

BRIT SYNDICATES LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL
STATEMENTS

31 DECEMBER 2014

WEDNESDAY



A48BGNRE

A17

27/05/2015

#402

COMPANIES HOUSE

Registered No. 0824611

BRIT SYNDICATES LIMITED

Contents

Page

2	Company Information
3	Strategic Report
4	Report of the Directors
6	Independent Auditor's Report
8	Profit and Loss Account
9	Balance Sheet
10	Notes to the Financial Statements

BRIT SYNDICATES LIMITED

Company Information

Executive Directors

M D Wilson
M B Cloutier
S D Robson
J W Stratton
A M Baddeley

Non-Executive Directors

A J Medniuk
I Jacob
J W Young
Dr R C Ward (appointed 17 February 2014)

Secretary

P M Armfield

Registered Office

55 Bishopsgate
London
EC2N 3AS

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

BRIT SYNDICATES LIMITED

Strategic Report

Review of the business

The Company received a flat fee of £96.8m (2013: £84.6m) from Syndicate 2987 in return for providing all of the necessary resources to manage that syndicate. In addition it was reimbursed for any expenses incurred in managing Syndicate 389.

During 2014 the underwriting premium capacity of Syndicate 2987 was £1,075m (2013: £940m).

The ratio of expenses to turnover was 94.71% (2013: 102.23%).

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 2015.

Principal risks and uncertainties

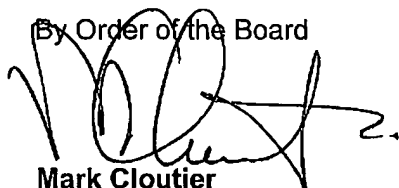
The Company contracts with Brit UW Limited to manage Syndicate 2987 in return for a fixed fee. Therefore the Company takes the risk that the cost of the required resources exceeds the fee being received. The Company manages this risk by setting budgets, monitoring actual performance against these on 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 profit for the year after taxation is £4.2m (2013: loss of £1.9m)

By Order of the Board



Mark Cloutier
Chief Executive Officer
16 March 2015

BRIT SYNDICATES LIMITED

Report of the Directors

Brit Syndicates Limited
Registered Number: 0824611

The Directors present their report and the financial statements for the year ended 31 December 2014.

Principal activities

The Company is an approved Lloyd's managing agent managing the affairs of Syndicate 2987 and Syndicate 389 (in run-off since 31 December 2003).

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 profit for the year after taxation is £4.2m (2013: loss of £1.9m).

An interim dividend of £1m was paid during the year.

The Directors do not recommend a final dividend for the year ended 31 December 2014 (2013: £nil).

Directors

The names of the directors from 1 January 2014 through to the date of this report are listed on page 2.

Offer from Fairfax

On 17 February 2015, the boards of Fairfax Financial Holdings Limited (Fairfax) and Brit PLC, the ultimate holding company, announced that they had reached agreement regarding the terms of a recommended cash offer through which the entire issued and to be issued ordinary share capital of Brit PLC would be acquired by FFHL Group Ltd, an entity wholly-owned by Fairfax.

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 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.

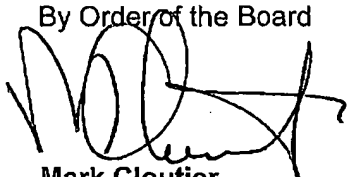
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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
16 March 2015

BRIT SYNDICATES LIMITED

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

We have audited the financial statements of Brit Syndicates Limited for the year ended 31 December 2014 which comprise the profit and loss account and the balance sheet and the related notes 1 to 17. 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 member 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 member 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 member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 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, Directors' Report and financial statements 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 2014 and of its profit 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 matter prescribed by the Companies Act 2006

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

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:

BRIT SYNDICATES LIMITED

Independent Auditor's Report to the Member of Brit Syndicates Limited (cont.)

- 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.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style with a diagonal slash at the end.

Michael Purrington (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
16 March 2015

BRIT SYNDICATES LIMITED

Profit and Loss Account

For the Year Ended 31 December 2014

		2014 £	2013 £
	Notes		
Turnover	1 (b) & 2	96,750,000	84,600,000
Administrative expenses		(91,627,093)	(86,490,531)
Operating profit/(loss)	3	5,122,907	(1,890,531)
Interest receivable and similar income	4	200,774	415,123
Profit/(loss) on ordinary activities before taxation		5,323,681	(1,475,408)
Taxation on profit/(loss) on ordinary activities	8	(1,130,044)	(412,760)
Profit/(loss) on ordinary activities after taxation		4,193,637	(1,888,168)

The profit and loss account relates entirely to continuing activities.

There is no difference between the profit/loss on ordinary activities before taxation and the retained profit/loss for the year stated above, and their historical cost equivalents.

The Company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 10 to 14 form part of these financial statements.

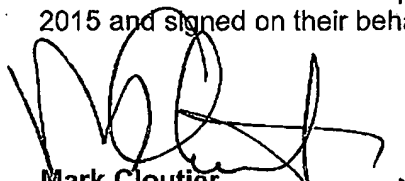
BRIT SYNDICATES LIMITED

Balance Sheet

As at 31 December 2014

		2014 £	2013 £
	Notes		
Current assets			
Debtors	9	7,886,915	10,147,116
Cash at bank and in hand		5,057,834	16,984
		<u>12,944,749</u>	<u>10,164,100</u>
Creditors: Amounts falling due within one year	10	<u>(2,703,670)</u>	<u>(3,116,658)</u>
Net current assets		<u>10,241,079</u>	<u>7,047,442</u>
Net assets		<u>10,241,079</u>	<u>7,047,442</u>
 Capital and reserves			
Called up share capital	11	1,000,100	1,000,100
Capital reserve		1,454	1,454
Profit and loss account		<u>9,239,525</u>	<u>6,045,888</u>
Shareholder's funds	13	<u>10,241,079</u>	<u>7,047,442</u>

The financial statements on pages 8 to 14 were approved by the Board of Directors on 16 March 2015 and signed on their behalf by:-



Mark Cloutier
Chief Executive Officer



Andrew Baddeley
Chief Financial Officer

The notes on pages 10 to 14 form part of these financial statements.

BRIT SYNDICATES LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2014

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.

(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.

(e) **Cash flow statement**

Brit Syndicates Limited is exempt from preparing a cash flow statement under Financial Reporting Standard 1. Brit PLC, the ultimate parent company, whose financial statements are publicly available, has prepared a consolidated cash flow statement, which includes the cash flows of the company.

2. Turnover

	2014 £	2013 £
Fee income	<u>96,750,000</u>	<u>84,600,000</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 2014

3. Operating profit / (loss)

This is arrived at after charging:-

	2014 £	2013 £
Auditor's remuneration	<u>13,000</u>	<u>12,000</u>

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 PLC, the ultimate parent company.

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.

4. Interest receivable and similar income

	2014 £	2013 £
Interest receivable	471	-
Intra-group interest receivable	<u>200,303</u>	<u>415,123</u>
	<u>200,774</u>	<u>415,123</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.

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. 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 2014

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 2014 (2013: 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 remuneration received by the Non-Executive Directors was Anthony John Medniuk £55.0k (2013: £55.0k), Ipe Jacob £150.0k (2013: £17.0k), John Young £40.0k (2013: £13.3k) and Richard Ward £229.0k (2013: £nil).

8. Taxation

	2014 £	2013 £
(i) Tax charge on (loss)/profit on ordinary activities		
Current taxation:		
Group relief (payable)/receivable at the UK corporation tax rate at 21.5% (2013: 23.25%)	(1,146,909)	343,032
Adjustments in respect of prior years	16,865	(755,792)
Total current tax charge (Note 8(ii))	<u>(1,130,044)</u>	<u>(412,760)</u>
(ii) Factors affecting the current tax credit		
Profit/(loss) on ordinary activities before tax	5,323,681	(1,475,408)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in UK of 21.5% (2013: 23.25%)	(1,144,591)	343,032
Effects of:		
Expenses not deductible for tax purposes and other permanent differences	(2,318)	-
Other adjustments to tax charge in respect of prior years	16,865	(755,792)
Total current tax charge (Note 8(i))	<u>(1,130,044)</u>	<u>(412,760)</u>

9. Debtors

	2014 £	2013 £
Due within one year:		
Amounts due from Group companies	7,883,218	10,047,116
Amounts due from managed syndicates	-	100,000
Other debtors	3,697	-
	<u>7,886,915</u>	<u>10,147,116</u>

BRIT SYNDICATES LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2014

10. Creditors

	2014 £	2013 £
Amounts falling due within one year:		
Amounts due to Group companies	-	517,874
Amounts due to managed syndicates	402,109	484,930
Accruals and deferred income	2,301,561	2,113,854
	<u>2,703,670</u>	<u>3,116,658</u>

11. Issued share capital

	2014 £	2013 £
Allotted, called up and fully paid:		
1,000,100 Ordinary shares of £1 each	1,000,100	1,000,100
	<u>1,000,100</u>	<u>1,000,100</u>

12. Profit and loss account

	2014 £	2013 £
Balance as at 1 January	6,045,888	7,934,056
Profit/(loss) for the year	4,193,637	(1,888,168)
Dividends paid	(1,000,000)	-
Profit and loss account at 31 December	<u>9,239,525</u>	<u>6,045,888</u>

13. Reconciliation of movements in shareholder's funds

	2014 £	2013 £
Profit/(loss) for the year	4,193,637	(1,888,168)
Shareholder's funds at 1 January	7,047,442	8,935,610
Dividends paid	(1,000,000)	-
Shareholder's funds at 31 December	<u>10,241,079</u>	<u>7,047,442</u>

BRIT SYNDICATES LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2014

14. Ultimate holding company

The Company is a wholly owned subsidiary of Brit Underwriting Holdings Limited. The ultimate holding company is Brit PLC, a company registered in England and Wales. Copies of Brit PLC financial statements can be obtained by writing to 55 Bishopsgate, London, EC2N 3AS.

15. Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard 8 'Related party disclosures' 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.

16. Financial instruments

The Company has taken advantage of the exemption in Financial Reporting Standard 29 'Financial Instruments: Disclosures' not to provide the disclosures required by this standard. This is by virtue of the entity being included in publicly available consolidated financial statements which include disclosures that comply with this standard.

17. Subsequent Events

On 17 February 2015, the boards of Fairfax Financial Holdings Limited (Fairfax) and Brit PLC, the ultimate holding company, announced that they had reached agreement regarding the terms of a recommended cash offer through which the entire issued and to be issued ordinary share capital of Brit PLC would be acquired by FFHL Group Ltd, an entity wholly-owned by Fairfax.

Under the terms of this offer, shareholders of Brit PLC would be entitled to receive 305 pence in cash for each Brit Share, comprising 280 pence in cash and 25 pence by way of the 2014 final ordinary and special dividends recommended by the Board of Brit PLC.