

BRIT SYNDICATES LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL
STATEMENTS

31 DECEMBER 2015



Registered No. 0824611

BRIT SYNDICATES LIMITED

Contents

Page

2	Company Information
3	Strategic Report
4	Directors' Report
6	Independent Auditors' Report
8	Income Statement
9	Statement of Financial Position
10	Statement of Changes in Equity
11	Notes to the Financial Statements

BRIT SYNDICATES LIMITED

Company Information

Directors

M A Allan (appointed 3 December 2015)
A M Baddeley (resigned 17 September 2015)
A A Barnard (appointed 5 November 2015, resigned 16 December 2015)
M B Cloutier
I Jacob
B Khosrowshahi (appointed 5 November 2015)
A J Medniuk
N S Meyer (appointed 23 June 2015)
S D Robson
J W Stratton (resigned 9 September 2015)
Dr R C Ward
M D Wilson
J W Young (resigned 5 November 2015)

Director appointed after the balance sheet date

S P G Lee (appointed 19 January 2016)

Secretary

T J Harmer (appointed 23 March 2015)
P M Armfield (resigned 20 March 2015)

Registered Office

The Leadenhall Building
122 Leadenhall Street
London
EC3V 4AB

Auditor

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

BRIT SYNDICATES LIMITED

Strategic Report

Review of the business

The Company received a flat fee of £96.8m (2014 £96.8m million) from Syndicate 2987 in return for providing all of the necessary resources to manage that syndicate

Syndicate 389 was reinsured to close into a third party syndicate, syndicate 779, with effect from 1 January 2015. The Company has not received any remuneration in respect of this syndicate during the year and has no ongoing interest in the syndicate

During 2015 the underwriting premium capacity of Syndicate 2987 was £1,075m (2014 £1,075m)

The ratio of expenses to turnover was 105.95% (2014 94.71%)

In the opinion of the Directors, the state of affairs of the Company at the end of the year was satisfactory. The Directors do not envisage any changes to the current business model in 2016

Principal risks and uncertainties

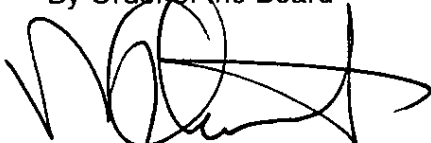
The Company contracts with Brit UW Limited to manage Syndicate 2987 in return for a fixed fee. Therefore the Company takes the risk that the cost of the required resources exceeds the fee being received. The Company manages this risk by setting budgets, monitoring actual performance against these on a monthly basis and taking action to reduce costs where appropriate. The Company manages liquidity risk by ensuring it received the fixed fee in advance of settling costs

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

Result

The loss for the year after taxation is £4.5m (2014 profit of £4.2m)

By Order of the Board



Mark Oloutier
Chief Executive Officer

14 March 2016

BRIT SYNDICATES LIMITED

Directors' Report

Brit Syndicates Limited
Registered Number: 0824611

The Directors present their report and the financial statements for the year ended 31 December 2015

Principal activities

The Company is registered in the United Kingdom and is an approved Lloyd's managing agent managing the affairs of Syndicate 2987

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

Result and dividend

The loss for the year after taxation is £4.5m (2014 profit of £4.2m)

No interim dividend was paid during the year (2014 £1.0m)

The Directors do not recommend a final dividend for the year ended 31 December 2015 (2014 £nil)

Directors

The names of the directors from 1 January 2015 through to the date of this report are listed on page 2

Acquisition by the Fairfax Group

FFHL Group Limited, a member of the Fairfax Financial Holdings Limited group ('Fairfax') completed the acquisition of 97.0% of Brit PLC, the Company's ultimate holding company, on 5th June 2015. The remaining 3.0% was acquired on 8 July 2015. Fairfax is a Canadian company whose shares are listed on the Toronto Stock Exchange. Brit PLC's listing on the London Stock Exchange was cancelled with effect from 23 June 2015 and was renamed Brit Limited. On 29 June, Fairfax completed the sale of 29.9% of Brit to Ontario Municipal Employees Retirement System (OMERS), the plan manager for government employees in the Canadian province of Ontario.

Employee and environmental matters

All staff in the United Kingdom are employed by the Group service 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 Insurance is committed to managing and reducing its environmental impact in a cost effective and responsible way.

BRIT SYNDICATES LIMITED

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

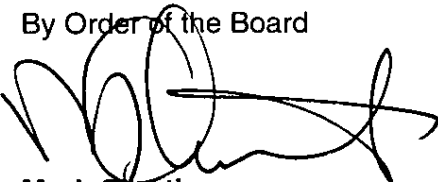
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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

Statement of Disclosure of Information to Auditors

The Company's Auditor is Ernst & Young LLP. Each person who is a Director at the date of approval of this Report confirms that

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- Each Director has taken all the steps that ought to have been taken 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



Mark Cloutier
Chief Executive Officer
14 March 2016

BRIT SYNDICATES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRIT SYNDICATES LIMITED

We have audited the financial statements of Brit Syndicates Limited for the year ended 31st December 2015 which comprise the Income Statement, the Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' responsibilities, set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

BRIT SYNDICATES LIMITED

INDEPENDENT AUDITOR'S REPORT contd.

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Angus Millar (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
14 March 2016

BRIT SYNDICATES LIMITED

Income Statement

For the year ended 31 December 2015

		2015	2014
		£'000	£'000
	Notes		
Turnover	1 (b) & 2	96,750	96,750
Administrative expenses		(102,509)	(91,627)
Operating (loss)/profit	3	(5,759)	5,123
Interest receivable and similar income	4	132	201
(Loss)/profit on ordinary activities before taxation		(5,627)	5,324
Taxation on (loss)/profit on ordinary activities	8	1,140	(1,130)
(Loss)/ profit on ordinary activities after taxation		(4,487)	4,194

No other comprehensive income has been recognised and therefore no statement of comprehensive income has been prepared

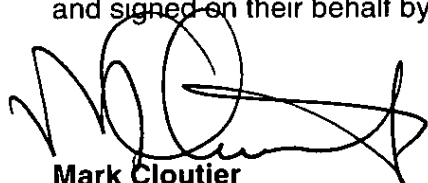
The notes on pages 11 to 15 form part of these financial statements

BRIT SYNDICATES LIMITED


Statement of Financial Position As at 31 December 2015

		2015 £'000	2014 £'000
	Notes		
Current assets			
Debtors	9	1,754	7,887
Cash at bank and in hand		5,064	5,058
Prepayments		5	-
		6,823	12,945
Creditors: Amounts falling due within one year	10	(1,069)	(2,704)
Net current assets		5,754	10,241
Net assets		5,754	10,241
Capital and reserves			
Called up share capital	11	1,000	1,000
Capital reserve		1	1
Profit and loss account		4,753	9,240
Equity Shareholder's funds		5,754	10,241

The financial statements on pages 8 to 15 were approved by the Board of Directors on 14 March 2016 and signed on their behalf by -



Mark Cloutier
Chief Executive Officer



Mark Allan
Chief Financial Officer

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

BRIT SYNDICATES LIMITED

Statement of Changes in Equity As at 31 December 2015

Year ended 31 December 2015

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January	1,001	9,240	10,241
Retained loss for the year	-	(4,487)	(4,487)
At 31 December	1,001	4,753	5,754

Year ended 31 December 2014

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January	1,001	6,046	7,047
Retained profit for the year	-	4,194	4,194
Dividends paid	-	(1,000)	(1,000)
At 31 December	1,001	9,240	10,241

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 2015

1. Accounting policies

(a) **Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The Company transitioned from previously extant UKGAAP to FRS102 as at 1 January 2014. This change has not had any effect on the financial statements of the Company.

The financial statements cover those of the individual entity and are prepared as at and for the year ended 31 December 2015. The financial statements have been prepared on a going concern basis, under the historical cost convention, and in accordance with FRS102, being applicable UK Generally Accepted Accounting Practice (UKGAAP).

The annual accounts are presented in GB Sterling which is the Company's functional currency and rounded to the nearest £'000, unless otherwise stated. Items included in the annual accounts are measured using the functional currency which is the primary economic environment in which the Company operates.

(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) **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.

2. Turnover

	2015 £'000	2014 £'000
Fee income	<u>96,750</u>	<u>96,750</u>

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

BRIT SYNDICATES LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2015

3. Operating profit / (loss)

	2015 £'000	2014 £'000
This is arrived at after charging -		
Auditor's remuneration	<u>13</u>	<u>13</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 charged an appropriate amount by Brit Group Services Limited for the operating lease costs incurred at a Group level.

4. Interest receivable and similar income

	2015 £'000	2014 £'000
Interest receivable	<u>6</u>	<u>1</u>
Intra-group interest receivable	<u>126</u>	<u>200</u>
	<u>132</u>	<u>201</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 charged an appropriate amount by Brit Group Services Limited for the services it receives from those staff.

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 charged an appropriate amount by Brit Group Services Limited for the cost of providing these pension benefits. Each separate company within the Group is however unable to identify its share of the underlying assets and liabilities of the defined benefit scheme and therefore the scheme has been accounted for as a defined contribution scheme in these separate financial statements. Disclosure relating to the defined benefit scheme is included in the notes to the financial statements of Brit Group Services Limited.

BRIT SYNDICATES LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2015

7. Directors' remuneration and transactions involving Directors

The Executive Directors did not receive any remuneration for their services to the Company during the year ended 31 December 2015 (2014 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 £495k (2014 £474k) which includes £250k (2014 £229k) paid to the highest paid director

8. Taxation

	2015 £'000	2014 £'000
(i) Tax charge on (loss)/profit on ordinary activities		
Current taxation		
Group relief receivable/(payable) at the UK corporation tax rate at 20.25% (2014 21.5%)	1,139	(1,147)
Adjustments in respect of prior years	1	17
Total current tax credit (charge) (Note 8(ii))	1,140	(1,130)
(ii) Factors affecting the current tax credit		
(Loss)/profit on ordinary activities before tax	(5,627)	5,324
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in UK of 20.25% (2014 21.5%)	1,139	(1,145)
Effects of		
Expenses not deductible for tax purposes and other permanent differences	-	(2)
Other adjustments to tax charge in respect of prior years	1	17
Total tax credit/(charge) (Note 8(i))	1,140	(1,130)

9. Debtors

	2015 £'000	2014 £'000
Due within one year		
Amounts due from Group companies	1,749	7,883
Other debtors	5	4
	1,754	7,887

BRIT SYNDICATES LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2015

10. Creditors

	2015 £'000	2014 £'000
Amounts falling due within one year		
Amounts due to managed syndicates	-	402
Accruals and deferred income	1,069	2,302
	<u>1,069</u>	<u>2,704</u>

11. Issued share capital

	2015 £'000	2014 £'000
Allotted, called up and fully paid		
1,000,100 Ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

12. Controlling parties

The Company is a wholly owned subsidiary of Brit Insurance Holdings Limited, a company registered in the United Kingdom. As at 31 December 2015, the ultimate parent company was Fairfax Financial Holdings Limited, a company registered in Canada. Copies of Fairfax consolidated accounts can be obtained by writing to 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7.

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 accounts can be obtained from The Leadenhall Building, 122 Leadenhall street, London EC3V 4AB after that date.

BRIT SYNDICATES LIMITED

Notes to the Financial Statements
For the Year Ended 31 December 2015

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.