

AmTrust Underwriting Limited

**Directors' report and financial
statements**

Registered number 3908537

31 December 2018



Contents

Directors and advisers	1
Strategic report	2
Directors' report	4
Statement of Directors' Responsibilities	5
Independent auditor's report to the members of AmTrust Underwriting Limited	Error! Bookmark not defined.
Statement of comprehensive income	9
Statement of financial position	10
Statement of Changes in Equity	11
Notes	12

Directors and advisers

Directors

J E Cadle
P Dewey
M G Womack (appointed 8 May 2018)

Company secretary

D J L Barrett (resigned 16 January 2019)

Registered office

Exchequer Court
33 St Mary Axe
London
EC3A 8AA

Registered number

3908537

Statutory auditors

PKF Littlejohn LLP
15 Westferry Circus
London
E14 4HD

Bankers

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

Strategic report

The directors present their Strategic report for AmTrust Underwriting Limited ("the Company") for the year ended 31 December 2018.

The financial reporting framework applied is United Kingdom Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102").

Principal activity

The principal activity of the Company continues to be that of an underwriting agent specializing in Accident and Health risks. For the current year the Company acted as an agent for Amtrust @ Lloyd's Syndicate 1861 and AmTrust Europe Ltd.

On 26 October 2018, the Company changed registered address.

Business review and future developments

During the year the Company underwrote £5.7m in gross written premiums generating £890k of commission income.

The company also generated profit commissions of £119k from business underwritten in previous years.

The following table summarises the key performance indicators used by the directors to assess the performance of the Company:

	2018	2017
	£	£
Gross Written Premium underwritten	5,677,448	4,128,276
Brokerage and fees	889,677	687,075
Profit commission	119,174	110,242
Profit/(loss) on ordinary activities after taxation	55,960	(85,176)

The Company's immediate parent is AmTrust Syndicate Holdings Ltd ("ASH"), a company registered in England and Wales.

On 29th November 2018, the Company's ultimate parent then, AmTrust Financial Services, Inc. (AFSI), incorporated in United States of America, announced the completion of the merger transaction in which Evergreen Parent, L.P., an entity formed by private equity funds managed by Stone Point Capital LLC, together with Barry Zyskind, Chairman and CEO of AFSI, George Karfunkel and Leah Karfunkel (collectively, the 'Karfunkel-Zyskind Family'), acquired approximately 45% of the company's issued and outstanding common shares that the Karfunkel-Zyskind Family and certain of its affiliates and related parties did not already own or control (the 'go-private transaction'). Evergreen Parent, L.P. is controlled by Evergreen Parent GP, LLC, a limited liability company registered in Delaware, United States of America. Consequently, on 29 November 2018, the Company's ultimate parent changed to Evergreen Parent GP, LLC.

Future developments and post balance sheet events

On 18th April 2019, AmTrust and Canopus announced they had signed a definitive agreement to merge their respective Lloyd's operations under the management of Canopus Managing Agents, to create a stronger, market-leading Lloyd's franchise with a broader product offering and increased value to clients and brokers. Under the deal structure the managing agency agreements for AmTrust Syndicates Limited's (ASL's) managed non-life syndicates will be novated to Canopus with an option, exercisable at AmTrust's request, to novate the management of Syndicate 44. The deal remains subject to regulatory approval, but is expected to close in September or October 2019. The Company expects to retain its capacity support from Syndicate 1861. The Company also anticipates a change in its immediate parent company as AFSI reorganizes its international entity structure post sale of its Lloyd's operations.

Strategic report (*continued*)

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are as follows:

Liquidity risk

This is the risk that the Company will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. The directors monitor cash flows and manage liquid assets to ensure that cash is available to meet obligations and operational liquidity needs.

Operational risk

This is the risk that errors caused by people, processes or systems lead to losses to the Company. This risk is managed through the use of detailed procedure manuals and a structured programme of testing of processes and systems by internal audit. The internal audit process is designed to provide management and the board with reasonable assurance that the controls and procedures are able to contain the risks within acceptable limits.

Regulatory risk

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Company is required to comply with the requirements of the Financial Conduct Authority applicable to insurance intermediaries. The Company has a compliance officer who monitors regulatory developments and assesses the impact on corporate policy.

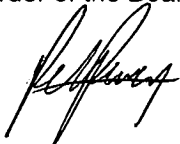
Credit risk

The key aspect of credit risk is the risk of default by one or more of the Company's debtors. This risk is managed by the executive management, which constantly reviews the status of the brokers with which the Company transacts business.

Underwriting capacity

The Company is dependent upon fellow group undertakings for its underwriting capacity. Business is placed on a normal arms-length basis. With the cessation of Syndicate 1206 new business is now being renewed into Syndicate 1861. In addition, the Company is pursuing other opportunities within the wider AmTrust Group. If, however underwriters were to withdraw capacity the Company would need to find replacement capacity in the interim. Since the Company is part of the AmTrust International Limited group, the Company is able to align itself with both Syndicate 1861 and other undertakings such as AmTrust Europe Limited who is now one of the main providers of capacity. This allows longer term planning and a more integrated approach with one of its key capacity providers to give greater certainty and stability.

By order of the Board



P Dewey
Director

Exchequer Court
33 St Mary Axe
London
EC3A 8AA

19 September 2019

Directors' report

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2018.

Results and dividends

The profit for the year, after taxation, amounted to £55,960 (2017: loss of £85,176).

The directors do not recommend the payment of a dividend for the year ended 31 December 2018 (2017: £nil).

Directors

The names of the directors who served during the year and as at the date of this report are listed on page 1.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Company as disclosed in the Statement of financial position shows net current assets of £343,415 and net assets of £380,514.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these annual financial statements.

Political donations

The Company made no political donations during the year (2017: £nil).

Auditors

Pursuant to Section 487 of the Companies Act 2006 PKF Littlejohn LLP will be re-appointed as auditors.

Disclosure of information to the auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



P Dewey
Director

Exchequer Court
33 St Mary Axe
London
EC3A 8AA

19 September 2019

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic report, the Directors' Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMTRUST UNDERWRITING LIMITED

Opinion

We have audited the financial statements of AmTrust Underwriting Limited (the 'company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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;

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.



Ian Cowan (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

19 September 2019

Statement of comprehensive income

for the year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	3	1,008,851	797,317
Cost of sales		<u>(20,533)</u>	<u>(19,317)</u>
Gross profit		988,318	778,000
Administrative expenses		<u>(935,874)</u>	<u>(863,312)</u>
Operating profit/(loss)		52,444	(85,312)
Interest receivable	4	<u>3,516</u>	<u>136</u>
Profit/(loss) on ordinary activities before taxation	5	55,960	(85,176)
Taxation on profit/(loss) on ordinary activities	8	-	-
Profit/(loss) and total comprehensive income for the financial year		<u>55,960</u>	<u>(85,176)</u>

The Company's turnover and expenses all relate to continuing operations.

There are no amounts relating to other comprehensive income for either year.

The notes on pages 13 to 21 form part of these financial statements.

Statement of financial position

for the year ended 31 December 2018

	Note	2018		2017	
		£	£	£	£
Fixed assets					
Tangible assets	9		6,491		-
Intangible assets	10		30,608		-
			<u>37,099</u>		<u>-</u>
Current assets					
Debtors	11	263,489		231,830	
Cash at bank and in hand		<u>1,807,849</u>		<u>642,807</u>	
		<u>2,071,338</u>		<u>874,637</u>	
Current liabilities					
Creditors: amounts falling due within one year	12	<u>(1,727,923)</u>		<u>(550,083)</u>	
Net current assets			<u>343,415</u>		<u>324,554</u>
Total assets less current Liabilities			<u>380,514</u>		<u>324,554</u>
Net assets			<u><u>380,514</u></u>		<u><u>324,554</u></u>
Capital and reserves					
Called up share capital	14		102		102
Share premium account	15		4,998		4,998
Profit and loss account	15		375,414		319,454
Total shareholder's funds – equity interests			<u><u>380,514</u></u>		<u><u>324,554</u></u>

These financial statements were approved by the board of directors on 19 September 2019 and were signed on its behalf by:



P Dewey
 Director

The notes on pages 13 to 21 form part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2018

	Called-up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2017	102	4,998	404,630	409,730
Profit/(loss) and total comprehensive income for the year	-	-	(85,176)	(85,176)
	-	-	-	-
At 31 December 2017 and 1 January 2018	102	4,998	319,454	324,554
Profit/(loss) and total comprehensive income for the year	-	-	55,960	55,960
	-	-	-	-
At 31 December 2018	102	4,998	375,414	380,514

The notes on pages 13 to 21 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Company Information

AmTrust Underwriting Limited is a company domiciled in England and Wales, registration number 03908537 and is authorised and regulated by the Financial Conduct Authority, authorised Number 306674. The Company's Registered Office is Exchequer Court, 33 St Mary Axe, London EC3A 8AA and its principal place of business is 18 Mansell Street, London E1 8FE.

2 Accounting policies

The financial statements have been prepared in accordance with the Financial Reporting Standard 102, The Financial Reporting Standard Applicable to the UK and Republic of Ireland (FRS 102). The financial statements have also been prepared under the historical cost accounting rules and on a going concern basis. The directors have reviewed the budget and cash flow forecasts of the Company for a period of not less than 12 months from the date of approving these financial statements and are confident that they show the Company will have sufficient resources to meet its liabilities as they fall due. Accordingly, the directors believe it remains appropriate to prepare the financial statements on a going concern basis.

The financial statements are presented in Pound Sterling (GBP), which is the Company's functional currency.

The Company's intermediate parent undertaking is AmTrust International Insurance, Ltd (AIIIL) a company incorporated in Bermuda. AIIIL includes the Company in its consolidated financial statements, which are available from Washington Mall, 4th Floor, Suite 400, 7 Reid Street, Hamilton, Pembroke Parish, HM 11, Bermuda. The Company is considered to be a qualifying entity under FRS 102 and is therefore taking advantage of the exemption to prepare a cash flow statement, disclose related party transactions and information relating to financial instruments.

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Turnover

Net retained brokerage and fees are recognised when the respective broking intermediary is charged with the premium.

Over-rider income is recognised on a quarterly bordereau accruals basis.

Profit commission is a receivable on certain business placed and is based on the profitability of that business. It is only recognised when the amount due can be reliably measured.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. They are depreciated by equal annual instalments over their estimated useful lives. The principal rate used for this is as follows:

Furniture	20%
Computer hardware	33%

Intangible assets

Internally generated software is stated at cost less accumulated depreciation. It is depreciated by equal annual instalments over its estimated useful life. The principal rate used for this is as follows:

Internally generated software	55%
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Notes *(continued)*

Pensions

AmTrust Management Services Limited ("AMSL"), AmTrust Central Bureau of Services Limited ("CBS") and AmTrust Syndicate Holdings ("ASH") employ all individuals working for the Company. These companies operate a defined contribution scheme. Pension contributions relating to staff are charged to the Statement of comprehensive income in the year they are recharged to the Company.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the reporting date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the statement of comprehensive income.

Deferred taxation

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

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the reporting date.

Use of estimates and judgements

In preparing these financial statements, the Directors of the Company have made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognised prospectively.

The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

Revenue recognition

Profit commission arrangements

Profit share on underwriting transactions is accounted for when it can be measured reliably, which is usually 24 months after the relevant year upon confirmation from the insurer, and in accordance with the contract terms. Subsequent adjustments are made through turnover in the period they arise.

Notes (continued)

3 Turnover

The total turnover of the Company has been derived from its principal activity and has been earned from the sale of insurance policies through brokers. 100% (2017: 100%) is attributable to the United Kingdom.

	2018 £	2017 £
Net retained brokerage and fees	889,677	687,075
Profit commission	119,174	110,242
	<u>1,008,851</u>	<u>797,317</u>

4 Interest receivable

	2018 £	2017 £
Bank interest receivable	3,516	136
	<u>3,516</u>	<u>136</u>

5 Profit/(loss) on ordinary activities before taxation

	2018 £	2017 £
Profit/(Loss) before tax is arrived at after charging:		
Recharged expenses from AmTrust Syndicate Holdings, AmTrust Central Bureau of Services Ltd, AmTrust Management Services Ltd and ANV Global Services Ltd	934,185	805,848
Depreciation of Fixed assets	966	320
Amortization of Intangible assets	14,280	-
Gain/Loss on disposal of tangible fixed assets		1,280
Loss on exchange	323	98
Auditor's remuneration		
- Audit of the Company's annual accounts	9,750	9,624
-Other services		

Notes (continued)

6 Staff costs and numbers

All members of staff of the Company are employed by ASH, CBS or AMSL and their costs recharged to the Company. No staff costs are incurred directly by the Company.

	2018	2017
	£	£
Salaries and bonuses	506,501	442,345
Social Security costs	40,083	39,654
Pension costs	19,413	23,303
Other staff costs	22,177	-
Total Compensation	<u>588,174</u>	<u>505,302</u>

7 Directors' emoluments

The total emoluments paid to directors of the Company by ANV Global Services Ltd and recharged to the Company during the year amounted to £39,027 (2017: £nil). The total value of company contributions paid to money purchase pension schemes amounts to £472 (2017: £nil).

The number of directors who are accruing benefits under the defined contribution scheme is one (2017: nil).

The aggregate emoluments of the highest paid director recharged to the Company were £39,027 (2017: £nil). The value of Company contributions to money purchase schemes of the highest paid director amounts to £472 (2017: £nil).

8 Taxation

a) Analysis of tax charge for the year

	2018	2017
	£	£
UK corporation tax		
Current tax on income for the year	-	-
	<u>-</u>	<u>-</u>

Notes *(continued)*

8 Taxation (continued)

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	55,960	(85,176)
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2017: 19.25%)	10,632	(16,396)
Effects of:		
- Expenses not deductible for tax purposes	228	-
- Capital allowances in excess of depreciation	(1,614)	(1,914)
- Transfer pricing adjustment	(237)	(4,323)
- Group relief claimed at nil cost	(9,009)	22,633
	-	-
Total tax charge for period	-	-

c) Change of tax rate

The calculation of the taxes at the balance sheet date takes into account the reduction in the UK main corporation tax rate from April 2020 to 17%.

Notes (continued)

9 Tangible fixed assets

	Fixtures, fittings & equipment £	Computer Hardware £	Total £
Cost			
At 1 January 2018	-	-	-
Additions/Disposals	6,195	1,262	7,457
At 31 December 2018	6,195	1,262	7,457
Depreciation			
At 1 January 2018	-	-	-
Charge for the year	721	245	966
Disposals	-	-	-
At 31 December 2018	721	245	966
Net book value			
At 31 December 2018	5,474	1,017	6,491
At 1 January 2018	-	-	-

10 Intangible assets

	Internally generated software £	Total £
Cost		
At 1 January 2018	-	-
Additions/Disposals	44,888	44,888
At 31 December 2018	44,888	44,888
Amortisation		
At 1 January 2018	-	-
Charge for the year	14,280	14,280
Disposals	-	-
At 31 December 2018	14,280	14,280
Net book value		
At 1 January 2018	-	-
At 31 December 2018	30,608	30,608

Notes (continued)

11 Debtors

	2018	2017
	£	£
Debtors due from group undertakings	-	5,177
Trade debtors	-	15,125
Prepayments and accrued income	<u>330,876</u>	<u>211,528</u>
	<u>330,876</u>	<u>231,830</u>

Accrued income includes profit commissions owed by Syndicate 1206 of £329,676 (2017: £210,503).

12 Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	67,992	9,292
Amounts owed to group undertakings	1,717,568	540,791
Accruals and deferred income	9,750	-
	<u>1,795,310</u>	<u>550,083</u>

13 Pension commitments

Staff working for the Company are employed by AMSL, CBS and ASH. Employees of both companies are members of Group Personal Pension Plans, which are defined contribution schemes. The pension costs recharged to the Company represent its share of contributions payable to the pension fund and amounted to £19,413 (2017: £23,303).

14 Called up share capital

	2018	2017
	£	£
Allotted and fully paid		
100 Ordinary shares of £1 each	100	100
2 Class 'B' Ordinary shares of £1 each	2	2
	<u>102</u>	<u>102</u>

B class shares have the same rights and restrictions and rank pari passu with the A class shares except that they carry no rights to attend and vote at the general meetings of the Company.

Notes (continued)

15 Reserves

	Share premium £	Profit and loss account £
Balance at 1 January 2018	4,998	319,454
Profit/loss for the financial year	-	55,960
Balance at 31 December 2018	<u>4,998</u>	<u>375,414</u>

16 Related party transactions

The Company's turnover is earned from policies placed with Syndicate 1206 and Syndicate 1861. Both Syndicates are managed by AmTrust Syndicates Limited ("ASL"), a fellow AmTrust group company. The management of syndicate 1206 was transferred to ASL from AmTrust at Lloyd's Limited, a subsidiary of ASH, on 3 March 2017. The capacity of the syndicate is provided by AmTrust Corporate Member Limited.

The balances due to the syndicate at the year-end were as follows:

Transactions and balances with syndicates	2018 £	2017 £
Syndicate 1206/1861	1,052,895	433,636

The Company is exempt from disclosing related party transactions with other companies that are wholly owned within the AFSI Group.

17 Parent undertakings

The Company's immediate parent company is AmTrust Syndicate Holdings Limited, a company incorporated in England.

AmTrust International Insurance, Ltd, a company incorporated in Bermuda, is the company's intermediate parent. AmTrust International Insurance, Ltd is the smallest group in which the results of the company are consolidated. Copies of consolidated financial statements of AmTrust International Insurance, Ltd are available from Washington Mall, 4th Floor, Suite 400, 7 Reid Street, Hamilton, Pembroke Parish, HM 11, Bermuda.

On 29th November 2018, the Company's ultimate parent then, AmTrust Financial Services, Inc. (AFSI), incorporated in United States of America, announced the completion of the merger transaction in which Evergreen Parent, L.P., an entity formed by private equity funds managed by Stone Point Capital LLC, together with Barry Zyskind, Chairman and CEO of AFSI, George Karfunkel and Leah Karfunkel (collectively, the 'Karfunkel-Zyskind Family'), acquired approximately 45% of the company's issued and outstanding common shares that the Karfunkel-Zyskind Family and certain of its affiliates and related parties did not already own or control (the 'go-private transaction'). Evergreen Parent, L.P. is controlled by Evergreen Parent GP, LLC, a limited liability company registered in Delaware, United States of America. Consequently, on 29 November 2018, the Company's ultimate parent changed to Evergreen Parent GP, LLC.

Notes *(continued)*

18 Post balance sheet events

On 18th April 2019, AmTrust and Canopus announced they had signed a definitive agreement to merge their respective Lloyd's operations under the management of Canopus Managing Agents, to create a stronger, market-leading Lloyd's franchise with a broader product offering and increased value to clients and brokers. Under the deal structure the managing agency agreements for ASL's managed non-life syndicates will be novated to Canopus with an option, exercisable at AmTrust's request, to novate the management of Syndicate 44. The deal remains subject to regulatory approval, but is expected to close in September or October 2019.