

**BRIT**

BRIT SYNDICATES LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL  
STATEMENTS

31 DECEMBER 2016



Registered No. 00824611

# 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  
M B Cloutier (resigned on 31<sup>st</sup> December 2016)  
I Jacob  
B Khosrowshahi (resigned on 31<sup>st</sup> December 2016)  
S P G Lee (appointed on 19<sup>th</sup> January 2016)  
A J Medniuk  
N S Meyer  
S D Robson (resigned on 30<sup>th</sup> September 2016)  
Dr R C Ward  
M D Wilson

### **Secretary**

T Harmer

### **Registered Office**

The Leadenhall Building  
122 Leadenhall Street  
London  
EC3V 4AB

### **Registered Number**

00824611

### **Independent Auditors**

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

# **BRIT SYNDICATES LIMITED**

## **Strategic Report**

### **Principal activities**

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

### **Result**

The profit for the year after taxation is £3.2m (2015: loss of £4.5m)

### **Review of the business**

During the year, the Company received a flat fee of £99.4m (2015: £96.8m) from Syndicate 2987 in return for providing all of the necessary resources to manage that syndicate.

During 2016 the underwriting premium capacity of Syndicate 2987 was £1,075m (2015: £1,075m).

The ratio of expenses to turnover was 96.02% (2015: 105.95%).

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**

In November 2016, Brit Syndicates Limited entered into an agreement to manage Syndicate 2988, which would underwrite risks attaching on or after 1 January 2017. Syndicate 2988 has a capacity of £55m for its first year of trading and is supported by private Lloyd's members. The Company expects to receive a flat fee of £4.67m and earn a profit commission on the profit before tax for the year ending 31 December 2017 in relation to Syndicate 2988.

During 2017, the underwriting premium capacity of Syndicate 2987 has been agreed with Lloyd's of London to be £1,200m.

The Directors do not envisage any additional changes to the current business model in 2017 other than those set out above.

### **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 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

16<sup>th</sup> March 2017

# **BRIT SYNDICATES LIMITED**

## **Directors' Report**

The Directors present their report and the audited financial statements for the year ended 31 December 2016.

### **Principal Activities**

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

### **Result and Dividend**

The profit for the year after taxation is £3.2m (2015: loss of £4.5m).

No interim dividend was paid during the year (2015: £nil). The Directors do not recommend a final dividend for the year ended 31 December 2016 (2015 £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 2016 through to the date of this report are listed on page 2.

### **Significant Changes and Events**

FFHL Group Limited (FFHL), a member of the Fairfax Financial Holdings Limited group (Fairfax), completed the acquisition of 97.0% of Brit Limited (Brit, previously the ultimate parent company) on 5 June 2015 and acquired the remaining 3.0% on 8 July 2015. Fairfax is a Canadian company whose shares are listed on the Toronto Stock Exchange. On 29 June 2015, Fairfax completed the sale of 29.9% of Brit to Ontario Municipal Employees Retirement System (OMERS), the pension plan manager for government employees in the Canadian province of Ontario.

FFHL will have the ability to repurchase the shares owned by OMERS over time and on 3 August 2016, FFHL acquired an additional 2.4% of Brit from OMERS, bringing its ownership to 72.5%.

The launch of syndicate 2988 is 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 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 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). 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

On 16 May 2016, Ernst & Young LLP (EY) tendered its resignation as auditor of Brit Syndicates Limited and confirmed there were no circumstances relating to their resignation to bring to the Board's attention. On 14 June 2016, PricewaterhouseCoopers LLP was appointed as EY's successor.

In accordance with the provisions of section 418 of the Companies Act 2006, each of the persons who are Directors of the Company at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

By Order of the Board



**Matthew Wilson**  
Director  
16<sup>th</sup> March 2017

# **BRIT SYNDICATES LIMITED**

## **Independent Auditors' Report to the Members of Brit Syndicates Limited**

### **Our opinion**

In our opinion, Brit Syndicates Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

### **What we have audited**

The financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2016;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Directors. We have nothing to report in this respect.

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

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, 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.

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## **BRIT SYNDICATES LIMITED**

### **Independent Auditors' Report to the Members of Brit Syndicates Limited (Continued) Responsibilities for the Financial Statements and the Audit**

#### **Our responsibilities and those of the directors**

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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's member 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.

#### **What an audit of financial statements involves**

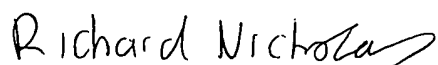
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual 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. With respect to the Strategic Report and Report of the Directors, we consider whether those reports include the disclosures required by applicable legal requirements.



Richard Nicholas (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
16<sup>th</sup> March 2017



# BRIT SYNDICATES LIMITED

## Income Statement

For the year ended 31 December 2016

		2016 £'000	2015 £'000
	Note		
<b>Turnover</b>	2	<b>99,438</b>	96,750
Administrative expenses		<b>(95,481)</b>	(102,509)
<b>Operating profit/(loss)</b>	3	<b>3,957</b>	(5,759)
Interest receivable and similar income	4	<b>3</b>	132
<b>Profit/(Loss) on ordinary activities before taxation</b>		<b>3,960</b>	(5,627)
<b>Taxation on Profit/(Loss) on ordinary activities</b>	8	<b>(792)</b>	1,140
<b>Profit/(Loss) on ordinary activities after taxation</b>		<b>3,168</b>	(4,487)

The Company has no recognised gains and losses other than those included in the statement of income above and therefore no separate statement of comprehensive income has been presented.

The notes on pages 11 to 14 form part of these financial statements.

# BRIT SYNDICATES LIMITED

## Statement of Financial Position

As at 31 December 2016

		2016 £'000	2015 £'000
	Note		
<b>Current assets</b>			
Debtors	9	3,849	1,754
Cash at bank and in hand		5,203	5,064
Prepayments and accrued income		22	5
		<b>9,074</b>	<b>6,823</b>
<b>Creditors: Amounts falling due within one year</b>	10	<b>(152)</b>	<b>(1,069)</b>
<b>Total assets less current liabilities</b>		<b>8,922</b>	<b>5,754</b>
<b>Net assets</b>		<b>8,922</b>	<b>5,754</b>
<b>Capital and reserves</b>			
Called up share capital	11	1,000	1,000
Capital reserve		1	1
Retained Earnings		7,921	4,753
<b>Total Shareholder's funds</b>		<b>8,922</b>	<b>5,754</b>

The notes on pages 11 to 14 form part of these financial statements.

The financial statements on pages 8 to 14 were approved by the Board of Directors on 16<sup>th</sup> March 2017 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 2016

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

As at 31 December 2015

	Called Up Share capital £'000	Capital Reserve £'000	Retained Earnings £'000	Total Shareholder's Funds £'000
At 1 January 2015	1,000	1	9,240	<b>10,241</b>
Loss for the financial year	-	-	(4,487)	<b>(4,487)</b>
At 31 December 2015	1,000	1	4,753	<b>5,754</b>

The notes on pages 11 to 14 form part of these financial statements.

# BRIT SYNDICATES LIMITED

## Notes to the Financial Statements

For the Year Ended 31 December 2016

### 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 (GBP), 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

For the Year Ended 31 December 2016

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

	2016 £'000	2015 £'000
Fee income	<u>99,438</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.

## 3. Operating profit / (loss)

This is arrived at after charging:-	2016 £'000	2015 £'000
Auditors' remuneration	<u>15</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 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 auditors 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

	2016 £'000	2015 £'000
Interest receivable	<u>3</u>	<u>6</u>
Intra-group interest receivable	-	126
	<u>3</u>	<u>132</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

For the Year Ended 31 December 2016

### 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 to the Company during the year ended 31 December 2016 (2015: 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 £527k (2015: £495k) which includes £250k (2015: £250k) paid to the highest paid director.

### 8. Taxation

	2016 £'000	2015 £'000
(i) Tax charge on profit/(loss) on ordinary activities		
Current taxation:		
Current taxes on income for the year UK corporation tax rate tax at 20.0% (2015: 20.25%)	(792)	1,139
Adjustments in respect of prior years	-	1
Total tax (charged)/credited to income statement	(792)	1,140
(ii) Tax reconciliation		
Profit/(loss) on continuing ordinary activities before tax	3,960	(5,627)
Tax calculated at standard rate of tax on income UK corporation tax at 20.0% (2015: 20.25%)	(792)	1,139
Other adjustments to tax charge in respect of prior years	-	1
Total tax (charged)/credited (Note 8(i))	(792)	1,140

### 9. Debtors

	2016 £'000	2015 £'000
Due within one year:		
Amounts owed by group undertakings	1,993	1,749
Amounts due from managed syndicates	1,851	-
Other debtors	5	5
	3,849	1,754

# BRIT SYNDICATES LIMITED

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 10. Creditors

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Accruals and deferred income	152	1,069
	<b>152</b>	<b>1,069</b>

### 11. Called up share capital

	2016 £'000	2015 £
Allotted, called up and fully paid:		
1,000,100 Ordinary shares of £1 each	1,000	1,000
	<b>1,000</b>	<b>1,000</b>

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 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](http://www.fairfax.ca).

### 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 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.