

BRIT SYNDICATES LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL
STATEMENTS

31 DECEMBER 2017



Registered No. 00824611

BRIT SYNDICATES LIMITED

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BRIT SYNDICATES LIMITED

Company Information

Directors

M A Allan
I Jacob (resigned on 30 June 2017)
A J Medniuk
S P G Lee
N S Meyer
Dr R C Ward
M D Wilson
C F Ramsay (appointed on 14 June 2017)

Secretary

T Harmer

Registered Office

The Leadenhall Building
122 Leadenhall Street
London
EC3V 4AB

Registered Number

00824611

Independent Auditor

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

BRIT SYNDICATES LIMITED

Strategic Report

The Directors present their Strategic Report on the Company for the year ended 31 December 2017.

Principal activities

The Company is an approved Lloyd's managing agent, managing the affairs of Syndicate 2987 and Syndicate 2988.

Result

The profit for the year after taxation is £3.2m (2016: £3.2m)

Review of the business

During the year the company received a flat fee of £102.0m (2016: £99.4m) from Syndicate 2987 and £4.7m (2016: Nil) from Syndicate 2988 in return for providing all necessary resources to manage each syndicate.

During 2017, the underwriting premium capacity of Syndicate 2987 was £1,200m (2016: £1,075m) and Syndicate 2988 was £55m (2016: Nil)

The ratio of expenses to turnover was 96.31% (2016: 96.02%).

The above items are considered to be the financial key performance indicators for the Company.

In the opinion of the Directors, the state of affairs of the Company at the end of the year was satisfactory.

Future developments of the business

During 2017 the underwriting premium capacity for 2018 was agreed with Lloyd's to be £1,400m for Syndicate 2987 and £98.5m for 2988.

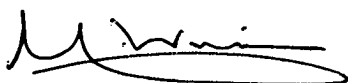
The Directors do not envisage any additional changes to the current business model in 2018 other than those set out above.

Principal risks and uncertainties

The Company is contracted to manage Syndicate 2987 and 2988 in return for a fixed fee. Therefore the Company takes the risk that the cost of the required resources exceeds the fee being received. The Company manages this risk by setting budgets, monitoring actual performance against these on a monthly basis and taking action to reduce costs where appropriate.

The Company is regulated by Lloyd's in its role as a Managing Agent. Therefore, the Company takes the risk that it will not meet the qualifying net asset solvency requirements set by Lloyd's for Managing Agents. The Company manages this risk by setting budgets, monitoring actual performance against these on a monthly basis, taking action to reduce costs where appropriate and regularly reviewing its capital position.

By Order of the Board



Matthew Wilson
Director
14th March 2018

BRIT SYNDICATES LIMITED

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

Principal Activities

The Company is an approved Lloyd's Managing Agent, managing the affairs of Syndicate 2987 and Syndicate 2988.

Result and Dividend

The profit for the year after taxation is £3.2m (2016: £3.2m).

No interim dividend was paid during the year (2016: £nil). The Directors do not recommend a final dividend for the year ended 31 December 2017 (2016: £nil).

Going Concern

The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors

The names of the Directors from 1 January 2017 through to the date of this report are listed on page 2.

Significant Changes and Events

The company began managing Syndicate 2988 during the year, as disclosed in the Strategic Report.

Employee and Environmental Matters

All staff in the United Kingdom are employed by the Group services company, Brit Group Services Limited, and the full staff cost disclosures are included in the notes to those financial statements. Further information on the Group's employment policies can be found in the financial statements of Brit Group Services Limited.

Brit Group is committed to managing and reducing its environmental impact in a cost effective and responsible way.

BRIT SYNDICATES LIMITED

Directors Report (continued)

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

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

The directors are 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.

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

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

Statement of Disclosure of Information to Auditors

In the case of each director in office at the date the Directors' Report is approved:

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

By Order of the Board



Matthew Wilson
Director
14th March 2018

BRIT SYNDICATES LIMITED

Independent Auditor's Report to the Members of Brit Syndicates Limited

Our opinion

In our opinion, Brit Syndicates Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the income statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

BRIT SYNDICATES LIMITED

Independent Auditor's Report to the Members of Brit Syndicates Limited (Continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit:

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting:

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Richard Nicholas (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14th March 2018

BRIT SYNDICATES LIMITED

Income Statement

For the year ended 31 December 2017

| | | 2017 £'000 | 2016 £'000 |
|--|------|----------------|---------------|
| | Note | | |
| Turnover | 2 | 106,675 | 99,438 |
| Administrative expenses | | (102,738) | (95,481) |
| Operating profit | 3 | 3,937 | 3,957 |
| Interest receivable and similar income | 4 | 9 | 3 |
| Profit on ordinary activities before taxation | | 3,946 | 3,960 |
| Taxation on profit on ordinary activities | 8 | (746) | (792) |
| Profit on ordinary activities after taxation | | 3,200 | 3,168 |

The Company has no recognised gains and losses other than those included in the Income Statement above and therefore no separate Statement of Comprehensive Income has been presented.

The notes on pages 11 to 15 form part of these financial statements.

BRIT SYNDICATES LIMITED

Statement of Financial Position

As at 31 December 2017

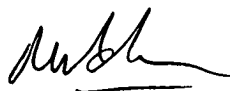
| | | 2017 £'000 | 2016 £'000 |
|---|------|----------------|---------------|
| | Note | | |
| Current assets | | | |
| Debtors | 9 | 13,501 | 3,849 |
| Prepayments and accrued income | | 15 | 22 |
| Cash at bank and in hand | | 15 | 5,203 |
| | | 13,531 | 9,074 |
| Creditors: Amounts falling due within one year | 10 | (1,409) | (152) |
| Total assets less current liabilities | | 12,122 | 8,922 |
| Net assets | | 12,122 | 8,922 |
| Capital and reserves | | | |
| Called up share capital | 11 | 1,000 | 1,000 |
| Capital reserve | | 1 | 1 |
| Retained Earnings | | 11,121 | 7,921 |
| Total Shareholder's funds | | 12,122 | 8,922 |

The notes on pages 11 to 15 form part of these financial statements.

The financial statements on pages 8 to 15 were approved by the Board of Directors on 14th March 2018 and signed on their behalf by:-



Matthew Wilson
Director



Mark Allan
Director

BRIT SYNDICATES LIMITED

Statement of Changes in Equity For the year ended 31 December 2017

| | Called Up Share capital £'000 | Capital Reserve £'000 | Retained Earnings £'000 | Total Shareholder's Funds £'000 |
|-------------------------------|-------------------------------------|-----------------------------|-------------------------------|--|
| At 1 January 2017 | 1,000 | 1 | 7,921 | 8,922 |
| Profit for the financial year | - | - | 3,200 | 3,200 |
| At 31 December 2017 | 1,000 | 1 | 11,121 | 12,122 |

| | Called Up Share capital £'000 | Capital Reserve £'000 | Retained Earnings £'000 | Total Shareholder's Funds £'000 |
|-------------------------------|-------------------------------------|--------------------------|-------------------------------|--|
| At 1 January 2016 | 1,000 | 1 | 4,753 | 5,754 |
| Profit for the financial year | - | - | 3,168 | 3,168 |
| At 31 December 2016 | 1,000 | 1 | 7,921 | 8,922 |

The notes on pages 11 to 15 form part of these financial statements.

BRIT SYNDICATES LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2017

1. Principal Accounting policies

(a) **Statement of Compliance and Basis of preparation**

The financial statements have been prepared under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value and in accordance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland', and applicable law (United Kingdom Generally Accepted Accounting Practice). The accounting policies of the Company have been applied consistently to all the years presented, unless otherwise stated.

The financial statements are presented in Sterling, which is the Company's functional currency, and all values are rounded to the nearest £'000 except where otherwise indicated. Items included in the financial statements are measured using the functional currency which is the primary economic environment in which the Company operates.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(b) **Turnover**

Turnover consists of a flat fee receivable in return for providing all of the necessary Lloyd's managing agency services.

(c) **Expenses**

All expenses are accounted for on an accruals basis.

(d) **Current Taxation and Deferred Taxation**

(i) **Current Taxation**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) **Deferred Taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(e) **Financial Assets and Financial Liabilities**

(i) **Financial assets**

Basic financial assets, including debtors and cash at bank and in hand balances, are initially recognised at transaction price.

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

BRIT SYNDICATES LIMITED

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2017

Financial Assets and Financial Liabilities (continued)

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including creditors are initially recognised at transaction price.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

2. Turnover

| | 2017 £'000 | 2016 £'000 |
|------------|----------------|---------------|
| Fee income | <u>106,675</u> | <u>99,438</u> |

Turnover is attributable to the Company's principal activity as a Lloyd's managing agency and arises from the UK.

3. Operating profit

| | 2017 £'000 | 2016 £'000 |
|------------------------------------|---------------|---------------|
| This is arrived at after charging: | | |
| Auditors' remuneration | <u>15</u> | <u>15</u> |

Operating lease costs are met by the Group services company, Brit Group Services Limited, and the full operating lease cost disclosures are included in the notes to those financial statements. The Company is recharged an appropriate amount by Brit Group Services Limited for the operating lease costs incurred at a Group level.

The Company is exempt from disclosing fees paid to the Company's auditor and its associates for services other than the statutory audit of the Company as non-audit fees have been disclosed in the consolidated financial statements of Brit Limited, the parent company. The parent company is required to comply with this statutory disclosure requirement.

4. Interest receivable and similar income

| | 2017 £'000 | 2016 £'000 |
|---------------------|---------------|---------------|
| Interest receivable | <u>9</u> | <u>3</u> |

5. Staff costs

All staff in the UK are employed by the Group services company, Brit Group Services Limited, and the full staff cost disclosures are included in the notes to those financial statements. The Company is recharged an appropriate amount by Brit Group Services Limited for the services it receives from those staff.

BRIT SYNDICATES LIMITED

Notes to the Financial Statements (continued) For the Year Ended 31 December 2017

6. Pensions

Brit Group Services Limited provides pension benefits to Group staff. These benefits are provided by a defined benefit scheme which closed to future accrual of benefits on 31 December 2011 and a defined contribution group personal pension plan. The Company is recharged an appropriate amount by Brit Group Services Limited for the cost of providing these pension benefits. There is no contractual agreement or stated policy for charging the net defined benefit cost of the defined benefit plan. Disclosure relating to the defined benefit scheme is included in the notes to the financial statements of Brit Group Services Limited.

7. Directors' remuneration and transactions involving Directors

The Executive Directors did not receive any remuneration for their services as Directors to the Company during the year ended 31 December 2017 (2016: nil).

The Non-Executive Directors received fees from the Group for their services to the Company for being Non-Executive Directors of Brit Syndicates Limited and for membership of Group committees. The total aggregate remuneration received by the Non-Executive Directors was £493k (2016: £527k) which includes £250k (2016: £250k) paid to the highest paid director.

8. Taxation

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| (i) Tax charge on profit on ordinary activities | | |
| Current taxation: | | |
| Current taxes on income for the year UK corporation tax rate tax at 19.25% (2016: 20.0%) | (760) | (792) |
| Adjustments in respect of prior years | 14 | - |
| Total tax charged to income statement | <u>(746)</u> | <u>(792)</u> |
| (ii) Tax reconciliation | | |
| Profit/ on continuing ordinary activities before tax | 3,946 | 3,960 |
| Tax calculated at standard rate of tax on income UK corporation tax at 19.25% (2016: 20.0%) | (760) | (792) |
| Adjustments in respect of prior years | 14 | - |
| Total tax charged (Note 8(i)) | <u>(746)</u> | <u>(792)</u> |
| (iii) Effect of post balance sheet rate changes | | |

UK legislation was substantively enacted on 9 September 2016 to reduce the main rate of UK corporation tax from 19% to 17% from 1 April 2020. The reduction in rate from 19% to 17% has been used in the calculation of any UK's deferred tax assets and liabilities as at 31 December 2017, of which the Company currently has none.

BRIT SYNDICATES LIMITED

Notes to the Financial Statements (continued) For the Year Ended 31 December 2017

9. Debtors

| | 2017 £'000 | 2016 £'000 |
|-------------------------------------|---------------|---------------|
| Due within one year: | | |
| Amounts owed by Group undertakings | 11,051 | 1,993 |
| Amounts due from managed syndicates | 2,445 | 1,851 |
| Other debtors | 5 | 5 |
| | 13,501 | 3,849 |

10. Creditors

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Amounts falling due within one year: | | |
| Corporation tax | 746 | - |
| Accruals and deferred income | 663 | 152 |
| | 1,409 | 152 |

11. Called up share capital

| | 2017 £'000 | 2016 £'000 |
|--------------------------------------|---------------|---------------|
| Allotted, called up and fully paid: | | |
| 1,000,100 Ordinary shares of £1 each | 1,000 | 1,000 |
| | 1,000 | 1,000 |

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

12. Ultimate and intermediate holding company

The Company is a private company, limited by shares and is incorporated in England. The Company is a wholly owned subsidiary of Brit Insurance Holdings Limited, a company registered in the United Kingdom.

The intermediate holding company, in which Brit Syndicates Limited's result is consolidated, is Brit Limited (Brit), a company registered in the United Kingdom. Copies of Brit's consolidated financial statements are available at www.britinsurance.com or can be obtained by writing to The Leadenhall Building, 122 Leadenhall street, London EC3V 4AB.

The ultimate parent undertaking at the year-end is Fairfax Financial Holdings Limited (Fairfax), a company registered in Canada and listed on the Toronto Stock Exchange. Copies of Fairfax financial statements can be obtained by writing to 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7 or from the website at www.fairfax.ca.

BRIT SYNDICATES LIMITED

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2017

13. Disclosure exemptions

The Company has taken advantage of the disclosure exemptions provided by paragraph 1.12 of Financial Reporting Standard 102. Accordingly, these financial statements do not include the following:

- Statement of Cash Flows;
- A reconciliation of shares outstanding at the beginning and end of the period;
- Specific information relating to financial instruments that is included within equivalent disclosures for the Group; and
- Disclosure of key management personnel compensation.

The Company has been consolidated into the consolidated financial statements of Brit Limited, copies of whose financial statements are available at www.britinsurance.com or can be obtained from The Leadenhall Building, 122 Leadenhall street, London EC3V 4AB.

14. Related party transactions

The Company has taken advantage of the exemption in FRS102 not to disclose transactions with other wholly owned subsidiaries within the Group. This is by virtue of the entity being wholly owned within a group whose consolidated financial statements are publicly available.