Fees paid in the year by the Syndicates in respect of these services amounted to £0.3m (2019: £0.3m).

Until 24 July 2020, I Beaton was a director of Innova Re Investment Services Limited ("IRIS"), an investment advisory company that was partly owned by GAIHL until that date. ASML had entered into a contract on normal commercial terms and at arms length with IRIS for the provision of investment advisory services. Fees paid by ASML to IRIS in the year amounted to £Nil (2019: £1.8m). The Syndicates have also paid investment charges to GAIHL of £2.3m (2019: £4.1m).

4020 has entered into a binding authority agreement with Solis Re Agency Inc. ("Solis Re"). Gross premium income, excluding brokerage and commissions, due to the Syndicate under this binding authority amounted to £1.1m (2019: £1.0m). Commissions paid by 4020 in the year to Solis Re amounted to £0.2m (2019: less than £0.1m). ASML has entered into share arrangements with Solis Re, whereby ASML holds shares giving 20% of the voting rights and 6% of the capital rights of Solis Re. N Bonnar serves without fee as a non-executive director of Solis Re.

J Wardrop is a director of Starstone Underwriting Limited ("Starstone"). The Syndicates have purchased reinsurance protection on normal commercial terms and at arms length from Starstone. Premiums paid by the Syndicates in the year amounted to £0.5m (2019: £1.0m). Also, the Syndicates provided reinsurance under separate contracts to Starstone on normal commercial terms and at arms length. Gross premium income, excluding brokerage and commissions, due to the Syndicates under these contracts amounted to £0.1m (2019: £0.5m).

During 2012 N Bonnar acquired 8% of the share capital of Phenomen, a French MGA. N Bonnar does not serve as a Director. During the year the Syndicates entered into a Binding Authority with Phenomen. Gross premium income, excluding brokerage and commissions, due to the Syndicate under this binding authority amounted to £1.0m. Commissions paid by the Syndicate in the year to Phenomen amounted to less than £0.1m.

R Atkin serves as a director of Alwen Hough Johnson Limited ("AHJ"), a Lloyd's broker. During the year the Syndicates wrote business with premium of £1.9m through AHJ. Commissions paid to AHJ in the year were £0.4m.

R Atkin serves as a director of AmWINS Group Inc. ("AmWINS"), the owner of Thomson Heath & Bond Limited ("THB"), a Lloyd's broker. During the year the Syndicates wrote business with premium of £9.3m through THB. Commissions paid to THB in the year were £2.6m.

R Atkin serves as a director of Whitespace Software Limited ("Whitespace"), a software company providing a Lloyd's recognised electronic placing system. The Syndicates use Whitespace to accept risks from brokers. License fees paid to Whitespace during the year are less than £0.1m.

## Notes to the financial statements

### 15. Post balance sheet events

#### White Mountains Insurance Group Limited

On 1 January 2021 AIHL completed a subscription and purchase agreement ("SPA") with Bridge Holdings (Bermuda) Limited ("the Investor"), a subsidiary of White Mountains Insurance Group Limited. Further to the SPA, the Investor committed to provide AIHL with an investment of up to USD800m, of which USD600m was made available on completion as paid-up proceeds of AIHL issued share capital and USD200m is made available at AIHL's request during 2021.

#### Winter Storm Uri (Texas, USA)

Management has been following the development of loss exposures to winter storm Uri in Texas, USA during February 2021. As the event occurred after the balance sheet date, no adjustment has been made to the result presented in these accounts. Claims are expected primarily from property exposures. At the date of this report, there is little available information and therefore uncertainty in the likely impact to the result of the managed syndicates for the 2021 financial year, but management currently believe that claims arising from this event fall within the overall plan catastrophe loss assumptions.



Report & Financial Statements

Ark Syndicate Management Limited

Registered number: 05887810

2020

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## Directors and administration

### Directors

C Atkin	(Non-executive Chairman)
I Beaton	(Chief Executive)
N Bonnar	
N Brothers	
P Dawson	
P McIntosh	
M Rountree	(Non-executive)
N Smith	
J Wardrop	(Non-executive)
J Welman	(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 2020.

### 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 ("4020") and Syndicate 3902 ("3902")
Ark Corporate Member Limited	ACML	UK	Corporate member
Group Ark Insurance Limited	GAIL	Bermuda	Class IV reinsurer, writes a quota share of ACML, provides Funds at Lloyd's ("FAL") on behalf of ACML to support 4020 and 3902

### Directors and Directors interests

The directors served from 1 January 2020 to the date of this report, unless stated otherwise. Shareholdings in AIHL are stated as at 31 December 2020.

Name	H Shares (2015) No.	H Shares (2016) No.	H Shares (2017) No.	H Shares (2018) No.	H Shares (2019) No.	H Shares (2020) No.
C Atkin (appointed 1 June 2020)	-	-	-	-	-	-
I Beaton	386,341	494,516	-	494,516	494,516	-
N Bonnar	386,341	494,516	-	494,516	494,516	-
N Brothers	-	-	-	4,500	6,000	6,000
P Dawson	-	-	-	18,545	20,000	20,000
D Foreman (resigned 1 January 2021)	-	-	-	-	-	-
P McIntosh	-	-	-	15,825	17,000	17,000
M Rountree (appointed 4 February 2021)	-	-	-	-	-	-
N Smith	-	-	-	13,847	15,000	17,500
J Wardrop	-	-	-	-	-	-
C Watson (resigned 1 January 2021)	-	-	-	-	-	-
J Welman	-	-	-	-	-	-

I Beaton and N Bonnar also each hold the following shares in AIHL - 92,230 Preference 1 shares (2019: 92,230), 121,788 Preference 2 shares (2019: 121,788), 100 T shares (2019: 100) and 70 Z shares (2019: 70). AIHL has maintained throughout the year Directors' and officers' liability insurance for the benefit of the Ark group, the Directors and its officers.

### 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 auditor is 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 auditor is aware of that information.

## Directors' report

### Auditors

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. The company intends to appoint PWC LLP as auditors for the year ending 31 December 2021.

### Dividends

No dividends were paid in the year (2019: £Nil). No dividend is proposed for the year (2019: £Nil)

By order of the Board

A handwritten signature in black ink, appearing to read 'J Masson', with a long horizontal flourish extending to the right.

J Masson, Company Secretary

4 March 2021

## Strategic report

The Strategic Report has been prepared in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2014. ASML does not meet the criteria to report compliance with Section 172 of the Companies Act 2006.

### 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, management fees charged to the managed syndicates to reflect expenses incurred by ASML on their behalf and profit commissions receivable based on the results of each YOA of the managed syndicates.

	2020 £'000	2019 £'000
Managing agency fee	3,120	3,000
Management fee	38,946	29,085
Profit commission	2,101	(754)
Total revenue	44,167	31,331

The loss for the year is £2.8m (2019: loss of £5.8m). The key performance indicators monitored by the board of directors are income and expenses against budget, liquidity and solvency. Revenue and expenditure for the year are within expectations given the underlying performance of the managed syndicates, 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.

### 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.

### Going concern

On 12 March 2020, the World Health Organisation classified the COVID-19 outbreak as a pandemic ("COVID-19"). COVID-19 is an ongoing situation making it difficult to accurately predict the ultimate impact on the company or the wider insurance industry. The directors consider that the going concern basis of preparation remains appropriate, but COVID-19 has heightened the inherent uncertainty in the assessment made. The directors have reviewed the business plan, liquidity and operational resilience of the company, including the risks associated with COVID-19. As part of this review, the directors have considered changes to income and expenditure under reasonably plausible severe scenarios arising from both direct and secondary impacts. The directors have concluded that there are no material uncertainties that could cast significant doubt over the company's ability to continue as a going concern for at least a year from the date of approval of the Syndicate annual accounts. Management's assessment of going concern is set out in note 1 on page 12.

### Future developments

The capacity of Syndicate 4020 for the 2021 YOA is £350.0m (2020 YOA: £300.0m), and for Syndicate 3902 is £150.0m (2020 YOA: £120.0m).

On 1 January 2021, AIHL completed a subscription and purchase agreement with Bridge Holdings (Bermuda) Ltd (the 'Investor'), White Mountains Insurance Group Ltd, I Beaton ("IB"), N Bonnar ("NKB") and the employees of ASML (who are the legal and beneficial owners of AIHL – together with IB and NKB, the 'Selling Shareholders'), for the purposes of regulating the purchase by the Investor of c.USD40m of existing shares in AIHL from the Selling Shareholders and the investment by the Investor of USD600m of new equity in AIHL.

By order of the Board



J Masson, Company Secretary

4 March 2021

Ark Syndicate Management Limited

## Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the 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.

On behalf of the ASML board



Neil Smith  
Finance Director  
4 March 2021

## Independent auditor's report to the members of Ark Syndicate Management Limited

### Opinion

We have audited the financial statements of Ark syndicate management limited ("the company") for the year ended 31 December 2020 which comprise the Income statement, Balance Sheet, Statement of comprehensive income and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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

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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

### Fraud and breaches of laws and regulations – ability to detect

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit committee minutes.
- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as actuarial reserving.

We did not identify any additional fraud risks.

## Independent auditor's report to the members of Ark Syndicate Management Limited

### Fraud and breaches of laws and regulations – ability to detect (continued)

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted and approved by the same user and those posted over weekends and bank holidays.
- Assessing significant accounting estimates for bias.

### Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Financial Statements from our general commercial and sector experience, through discussion with the directors, and from inspection of the company's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

As the company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the Financial Statements varies considerably. The company is subject to laws and regulations that directly affect the Financial Statements including financial reporting legislation (including related companies legislation), and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the Financial Statements. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Financial Statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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.

## Independent auditor's report to the members of Ark Syndicate Management Limited

### 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 6, the directors are responsible for: the preparation of financial statements, which are intended by them to 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](http://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.



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

4 March 2021

## Income statement

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Turnover	3	44,167	31,331
Bank interest receivable		2	1
Total revenue		44,169	31,332
Operating expenses	5	(47,559)	(37,893)
Results of operating activities and (loss) before tax		(3,390)	(6,561)
Taxation charge	6	621	720
(Loss) for the year after tax		(2,769)	(5,841)

## Statement of comprehensive income

	Notes	2020 £'000	2019 £'000
(Loss) for the year after tax		(2,769)	(5,841)
Other comprehensive income		-	-
		(2,769)	(5,841)

The notes on pages 13 to 20 form part of these accounts.



# Balance sheet

As at 31 December 2020

	Notes	2020 £'000	2019 £'000
<b>Assets</b>			
Fixed assets	7	350	88
Other receivables	8	29,712	28,360
Cash and cash equivalents		684	816
Deferred taxation	9	454	59
<b>Total assets</b>		<b>31,200</b>	<b>29,323</b>
<b>Equity and liabilities</b>			
<i>Equity</i>			
Called up share capital	10	400	400
Profit and loss account		4,390	7,159
<b>Total equity</b>		<b>4,790</b>	<b>7,559</b>
<i>Liabilities</i>			
Other payables	11	26,410	21,764
<b>Total equity and liabilities</b>		<b>31,200</b>	<b>29,323</b>

The notes on pages 13 to 20 form part of these accounts. The financial statements were approved by the Board of Ark Syndicate Management Limited on 4 March 2021 and signed on its behalf by



N Smith, Director

4 March 2021

## Statement of changes in equity

	Share capital £'000	Retained earnings £'000	Total £'000
At 31 December 2018	400	13,000	13,400
(Loss) for the year	-	(5,841)	(5,841)
At 31 December 2019	400	7,159	7,559
(Loss) for the year	-	(2,769)	(2,769)
At 31 December 2020	400	4,390	4,790

The notes on pages 13 to 20 form part of these accounts.

## 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").

#### 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 have performed an assessment of the company's ability to continue as a going concern, including the impact of the COVID-19 pandemic. On 12 March 2020, the World Health Organisation classified the COVID-19 outbreak as a pandemic. The COVID-19 pandemic is an ongoing situation making it difficult to accurately predict the ultimate impact on the company or the wider insurance industry, and has heightened the inherent uncertainty in the going concern assessment.

Management has conducted a going concern assessment taking into consideration sources of capital, liquidity and stress testing. The managed syndicates are expected to remain a key platform for the Ark group. ACML has already formed and provided capital for the 2021 underwriting year. On the basis of this and the expected improvement in performance as a result of planned rate increases, ACML also expects to have the ability and intention to form a 2022 underwriting year. The directors have continued to review the business plans, liquidity and operational resilience of the company, particularly in light of the risks associated with COVID-19. In considering the potential of COVID-19 to impact the conclusion of this assessment, the directors have had regard to changes in income and expenditure under reasonably plausible severe scenarios.

The directors have also concluded that there are no material uncertainties that could have cast significant doubt over the ability of the company to continue as a going concern for at least a year from the date of approval of the financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

#### 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 primarily 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.

#### Financial assets

Financial assets are recognised in the balance sheet at such time as ASML becomes a party to the contractual provisions of the asset. Purchases and sales of financial assets are recognised on the trade date, which is the date ASML commits to purchase or sell the asset. A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred, together with substantially all the risks and rewards of ownership. Financial liabilities are derecognised if ASML's obligations specified in the contract expire, are discharged or cancelled.

On acquisition of a financial asset, ASML is required to classify the asset into one of the following categories: financial assets at fair value through the statement of profit or loss, loans and receivables, assets held to maturity and assets available for sale. Assets are designated as fair value through the statement of profit or loss upon initial recognition because they are managed and their performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to ASML's key management. ASML's investment strategy is to invest and evaluate their performance with reference to their fair values. Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. ASML has measured the fair value of investments using the transaction price, i.e. the fair value of the consideration given or received.

Upon initial recognition, attributable transaction costs relating to financial instruments at fair value through profit or loss are recognised in the statement of profit or loss when incurred. Financial assets at fair value through profit or loss are continually measured at fair value, and changes therein are recognised in the statement of profit or loss. Net changes in the fair value of financial assets at fair value through profit or loss exclude interest and dividend income, as these items are accounted for separately as set out below.

## Notes to the financial statements

### 1. Statement of accounting policies (continued)

#### Investment income

Investment income consists of dividends, interest, realised and unrealised gains and losses and foreign exchange gains and losses on financial assets at fair value through the statement of profit or loss. Dividends on equity securities are recorded as revenue on the ex-dividend date. Interest is recognised separately on an amortised cost basis using the effective interest rate method for financial assets at fair value through the statement of profit or loss. The realised gains or losses on disposal of an investment are the difference between the proceeds and the original cost of the investment. Unrealised investment gains and losses represent the difference between the carrying value at the reporting date, and the carrying value at the previous period end or purchase value during the period.

#### 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.

#### 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 managed syndicates. The key risk of the company is that it fails to manage the affairs of the managed syndicates 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:

	2020 Impact on profit after tax £'000	2019 Impact on profit after tax £'000	2020 Impact on net assets £'000	2019 Impact on net assets £'000
5% increase in profit commission	105	38	105	38
5% decrease in profit commission	(105)	(38)	(105)	(38)

## Notes to the financial statements

### 2. Management of risk (continued)

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 Syndicate 4020.

### 3. Turnover

	2020 £'000	2019 £'000
Managing agency fee	3,120	3,000
Management fee	38,946	29,085
Profit commission	2,101	(754)
	44,167	31,331

### 4. Directors and employees

	2020 £'000	2019 £'000
Salaries	28,911	22,277
Social security costs	3,735	3,216
Pension costs	1,939	1,781
	35,585	27,274

The pension scheme is a defined contribution scheme. Outstanding employer contributions at the balance sheet date were £0.1m (2019: £0.1m).

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

	2020 Number	2019 Number
Underwriting	87	79
Claims administration	19	17
Other administration	41	37
	147	133

The directors received the following aggregate remuneration:

	2020 £'000	2019 £'000
Gross emoluments excluding pension contributions	4,606	3,090
Contributions to money purchase pension schemes	26	26
	4,632	3,116

## Notes to the financial statements

### 4. Directors and employees (continued)

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

	2020 £'000	2019 £'000
Gross emoluments	1,065	548

ASML did not make any contributions to money purchases pension schemes in the year in respect of the highest paid director (2019: £Nil).

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

	2020 Number	2019 Number
Money purchase pension schemes	6	6

### 5. Operating expenses

	2020 £'000	2019 £'000
Staff costs	35,585	27,274
Accommodation costs	3,003	3,028
Legal and professional fees	5,636	2,101
Other	3,335	5,490
	47,559	37,893

Other operating expenses include the following:

	2020 £'000	2019 £'000
Audit fees	22	22
Depreciation	94	50

### 6. Taxation

	2020 £'000	2019 £'000
Current tax:		
Expense for the year	(263)	(772)
Adjustment in respect of prior years	37	47
Total current tax	(226)	(725)
Deferred tax	395	5
Total tax charged to the income statement	(621)	(720)

## Notes to the financial statements

### 6. Taxation (continued)

There are no known factors that would significantly impact the future tax charge of the company. A reconciliation of the tax charge is set out below:

	2020 £'000	2019 £'000
(Loss) on ordinary activities	(3,390)	(6,561)
UK corporation tax at 19.0% (2019: 19.0%) based on the UK profit for the year	(644)	(1,247)
Taxation effect of:		
Expenses not deductible for tax purposes	381	480
Timing difference in respect of tax losses carried forward and capital allowances	(395)	-
Adjustment in respect of prior years	37	47
Tax charge for the period	(621)	(720)

### 7. Fixed assets

	Office equipment £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2020	631	2,197	2,828
Additions	-	356	356
At 31 December 2020	631	2,553	3,184
Depreciation			
At 1 January 2020	631	2,109	2,740
Charge for the year	-	94	94
At 31 December 2020	631	2,203	2,834
Net book value			
At 1 January 2020	-	88	88
At 31 December 2020	-	350	350

### 8. Other receivables

	2020 £'000	2019 £'000
Amounts due from other group companies	22,933	22,680
Prepayments and accrued income	809	652
Other debtors	5,970	5,028
	29,712	28,360

## Notes to the financial statements

### 9. Deferred taxation

	2020 £'000	2019 £'000
At 1 January	59	64
Accelerated capital allowances	6	(5)
Tax losses carried forward	389	-
At 31 December	454	59

The UK corporation tax rate is 18.2% for the year ended 31 December 2019 (2019: 19.0%). The Finance Bill 2016 confirmed a reduction to the corporation rate to 17% from April 2021. 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

	2020 Authorised Number	2020 Authorised £'000	2020 Allotted, issued and fully paid Number	2020 Allotted, issued and fully paid £'000
Ordinary shares of £1 each	2,000,000	2,000	400,000	400

### 11. Other payables, payable within one year

	2020 £'000	2019 £'000
Amounts due to other group companies	12,669	11,043
Accruals and deferred income	12,491	8,472
Other creditors	1,250	2,249
	26,410	21,764

### 13. Commitments under operating leases

Non-cancelable operating lease rentals are payable as follows:

	2020 Land & buildings £'000	2019 Land & buildings £'000
Within 1 year	692	923
Within 2 to 5 years	-	692
	692	1,615

During the year, £0.8m (2019: £0.8m) was recognised as an expense in the income statement in respect of operating leases.

### 14. Related parties

C Watson is a director of Aquiline Capital Partners LLC ("Aquiline"). The Syndicates have invested funds totalling £10.6m (2019: £9.2m) in two private equity funds managed by Aquiline.

Accident & Health Underwriting Limited ("AHU") is a wholly owned subsidiary of GAIHL. N Brothers serves without fee as a director of AHU. The Syndicates underwrite business through AHU under a binding authority. Gross premium income, excluding brokerage and commissions, due to the Syndicates under this binding authority amounted to £5.1m (2019: £5.8m). Brokerage and commissions paid in the year by the Syndicates to AHU amounted to £3.5m (2019: £3.9m).



## Notes to the financial statements

### 14. Related parties (continued)

I Beaton, N Bonnar and D Foreman are partners of Elvis Capital Partners ("ECP"). ECP owns Mercury Capital Limited ("Mercury"), a catastrophe risk manager. The Syndicates have 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 Syndicates is £3.2m relating to these assets (2019: £18.0m). An investment loss of £0.1m (2019: gain of £3.6m) was generated by these assets in the year. No fee is paid by the Syndicates to Mercury in respect of these arrangements.

The Syndicates underwrite business through Cove Program Managers Limited ("Cove") under a binding authority. Gross premium income, excluding brokerage and commissions, due to the Syndicates under this binding authority amounted to £Nil (2019: £0.1m). Commissions paid by the Syndicates in the year to Cove amounted to £Nil (2019: £0.1m). The Syndicates have entered into share and finance arrangements with Cove, which owns 90% of the Cove Program Underwriting cell of Aquila Underwriting LLP. The Syndicate held 14.52% of the ordinary share capital of Cove until it was sold in 2019. I Beaton served without fee as a non-executive director of Cove until 2 April 2019.

With effect from 21 October 2019 I Beaton was appointed a director of Optio, the new parent company of Cove. The Syndicates underwrite business through Ascent Underwriting LLP, a company owned by Optio. Gross premium income, less brokerage and commissions due to the Syndicates is less than £0.1m (2019: £0.1m)

GAIHL is a member controlling 50% of Accident & Health Claims Services LLP ("AHC"), the other 50% being controlled by AHU. AHC provides claims handling services to the Syndicates. Fees paid in the year by the Syndicates in respect of these services amounted to £0.3m (2019: £0.3m).

Until 24 July 2020, I Beaton was a director of Innova Re Investment Services Limited ("IRIS"), an investment advisory company that was partly owned by GAIHL until that date. ASML had entered into a contract on normal commercial terms and at arms length with IRIS for the provision of investment advisory services. Fees paid by ASML to IRIS in the year amounted to £Nil (2019: £1.8m). The Syndicates have also paid investment charges to GAIHL of £2.3m (2019: £4.1m).

4020 has entered into a binding authority agreement with Solis Re Agency Inc. ("Solis Re"). Gross premium income, excluding brokerage and commissions, due to the Syndicate under this binding authority amounted to £1.1m (2019: £1.0m). Commissions paid by 4020 in the year to Solis Re amounted to £0.2m (2019: less than £0.1m). ASML has entered into share arrangements with Solis Re, whereby ASML holds shares giving 20% of the voting rights and 6% of the capital rights of Solis Re. N Bonnar serves without fee as a non-executive director of Solis Re.

J Wardrop is a director of Starstone Underwriting Limited ("Starstone"). The Syndicates have purchased reinsurance protection on normal commercial terms and at arms length from Starstone. Premiums paid by the Syndicates in the year amounted to £0.5m (2019: £1.0m). Also, the Syndicates provided reinsurance under separate contracts to Starstone on normal commercial terms and at arms length. Gross premium income, excluding brokerage and commissions, due to the Syndicates under these contracts amounted to £0.1m (2019: £0.5m).

During 2012 N Bonnar acquired 8% of the share capital of Phenomen, a French MGA. N Bonnar does not serve as a Director. During the year the Syndicates entered into a Binding Authority with Phenomen. Gross premium income, excluding brokerage and commissions, due to the Syndicate under this binding authority amounted to £1.0m. Commissions paid by the Syndicate in the year to Phenomen amounted to less than £0.1m.

R Atkin serves as a director of Alwen Hough Johnson Limited ("AHJ"), a Lloyd's broker. During the year the Syndicates wrote business with premium of £1.9m through AHJ. Commissions paid to AHJ in the year were £0.4m.

R Atkin serves as a director of AmWINS Group Inc. ("AmWINS"), the owner of Thomson Heath & Bond Limited ("THB"), a Lloyd's broker. During the year the Syndicates wrote business with premium of £9.3m through THB. Commissions paid to THB in the year were £2.6m.

R Atkin serves as a director of Whitespace Software Limited ("Whitespace"), a software company providing a Lloyd's recognised electronic placing system. The Syndicates use Whitespace to accept risks from brokers. License fees paid to Whitespace during the year are less than £0.1m.

## Notes to the financial statements

### 15. Post balance sheet events

#### White Mountains Insurance Group Limited

On 1 January 2021 AIHL completed a subscription and purchase agreement ("SPA") with Bridge Holdings (Bermuda) Limited ("the Investor"), a subsidiary of White Mountains Insurance Group Limited. Further to the SPA, the Investor committed to provide AIHL with an investment of up to USD800m, of which USD600m was made available on completion as paid-up proceeds of AIHL issued share capital and USD200m is made available at AIHL's request during 2021.

#### Winter Storm Uri (Texas, USA)

Management has been following the development of loss exposures to winter storm Uri in Texas, USA during February 2021. As the event occurred after the balance sheet date, no adjustment has been made to the result presented in these accounts. Claims are expected primarily from property exposures. At the date of this report, there is little available information and therefore uncertainty in the likely impact to the result of the managed syndicates for the 2021 financial year, but management currently believe that claims arising from this event fall within the overall plan catastrophe loss assumptions.