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AmTrust Syndicates Limited: Syndicate 2526

Syndicate Financial Statements

31 December 2017

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Contents

Directors and advisers

Managing Agent

AmTrust Syndicates Limited

Registered office
47 Mark Lane
London EC3R 7QQ

Managing Agent's registration No. 4434499

FCA firm registration No. 226696

Lloyd's registration No. 2073D

Syndicate: 2526

Directors

B Jansli	Non-Executive Chairman	Resigned 31/12/2017
N C T Pawson	Non-Executive Director	
J P Fox	Non-Executive Director	
B J Jackson	Non-Executive Director	
J E Cadle	Non-Executive Deputy Chairman	
M G Caviet	Non-Executive Director	
P Dewey		
J A H G Cartwright		Appointed 18/12/2017
S Lacy		Appointed 08/05/2017
D J L Barrett		Resigned 30/11/2017; Reappointed 07/02/2018
S J Helson		Resigned 31/12/2017
J M Hamilton		Resigned 31/12/2017
B Gilman		Resigned 05/09/2017
M A Sibthorpe		Resigned 08/12/2017
G Sweatman		Resigned 20/02/2017

Company secretary

D J L Barrett	Resigned 30/11/2017
P A Cockburn	Appointed 30/11/2017

Run-off Management
G Ross
D J L Barrett

Bankers
Barclays Bank PLC
Citibank N.A.
Royal Bank of Canada

Investment Managers
AII Insurance Management Limited

Statutory Auditors
KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

Actuaries
Lane Clark & Peacock

Report of the Directors of the Managing Agent

The directors of the Managing Agent, AmTrust Syndicates Limited (‘ASL’), present their report, which incorporates the strategic review, for the year ended 31 December 2017. The Syndicate’s Managing Agent is a company registered in England and Wales.

This Annual Report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008.

These Financial Statements and related notes have been prepared in accordance with the requirements of Financial Reporting Standard (FRS) 100 (‘Application of Financial Reporting Requirements’), FRS 102 (‘The Financial Reporting Standard Applicable in the UK and Republic of Ireland’) and FRS 103 (‘Insurance Contracts’) as promulgated by the Financial Reporting Council (FRC).

Principal activity

The Syndicate’s principal activity continues to be the transaction of general insurance and reinsurance business as the Syndicate runs off its business following the decision to cease underwriting with effect from 1 January 2017.

AmTrust

The Managing Agent is an indirect wholly owned subsidiary of AmTrust Financial Services, Inc. (AFSI) the ultimate parent company of the AmTrust group of companies (the Group / AmTrust). AmTrust is a multinational property and casualty insurer writing a diversified portfolio of specialty property and casualty, workers compensation and warranty insurance and related products and services. With extensive underwriting experience and a prestigious "A" (Excellent) Financial Size XV rating from A. M. Best, AmTrust has built a reputation as an innovative, technology-driven insurance company with a commitment to excellence.

AFSI has entered into a definitive agreement with Evergreen Parent, L.P., an entity formed by private equity funds managed by Stone Point Capital LLC, together with Barry D. Zyskind, Chairman and CEO of AFSI, George Karfunkel and Leah Karfunkel (collectively, the "Karfunkel-Zyskind Family"), in which Evergreen Parent will acquire the approximately 45% of the Company's issued and outstanding common shares that the Karfunkel-Zyskind Family and certain of its affiliates and related parties do not presently own or control. The proposed merger is anticipated to close in the second half of 2018, subject to satisfaction or waiver of the closing conditions, including approval by regulatory authorities and the Company's independent shareholders.

AmTrust at Lloyd’s

AmTrust’s Lloyd’s platform, trading as AmTrust at Lloyd’s combines AmTrust’s syndicate underwriting and managing agency operations and is central to the Group’s international operations, allowing AmTrust to access profitable specialty business on a worldwide basis.

During 2017 ASL managed Lloyd’s Syndicates 1861, 1206, 5820, 2526, 44 and 779 writing a globally diversified risk portfolio with twelve diverse lines of business, selected based on the platform’s strategic position, the market opportunity within Lloyd’s and the portfolio diversification and capital benefits these classes offered.

The following lines of business are identified as core to ASL:

- Accident & Health and Special Risks
- Aviation & Space
- Consumer Products
- Cyber
- Energy
- Life
- Marine
- Non-Marine Liability
- Property
- Political Risks and Political Violence
- Professional Lines
- Specialty Reinsurance

Report of the Directors of the Managing Agent (continued)

Closure of Syndicate

Following the significant deterioration seen in the claims reserves during 2015, the Managing Agent decided to leave the 2013 year of account open given the uncertainty identified at 31 December 2015. Further significant deterioration occurred in the incurred claims position in the second quarter of 2016. The 2014 and 2015 years of account also experienced deterioration during the same period, as a result of which, following further review, the Managing Agent also decided to cease underwriting of the Syndicate from 1 January 2017 and so there is no ongoing business of the Syndicate.

The Managing Agent appointed a run-off manager and uses independent actuarial consultants (Lane Clark & Peacock (LCP)) who have been the consulting actuaries to the Syndicate since inception, to advise on the ultimate level of claims reserves required. Due to the high degree of uncertainty over the outcome of many claims due to their relative stage of development, many of which involve complex litigation over a long period, there remains significant variability in the possible outcomes. The ultimate amounts of these claims (both gross and net of reinsurance) are subject to significant uncertainty. In addition, the incorporation of the reserves advised by the independent claims consultants in 2015 and the internal case reserve increases in 2016 led to some distortion in the development patterns resulting in further variability in the range of possible future outcomes.

As a result of the above, the ultimate estimate of any reinsurance to close is subject to significant uncertainty and may differ materially from the estimate that is currently included in the annual accounts.

The decision was made to cease accepting new or renewal business for the 2017 Year of Account (YoA) following the historic poor performance of the Syndicate and the quality of the resulting renewal portfolio.

The 2013 and 2014 years of account remain unnaturally open and the directors determined not to close the 2015 year of account at 36 months. In consultation with the capital providers, the decision has been taken to seek to close all years at the end of 2018. The Novation Agreement, agreed with the capital providers, allows for an independent actuarial review and for a third party RITC quote on closure and these provisions have been triggered. We intend to begin the process based on the 2018 Q2 reserving position.

Significant events

On 23 June 2017, the management of the Syndicate was novated to AmTrust Syndicates Limited ("ASL") formerly ANV Syndicates Limited from AmTrust at Lloyd's Limited as part of AmTrust's strategy to have one agency to manage its Lloyd's operations following the acquisition of ANV Holdings BV on 7th November 2016.

During the fourth quarter, ASL's Chairman Bjorn Jansli retired from the Board. Nicholas Pawson has been appointed as Chairman of the Board pending regulatory approval.

During the fourth quarter, ASL's Chief Underwriting Officer, M A Sibthorpe, resigned with Chris Jarvis, Active Underwriter for Syndicates 1861 and 1206 being appointed as Director of Underwriting.

Review of business and key performance indicators

The Syndicate's key financial performance indicators, split, where applicable, in accordance with the internal classes of business, during the year were as follows:

	2017	2016
	£'000	£'000
Gross written premium	**4,056**	29,521
Gross earned premium	**17,847**	25,645
Net earned premium	**16,088**	22,349
Gross incurred claims	**10,235**	(57,476)
Net incurred claims	**8,991**	(44,175)
Investment income	**1,678**	825
Operating expenses	**(8,212)**	(12,236)
Foreign exchange	**(1,205)**	(3,437)
Profit/ (loss) for the financial year	**17,340**	(36,674)

Profit/ (loss) for the financial year

Since cessation the Syndicate has been operating under a runoff plan with a dedicated runoff team working closely with Lane Clarke Peacock (LCP), the external actuaries and overseen by Lloyd's Open Year Management team. The process of reviewing all open claim files has continued in 2017 along with the active management of the major facilities which have historically driven the account. Where appropriate we have sought to close files through proactive

Report of the Directors of the Managing Agent (continued)

mediation and alternative dispute resolutions and these positive developments against expectation have been recognised by LCP in the reserving process.

This has driven a positive result for the year, before accounting for investment income of £15.6m (2016 loss - £35.8m). The Syndicate received investment income of £1.7m (2016 - £0.8m). As the Syndicate has a deficit on net assets, it has not been able to match its assets and liabilities and as a result of the weakness of sterling it has a realised loss on exchange of £1.2m (2016 – loss £3.4m).

Gross written premium

Gross written premium decreased from £29,521k in 2016 to £4,056k in 2017, as a result of the Syndicate going into run off at the end of 2016. A breakdown of the premium income by internal class of business is set out below.

	2017	2016
	£'000	£'000
Accident & health	**19**	362
Third party liability	**3,553**	19,242
Pecuniary loss	**-**	123
Casualty	**426**	7,684
Property	**58**	2,110
Total	**4,056**	29,521

Gross earned premium

Gross earned premiums decreased from £25,645k in 2016 to £17,847k in 2017. A breakdown of the gross earned premium by internal class is set out below.

	2017	2016
	£'000	£'000
Accident & health	**19**	362
Third party liability	**14,749**	18,418
Pecuniary loss	**-**	123
Casualty	**1,801**	5,899
Property	**1,278**	843
Total	**17,847**	25,645

Outwards reinsurance premiums earned

The Managing Agent continues to carefully manage line sizes and retention levels such that the aggregate exposure to major losses is controlled to manageable levels. Reinsurance remains an integral part of the management of aggregate exposure. The reinsurers' share of earned premium for 2017 has fallen to £1,759k compared with £3,296k in 2016. A breakdown of the reinsurers' share of earned premium by internal class of business is set out in the table below.

	2017	2016
	£'000	£'000
Third party liability	**1,320**	3,026
Casualty	**299**	24
Property	**140**	246
Total	**1,759**	3,296

Report of the Directors of the Managing Agent (continued)

Gross and net incurred claims

A breakdown of the gross and net incurred claims by internal class of business is set out in the table below.

	Gross Incurred Claims		Net Incurred Claims	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Accident & health	**(309)**	3,175	**(169)**	3,278
Third party liability	**(14,860)**	47,443	**(10,814)**	34,117
Pecuniary loss	**1,469**	1,350	**1,203**	1,350
Casualty	**3,273**	4,934	**522**	4,926
Property	**192**	574	**267**	503
Total	**(10,235)**	57,476	**(8,991)**	44,174

Investment performance

The average cash and investment balance during 2017 was £94,981k (2016 - £88,475k). The investment return for 2017 of £1,678k (2016 - £825k) represented a return of 1.8% (2016 – 0.9%).

The make-up of the debt securities and other fixed income securities managed by AII Insurance Management at 31 December is set out below:

31 December 2017	**GBP**	**Euro**	**US$**	**Can$**	**AUD**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Corporate Bonds	**-**	**27,489**	**1,071**	**9,096**	**3,810**	**41,466**
Government Bonds	**-**	**8,130**	**4,137**	**5,285**	**-**	**17,552**
Government Agencies	**-**	**-**	**8,715**	**-**	**-**	**8,715**
Total assets under management	**-**	**35,619**	**13,923**	**14,381**	**3,810**	**67,733**

31 December 2016	GBP	Euro	US$	Can$	AUD	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Bonds	-	29,999	8,106	9,943	7,061	55,109
Government Bonds	-	-	6,730	4,445	-	11,175
Government Agencies	-	1,417	-	-	-	1,417
Total assets under management	-	31,416	14,836	14,388	7,061	67,701

Report of the Directors of the Managing Agent (continued)

Underwriting year result

The 2017 calendar year profit before investment income by year of account is set out below:

	2016	2015	2014	2013 & prior	Total
	£'000	£'000	£'000	£'000	£'000
Accident & Health	-	-	85	104	189
Third Party Liability	5,035	2,846	896	15,464	24,241
Pecuniary Loss	-	50	(979)	(274)	(1,203)
Casualty	(1,455)	353	2,113	(30)	981
Property	871	-	-	-	871
Underwriting result	4,451	3,249	2,115	15,264	25,079
Operating expenses	(5,844)	(625)	(307)	(1,436)	(8,212)
Profit/ (Loss) before investment income and exchange losses	(1,393)	2,624	1,808	13,828	16,867

2013 and prior year of account

The 2013 and prior underwriting years produced a profit for the year of £13,828k before investment return of £1,103k and foreign exchange losses of £1,778k. The 2017 calendar year result improved from a loss of £63,526k at 31 December 2016 to a loss of £50,374k at 31 December 2017.

The movement is largely caused by the significant decrease in the ultimate claims position of £16,233k gross and £14,257k net as a consequence of favourable experience over the year.

During the period, a comprehensive review of all outstanding case reserves was conducted by the Claims team to determine the expected probability and severity of a large claim emerging on a case by case basis. This analysis revealed particular classes of business and years of account where the reserves were overly cautious or required strengthening. The large loss load was therefore redistributed according to this analysis.

The reduction in ultimate gross claims of £16,233k was driven by a £22,900k reduction to the primary professional indemnity account which was historically the Syndicate's largest portfolio. This was partially offset by a £10,704k increase in the excess layers following the claims review.

2014 year of account

The calendar year profit of £1,808k before investment return of £359k and foreign exchange gains of £145k improved members' balances from a loss of £12,033k at 31 December 2016 to a loss of £9,721k at 31 December 2017.

The net ULR decreased by 6.9% in the period. There has been a reduction in the gross ultimate claims of £3,534k, driven by the reduction in ultimate claims on the PI primary book of £4,983k and partially offset by a strengthening of the excess account of £2,195k. The net ultimate claims has reduced by £2,622k.

2015 year of account

The 2015 pure underwriting year has produced a profit of £2,624k in the period before investment return and foreign exchange gains taking the cumulative loss at 36 months to £2,340k.

The net ULR decreased by 14.8% in the period. This movement is largely driven by a reduction in the ultimate claims of £6,144k gross and £3,426k net. There was a release on all accounts particularly PI primary of £2,183k, excess accounts of £2,080k and Med Mal primary of £1,810k.

2016 year of account

The 2016 year of account realised a loss of £1,393k before investment return and exchange gains for the year taking the cumulative loss to £11,179k for the 24 month period.

The net ULR increased by 1.0% in the period. There has been a strengthening of ultimate claims of £4,680k gross and £1,142k net. This was driven by an increase in the excess accounts of £6,630k gross following the reallocation of the large loss load.

Report of the Directors of the Managing Agent (continued)

Principal risks and uncertainties

ASL has a formal risk management framework to identify, assess and manage risks significant to the achievement of the business plans and objectives. It is an on-going process providing for the systematic analysis, handling and reporting of risks and their comparisons with risk appetites, effectiveness of controls, risk events and near misses as well as emerging risks. This process also includes setting and monitoring actions to mitigate risk and to return metrics to within appetite.

The principal risks and uncertainties facing the Syndicate, as detailed in Note 4 to the financial statements, are as follows:

- Insurance risk
- Finance risk
- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Regulatory (including Conduct) risk

Corporate governance

The ASL Board Chair is supported by a combination of Executive Directors and Non-Executive Directors.

A defined operational and management structure as well as terms of reference for all Board committees has been in place throughout the period.

The ASL Board meets at least four times a year and more frequently when business needs require. The Board has a schedule of matters reserved for its decision and has appointed an Executive Committee to manage the operations of the business. The Board and the Executive Committee are supported by an Audit Committee and a Risk Committee. The Committee Framework includes a number of other Committees, including a dedicated Product Governance Committee to manage conduct risk issues.

Future developments

The Syndicate is now in run-off. The Syndicate continues to manage the account proactively and will undertake a full review of outstanding claims along with any potential claims in H1 2018. This is being supported by the Lloyd's Open Year Management team and Run-off Committee. In consultation with the capital providers, the decision has been taken to seek to close all years at the end of 2018.

Management do not expect that the 'Brexit' vote represents a material threat to delivering on the Syndicate's strategy. In the short-term the UK continues to be a full member of the EU with access to the single market and operating under the current passporting regime. Lloyd's remains committed to its European markets and is developing solutions to allow continued trading with the single market.

Staff matters

ASL considers its staff to be a key resource and the retention of staff fundamental to the success of the business. The strategy adopted by ASL is designed to ensure that the terms and conditions offered to employees, as part of their overall remuneration package, remain competitive with the rest of the London Market insurance industry.

The Managing Agent seeks to provide a good working environment for its staff that is safe and complies with appropriate legislation. During the year, there has been no significant injury to staff in the workplace or any significant actions taken by any regulatory bodies with regard to staff matters.

Directors and directors' interests

The names of persons who were members of the Board of directors at any time during the period are given on page 2. None of the directors had any direct interest in the Syndicate during the year.

Report of the Directors of the Managing Agent (continued)

Directors and directors' interests *(continued)*

So far as each person who was a director of the Managing Agent at the date of approving this report is aware, there is no relevant audit information, being information required by the auditor in connection with its report, of which the auditor is unaware. Having made enquiries of fellow directors of the Agent and of the Syndicate's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Pursuant to Section 14 (2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulation 2008, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Syndicate's annual general meeting

ASL does not propose to hold an annual general meeting of the members of the Syndicate to reappoint KPMG LLP as the Syndicate auditors. Members are asked to note that any objections to this proposal should be submitted, in writing, to AmTrust Syndicates Limited within 21 days of this notice.

By order of the Board

Peter Dewey
Chief Executive Officer

16 March 2018

Statement of Managing Agent’s Directors’ responsibilities

The directors of the Managing Agent are responsible for preparing the Syndicate financial statements in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 requires the directors of the Managing Agent to prepare their syndicate’s 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 FRS102 *The Financial Reporting Standard Applicable in the UK and the Republic of Ireland*.

Under Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 the directors of the Managing Agent 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 Syndicate and of the profit or loss of the Syndicate for that period.

In preparing these financial statements, the directors of the Managing Agent are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent;
- state whether UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the Syndicate’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 cease trading, or have no realistic alternative but to do so.

The directors of the Managing Agent are responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate’s transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the financial statements comply with the Insurance Accounts Directive (Lloyds’s Syndicate and Aggregate Accounts) Regulations 2008. 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.

The directors of the Managing Agent are responsible for the maintenance and integrity of the Syndicate and financial information included on the Syndicate’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the board

Peter Dewey
Chief Executive Officer
AmTrust Syndicates Limited

16 March 2018

Independent auditor's report to the members of Syndicate 2526

Opinion

We have audited the financial statements of Syndicate 2526 for the year ended 31 December 2017 which comprise the Income Statement: Technical account – General business, Income Statement: Non-technical account, Statement of Financial Position – Assets, Statement of Financial Position – Liabilities, Statement of Changes in Members' Balances, Statement of Cash Flows, and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Syndicate in accordance with, UK ethical requirements including the Financial Reporting Council ("FRC") Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter – claims reserves

We draw attention to the disclosure made in note 19 to the financial statements relating to the uncertainties regarding the ultimate cost of gross and net claims on business underwritten up to 31 December 2016, when the Syndicate ceased underwriting and accordingly the level of gross and net provisions for outstanding claims relating to this business which should be established as at 31 December 2017. Due to the significant volatility seen in claims for professional indemnity, Directors and Officers and medical malpractice classes of business over this and prior periods, a high degree of uncertainty continues to exist over the outcome of many claims and therefore, wide variability on the possible outcomes, due to the relative stages of development of the claims, many involving complex litigation over a long period. In addition, the incorporation of reserves advised by independent claims consultants and internal case reserve increases in prior periods have led to some distortion on the development patterns resulting in further variability in the range of possible future outcomes. Although the uncertainty has been reduced during the current period as the claims have developed, there remains significant uncertainty over the financial development of the Syndicate's reserves and the ultimate cost of these amounts may differ materially from the estimate that is currently provided in the financial statements. This uncertainty has resulted in the Board deciding not to close the 2013, 2014 and 2015 years of account. Our opinion is not modified in respect of this matter.

Emphasis of matter – non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter

Report of the directors of the Managing Agent

The directors are responsible for the Report of the directors of the Managing Agent. Our opinion on the financial statements does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Report of the directors of the Managing Agent and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in that report.

In our opinion the information given in the Report of the Directors of the Managing Agent is consistent with the financial statements.

Independent auditor's report to the members of Syndicate 2526 (continued)

Matters on which we are required to report by exception

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, we are required 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;
- 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.

We have nothing to report in these respects.

Responsibilities of the directors of the Managing Agent

As explained more fully in their statement set out on page 10, the directors of the Managing Agent are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the Syndicate'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 they either intend to cease trading, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Syndicate's members, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Syndicate'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 Syndicate's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Taylor (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
16 March 2018

Income Statement: Technical Account – General Business
For the year ended 31 December 2017

	Note	**Year Ended 31 December 2017**		Year Ended 31 December 2016	
		£000	**£000**	£000	£000
Earned premium, net of reinsurance					
Gross premiums written	*5*	**4,056**		29,521	
Outward reinsurance premiums		**(388)**		(2,016)	
Change in the provision for unearned premiums					
Gross amount	*17*	**13,791**		(3,876)	
Reinsurers' share	*17*	**(1,371)**		(1,280)	
Earned premium, net of reinsurance			**16,088**		22,349
Allocated investment return transferred from the non-technical account	*10*		**1,678**		825
Total technical income			**17,766**		23,174
Claims incurred, net of reinsurance					
Claims paid					
Gross amount	*5/17*	**(44,021)**		(34,620)	
Reinsurers' share	*17*	**11,362**		9,786	
			(32,659)		(24,834)
Change in provision for claims					
Gross amount	*5/17*	**54,256**		(22,856)	
Reinsurers' share	*17*	**(12,606)**		3,516	
			41,650		(19,340)
Claims incurred, net of reinsurance			**8,991**		(44,174)
Net operating expenses	*7*		**(8,212)**		(12,236)
Total technical charges			**779**		(56,410)
Balance on the technical account - general business			**18,545**		(33,236)

The Syndicate has ceased underwriting with effect from 1 January 2017 and therefore there are no component parts of the business to be separately classified and disclosed as discontinued.

The notes on pages 19 to 38 form an integral part of these financial statements.

Income Statement: Non-technical Account
For the year ended 31 December 2017

	Note	Year ended 31 December 2017	Year ended 31 December 2016
		£000	£000
Balance on the technical account – general business		**18,545**	(33,236)
Investment income (including realised gains)	10	**2,716**	2,592
Unrealised gains on investments	10	**103**	423
Investment expenses and charges			
Investment management expenses	10	**(117)**	(105)
Realised losses on investments	10	**(534)**	(683)
Unrealised losses on investments	10	**(490)**	(1,402)
Allocated investment return transferred to the technical account – general business		**(1,678)**	(825)
Loss on foreign exchange		**(1,205)**	(3,438)
Profit / (Loss) for the financial year		**17,340**	(36,674)

There were no recognised gains or losses relating to the current or preceding year other than those included in the income statement. Therefore, no statement of other comprehensive income has been presented.

The Syndicate has ceased underwriting with effect from 1 January 2017 and therefore there are no component parts of the business to be separately classified and all is disclosed as discontinued.

The notes on pages 19 to 38 form an integral part of these financial statements.

Statement of Financial Position - Assets
As at 31 December 2017

	Note	**£000**	**2017 £000**	£000	2016 £000
Investments					
Other financial investments	*11*		**71,477**		70,871
Reinsurers' share of technical provisions					
Provisions for unearned premiums	*17*	**89**		1,474	
Claims outstanding	*17*	**47,622**		60,217	
			47,711		61,691
Debtors					
Debtors arising out of direct insurance operations	*12*	**2,114**		9,018	
Debtors arising out of reinsurance operations	*13*	**6,218**		1,534	
Other debtors	*14*	**101**		109	
			8,433		10,661
Other assets					
Cash at bank and in hand	*21*	**8,590**		3,531	
Overseas deposits	*15*	**12,763**		18,198	
			21,353		21,729
Prepayments and accrued income					
Deferred acquisition costs	*16*	**387**		4,034	
Other prepayments and accrued income		**1,254**		1,185	
			1,641		5,219
Total assets			**150,615**		170,171

The notes on pages 19 to 38 form an integral part of these financial statements.

Statement of Financial Position - Liabilities
As at 31 December 2017

	Note		2017		2016
		£000	**£000**	£000	£000
Capital and reserves					
Members' balances			**(32,620)**		(82,788)
Technical provisions					
Provisions for unearned premiums	*17*	**1,404**		15,224	
Claims outstanding	*17*	**177,607**		231,843	
			179,011		247,067
Creditors					
Creditors arising out of direct insurance operations		**517**		152	
Creditors arising out of reinsurance operations		**3,522**		4,158	
Other creditors		**185**		1,582	
	20		**4,224**		5,892
Total liabilities			**150,615**		170,171

The notes on pages 19 to 38 form an integral part of these financial statements.

These Syndicate financial statements were approved by the Board of AmTrust Syndicates Limited on 16 March 2018 and were signed on its behalf by:

J A H G Cartwright
Director

16 March 2018

Statement of Changes in Members' Balances
As at 31 December 2017

	2017 **£000**	2016 £000
Members' balances brought forward at 1 January	**(82,788)**	(54,631)
Profit / (loss) for the year	**17,340**	(36,674)
Members' agents fees	**-**	(3)
Cash call	**32,828**	8,520
Members' balances carried forward at 31 December	**(32,620)**	(82,788)

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

The notes on pages 19 to 38 form an integral part of these financial statements.

Statement of Cash Flows
For the year ended 31 December 2017

	Note	**Year ended 31 December 2017**	Year ended 31 December 2016
Cash flows from operating activities		**£000**	£000
Profit/ (loss) for the financial year		**17,340**	(36,674)
Adjustments for:			
Net unrealised (gains)/losses on other financial assets including foreign exchange		**(689)**	1,071
Investment return		**(1,678)**	(825)
Movements in operating assets and liabilities:			
Acquisition of other financial instruments		**(117,584)**	(104,320)
Proceeds from sale of other financial instruments		**117,083**	98,691
Proceeds from sale of other financial assets		**5,048**	3,347
Foreign exchange		**506**	(11,290)
Investment income received		**2,182**	931
Investment management fees paid		**(117)**	(104)
(Decrease) / increase in gross technical provisions		**(68,056)**	46,035
Decrease / (increase) in reinsurers' share of technical provisions		**13,980**	(2,999)
Decrease / (increase) in debtors		**5,806**	(1,186)
(Decrease) in creditors		**(1,668)**	(2,730)
Net cash inflow from operating activities		**(27,847)**	(10,053)
Net cash flow from financing activities			
Cash call from members in respect of underwriting participation		**32,828**	8,520
Agent's fee paid on behalf of members		**-**	(3)
Net cash inflow from financing activities		**32,828**	8,517
Net increase in cash and cash equivalents		**4,981**	(1,536)
Cash and cash equivalents at 1 January		**3,531**	4,519
Effect of exchange rate changes on cash and cash equivalents		**78**	548
Cash and cash equivalents at 31 December	*21*	**8,590**	3,531

The notes on pages 19 to 38 form an integral part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2017

1 Basis of preparation

Syndicate 2526 ("the Syndicate") comprises a group of members of the Society of Lloyd's that underwrite insurance and reinsurance business in the London Market. The address of the Syndicate's Managing Agent is 47 Mark Lane, London EC3R 7QQ.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable Accounting Standards in the United Kingdom and the Republic of Ireland, Financial Reporting Standard (FRS) 100 ('Application of Financial Reporting Requirements'), Financial Reporting Standard 102 (FRS 102), and the applicable Accounting Standard on insurance contracts Financial Reporting Standard 103 (FRS 103). The Syndicate has adopted the March 2016 amendment to paragraph 34.22 of FRS 102 in relation to fair value hierarchy. The fair value hierarchy is detailed in note 11. The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value.

The financial statements are presented in Pound Sterling ("GBP"), which is the Syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Syndicate in Run-Off

Following the decision to cease underwriting the Syndicate for the 2017 year of account, and consent to cease the Syndicate from the Lloyd's Capacity Transfer Panel, the Syndicate is now in run-off. The Managing Agent has taken the decision to keep the 2013, 2014 and 2015 years of account open at 60, 48 and 36 months after consideration of the uncertainty in the reserves and the fact that the capital participation on the 2013, 2014 and 2015 years of account is not fully consistent between these years.

An unexpired risk provision has been included within the claims technical provisions of the Syndicate representing the future expected net losses on unearned business. Accordingly these accounts have not been prepared on a going concern basis. This has had no impact on the carrying value of the Syndicate's assets and liabilities other than the following: a provision has been made based on management's best estimate assessment of the run-off of all the costs of the Syndicate's liabilities.

The ultimate costs to finalise the Syndicate's liabilities may vary significantly from those recorded within the Syndicate's technical provisions.

2 Judgements and estimates

In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate'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. Revisions to estimates are recognised in the period in which they are identified.

The Syndicate's principal estimates are for claims provisions and related recoveries, estimates of gross premiums written and earned, outwards reinsurance premium ceded and earned, acquisition costs and the valuation of investments. Management regularly reviews and revises these estimates as appropriate based on current information. Any adjustments made to these estimates are reflected in the period in which the estimates are revised.

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the statement of financial position date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the Syndicate.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate's in-house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time to estimate the likely ultimate claims to be experienced and for more recent underwriting years, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a higher degree of uncertainty arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

Notes to the financial statements

For the year ended 31 December 2017 (continued)

2 Judgements and estimates *(continued)*

In arriving at the level of claims provisions a margin may be applied over and above the actuarial best estimate in line with the Syndicate's Reserving Policy to address the risk of un-modelled claims development.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 4.

3 Accounting policies

The financial statements have been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance on a consistent basis as follows:

Basis of accounting

Premiums written

Premiums written comprise premiums on contracts incepted during the financial year. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing premiums written but not reported to the Syndicate by the statement of financial position date, as well as adjustments made in the year to premiums written in prior accounting periods. The directors consider that the estimated provisions for gross premiums written are fairly stated on the basis of the information currently available to them. However, ultimate amounts of premiums will vary as a result of subsequent events and this may result in adjustments to the amounts accounted.

Unearned premiums

Written premium is earned according to the risk profile of the policy. Unearned premium reserves (UPR) represent the proportion of premiums that relate to unexpired terms of policies in force at the statement of financial position date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Reinsurance premium ceded

Outwards reinsurance premiums on policies purchased on a "risks attaching during" basis are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Outwards reinsurance premiums on policies purchased on a "losses occurring during" basis are accounted over the period of the contract.

Claims provisions and related recoveries

The provision for claims comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR).

Gross claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the statement of financial position date but not reported until after the year end. Claims outstanding are reduced by anticipated salvage and other recoveries.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the external consulting actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. The Syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly, the two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

Notes to the financial statements

For the year ended 31 December 2017 (continued)

3 Accounting policies *(continued)*

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the annual accounts for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Unexpired risks provision

A provision for unexpired risks is made where claims, related expenses and deferred acquisition costs, likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated separately by reference to all classes of business, which are managed together. Consideration of forecast investment return is made where it is reasonably foreseeable.

Acquisition costs

Acquisition costs comprise commission and other costs related to the acquisition of new insurance contracts. Acquisition costs are deferred (“deferred acquisition costs”) to the extent that they are attributable to premiums unearned at the statement of financial position date.

Segmental reporting

The segmental analysis provided in Note 5 to the financial statements is produced on the basis of the class of business as required by Lloyd’s.

Foreign currencies

The functional currency is Sterling. Income and expenditure in US dollars, Canadian dollars, Australian dollars and Euros are translated at the average rates of exchange for the period. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Assets and liabilities are translated into Sterling at the rates of exchange at the statement of financial position dates. Foreign exchange gains and losses are recognised in the non-technical account.

Financial assets and liabilities

The Syndicate has chosen to apply the provisions of Section 11 (Basic Financial Instruments) and Section 12 (Other Financial Instruments Issues) of FRS 102 for the treatment and disclosure of financial assets and liabilities, with the amendment to section 12.17 as set out in Amendments to FRS 102 section 34.22.

The Syndicate’s investments comprise debt investments and cash and cash equivalents. The Syndicate does not invest in derivative financial instruments.

Recognition:

Financial assets and liabilities are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of an undertaking after deducting all of its liabilities. The Syndicate does not hold any equity instruments.

Initial Measurement:

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. The Syndicate was not party to any financing transactions during the period.

Subsequent measurement:

All debt instruments are measured at fair value through the profit or loss.

Notes to the financial statements

For the year ended 31 December 2017 (continued)

Realised and unrealised gains and losses arising from changes in the fair value of investments are initially presented in the non-technical account in the period in which they arise. Dividend and interest income is recognised when earned. Investment management and other related expenses are recognised when incurred. The overall investment return is subsequently transferred to the Technical Account to reflect the investment return on funds supporting the underwriting business.

Derecognition of financial assets and liabilities:

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Syndicate transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Syndicate, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurement:

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the company estimates the fair value by using a valuation technique.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, yield curves, credit spreads, liquidity statistics and other factors.

The use of different valuation techniques could lead to different estimates of fair value.

FRS 102 section 34.22 provides the fair value hierarchy criteria upon which the financial instruments should be categorised, as defined below. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Impairment of financial instruments measured at amortised cost or cost:

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in income statement immediately.

Notes to the financial statements

For the year ended 31 December 2017 (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value and are used by the Syndicate in the management of its short-term commitments.

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments carried at fair value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the statement of financial position date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business.

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the Statement of Financial Position under the heading "Members' balances".

No provision has been made for any other overseas tax payable by members on underwriting results.

Retirement benefit scheme costs

AmTrust group service companies, comprising AmTrust Central Bureau of Service Limited (CBS), AmTrust Syndicate Holdings Limited (ASH) and AmTrust Management Services Limited (AMSL), employ all individuals working on the Syndicate. These companies operate defined contribution retirement benefit schemes for all qualifying employees. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

4 Risk and capital management

The Syndicate's activities expose the Managing Agent to a number of key risks which have the potential to affect the Managing Agent's ability to achieve its and the Syndicate's objectives. The Managing Agent's Risk Committee oversees the operation of the Syndicate's risk management framework and reviews and monitors the management of the risks to which the Syndicate is exposed. Risk management policies are established to identify and analyse the risks faced by the Syndicate, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

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

a) Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Board manages insurance risk by agreeing its appetite for these risks annually through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Board then monitors performance against the business plan.

Notes to the financial statements
For the year ended 31 December 2017 (continued)

4 Risk and capital management *(continued)*

a) Insurance risk (continued)

The Managing Agent uses catastrophe modelling software to model maximum probable losses from catastrophe-exposed business in major territories. Reserve adequacy is monitored through quarterly review by the Reserving Committee. In addition, the Managing Agent receives independent external analysis of the reserve requirements annually.

The Syndicate makes use of excess of loss reinsurance to mitigate the risk of incurring significant losses linked to one event.

Binding authority arrangements are an important part of the business and present operational risk to the Syndicate. The Managing Agent has established a dedicated Product Governance Committee to oversee pre-bind reviews and on-going annual reviews including periodic on-site third party audits.

Concentration of insurance risk

The Syndicate's exposure to insurance risk is diversified by class of business. All of the Syndicate's insurance is written within the UK and the split by class of business is shown in Note 5.

Sensitivity to insurance risk

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for large losses or catastrophes or from changes in the level of attritional losses. A five per cent increase or decrease in the ultimate cost of settling gross claims arising is considered to be reasonably possible at the reporting date and would have the following approximate effect on the result of the Syndicate.

	2017		2016	
	5% Increase	**5% Decrease**	5% Increase	5% Decrease
	£000	**£000**	£000	£000
Gross claims	**(8,886)**	**8,886**	(11,223)	11,223
Reinsurer's share	**6,909**	**(2,251)**	1,590	(4,243)
Net impact on members' balances	**(1,977)**	**6,635**	(9,633)	6,980

b) Investment risk

The key aspect of investment risk is the risk of the Syndicate's investments not meeting their anticipated returns. All investments are managed under the direction of the Investment Committee. The broad investment strategy adopted is focused on capital preservation and, in that context, on maximising return while maintaining a low risk portfolio. Investment management has been outsourced to professional fund managers whose performance is monitored by the Investment Committee.

c) Credit risk

Credit risk is the risk of financial loss to the Syndicate if a counterparty fails to discharge a contractual obligation. The Syndicate is exposed to credit risk in respect of the following:

- Debt securities;
- Overseas deposits;
- Cash at bank and deposits with credit institutions;
- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of settled claims;
- Amounts due from group undertakings; and
- Amounts due from insurance intermediaries

The Syndicate's credit risk in respect of debt securities is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. The Syndicate also limits the amount of cash and cash equivalents that can be deposited with a single counterparty.

The Syndicate's exposure to reinsurance counterparties is managed by the Executive Committee, which establishes standards applicable to all reinsurers and the reinsurance department, which monitors the financial status of reinsurance debtors. The Board's policy is that the Syndicate will only reinsure with businesses rated A- or higher unless collateralised.

Notes to the financial statements
For the year ended 31 December 2017 (continued)

4 Risk and capital management *(continued)*

The credit rating of financial assets that are neither past due nor impaired is as follows:

31 December 2017	**AAA**	**AA**	**A**	**BBB**	**Not rated**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Shares and other variable yield securities and units in unit trusts	**-**	**-**	**3,264**	**480**	**-**	**3,744**
Debt securities and other fixed income securities	**-**	**29,220**	**31,414**	**7,099**	**-**	**67,733**
Overseas deposits	**9,529**	**-**	**-**	**3,050**	**184**	**12,763**
Cash at bank and in hand	**-**	**-**	**8,590**	**-**	**-**	**8,590**
Reinsurers' share of insurance liabilities	**-**	**-**	**47,622**	**-**	**-**	**47,622**
Reinsurance debtors	**-**	**-**	**6,218**	**-**	**-**	**6,218**
Insurance debtors	**-**	**-**	**-**	**-**	**-**	**-**
Total	**9,529**	**29,220**	**97,108**	**10,629**	**184**	**146,670**

31 December 2016	AAA	AA	A	BBB	Not rated	Total
	£000	£000	£000	£000	£000	£000
Shares and other variable yield securities and units in unit trusts	-	2,307	-	862	-	3,169
Debt securities and other fixed income securities	3,638	21,268	28,554	14,242	-	67,702
Overseas deposits	11,597	3,932	1,979	560	130	18,198
Cash at bank and in hand	-	-	2,087	1,444	-	3,531
Reinsurers' share of insurance liabilities	-	-	60,217	-	-	60,217
Reinsurance debtors	-	-	1,534	-	-	1,534
Insurance debtors	-	-	-	-	-	-
Total	15,235	27,507	94,371	17,108	130	154,351

The Syndicate has debtors arising from direct insurance operations that are past due but not impaired at the reporting date as follows:

	2017	2016
Past due but not impaired financial assets	**£000**	£000
Past due by:		
Up to three months	**-**	433
Three to six months	**1**	1
Six months to one year	**-**	1
	1	435

There are no debtors arising from direct or reinsurance insurance operations that are impaired at the reporting date (2016: £Nil).

d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices which could be caused by movements in interest rates or exchange rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Interest rate risk arises primarily from the Syndicate's financial investments, cash and overseas deposits. The risk of change in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The Investment Committee monitors the duration of these assets on a regular basis. An analysis of the Syndicate's sensitivity to interest rate changes on the result and net assets of the Syndicate is presented in the table overleaf.

Notes to the financial statements
For the year ended 31 December 2017 (continued)

4 Risk and capital management *(continued)*

Interest rate risk	**2017 £000**	2016 £000
Impact of 50 basis point increase on result	**(1,204)**	(1,721)
Impact of 50 basis point decrease on result	**1,241**	1,779
Impact of 50 basis point increase on net assets	**(1,204)**	(1,721)
Impact of 50 basis point decrease on net assets	**1,241**	1,779

Foreign exchange risk

Exchange rate risk arises when the Syndicate incurs losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Managing Agent's Finance Director (FD), together with the Risk Committee, reviews currency matching quarterly. The table below summarises the carrying value of the Syndicate's assets and liabilities at the reporting date.

31 December 2017	**GBP £000**	**USD £000**	**EUR £000**	**CAD £000**	**AUD £000**	**Total £000**
Financial investments	**-**	**14,746**	**35,617**	**17,304**	**3,810**	**71,477**
Reinsurers' share of technical provisions	**41,858**	**19**	**293**	**399**	**5,142**	**47,711**
Insurance and reinsurance receivables	**4,624**	**242**	**585**	**174**	**2,707**	**8,332**
Overseas deposits	**100**	**90**	**-**	**3,044**	**9,529**	**12,763**
Cash at bank and in hand	**1,817**	**92**	**5,916**	**-**	**765**	**8,590**
Other assets	**181**	**153**	**1,073**	**159**	**176**	**1,742**
Total assets	**48,580**	**15,342**	**43,484**	**21,080**	**22,129**	**150,615**
Technical provisions	**(97,766)**	**(12,929)**	**(39,469)**	**(12,720)**	**(16,128)**	**(179,011)**
Insurance and reinsurance payables	**(3,278)**	**(10)**	**(954)**	**-**	**204**	**(4,039)**
Other creditors	**(185)**	**-**	**-**	**-**	**-**	**(185)**
Total liabilities	**(101,229)**	**(12,939)**	**(40,423)**	**(12,720)**	**(15,924)**	**(183,235)**
Net assets / (liabilities)	**(52,649)**	**2,403**	**3,061**	**8,360**	**6,205**	**(32,620)**

31 December 2016	GBP £000	USD £000	EUR £000	CAD £000	AUD £000	Total £000
Financial investments	-	15,272	31,416	16,945	7,238	70,871
Reinsurers' share of technical provisions	50,878	589	124	120	9,981	61,692
Insurance and reinsurance receivables	5,894	2,031	2,287	64	276	10,552
Overseas deposits	99	226	-	3,327	14,546	18,198
Cash at bank and in hand	1,126	101	2,005	-	299	3,531
Other assets	1,728	810	1,965	457	367	5,327
Total assets	59,725	19,029	37,797	20,913	32,707	170,171
Technical provisions	(112,692)	(25,262)	(54,992)	(19,806)	(34,314)	(247,066)
Insurance and reinsurance payables	(3,950)	(126)	(55)	(43)	(137)	(4,311)
Other creditors	(1,451)	(131)	-	-	-	(1,582)
Total liabilities	(118,093)	(25,519)	(55,047)	(19,849)	(34,451)	(252,959)
Net assets / (liabilities)	(58,368)	(6,490)	(17,250)	1,064	(1,744)	(82,788)

Notes to the financial statements

For the year ended 31 December 2017 (continued)

4 Risk and capital management *(continued)*

If the exchange rates of all non-GBP currencies moved by a foreseeable 5% either to the benefit or detriment of the Syndicate at the same time, the impact on both the result for the year and the members' balances would be £1.1m (2016: £1.3m).

e) Liquidity risk

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. The Syndicate is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts and its ongoing expenses. The nature of the Syndicate's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

The Syndicate's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Syndicate's reputation. The Syndicate's approach to managing its liquidity risk is as follows:

- Forecasts are prepared and revised on a regular basis to predict cash outflows from insurance contracts and overheads over the short, medium and long term;
- The Syndicate purchases assets with durations not greater than its estimated insurance contract liabilities and expense outflows;
- Assets purchased by the Syndicate are required to satisfy specified marketability requirements;
- The Syndicate maintains cash and liquid assets to meet daily calls; and

The Syndicate regularly updates its contingency funding plans to ensure that adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances.

31 December 2017	**Carrying value**	**Total cash flows**	**Less than 1 year**	**1 - 3 years**	**3-5 years**	**More than 5 years**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Shares and other variable yield securities and units in unit trusts	**3,744**	**3,744**	**3,744**	**-**	**-**	**-**
Debt securities and other fixed income securities	**67,733**	**67,733**	**4,159**	**10,138**	**21,913**	**31,523**
Overseas deposits	**12,763**	**12,763**	**12,763**	**-**	**-**	**-**
Reinsurers share of technical provisions	**47,711**	**47,711**	**13,802**	**17,263**	**9,177**	**7,469**
Debtors and accrued interest	**10,074**	**10,074**	**10,074**	**-**	**-**	**-**
Cash at bank and in hand	**8,590**	**8,590**	**8,590**	**-**	**-**	**-**
Total Assets	**150,615**	**150,615**	**53,132**	**27,401**	**31,090**	**38,992**
Claims outstanding	**(179,011)**	**(179,011)**	**(51,791)**	**(64,768)**	**(34,431)**	**(28,021)**
Insurance and reinsurance payables	**(4,039)**	**(4,039)**	**(4,039)**	**-**	**-**	**-**
Other creditors	**(185)**	**(185)**	**(185)**	**-**	**-**	**-**
Total liabilities	**(183,235)**	**(183,235)**	**(56,015)**	**(64,768)**	**(34,431)**	**(28,021)**
Net assets / (liabilities)	**(32,620)**	**(32,620)**	**(2,883)**	**(37,367)**	**(3,341)**	**10,971**

Notes to the financial statements

For the year ended 31 December 2017 (continued)

4 Risk and capital management *(continued)*

31 December 2016	Carrying value	Total cash flows	Less than 1 year	1 - 3 years	3-5 years	More than 5 years
	£000	£000	£000	£000	£000	£000
Shares and other variable yield securities and units in unit trusts	3,169	3,169	3,169	-	-	-
Debt securities and other fixed income securities	67,702	67,702	4,680	2,314	13,407	47,301
Overseas deposits	18,198	18,198	18,198	-	-	-
Reinsurers share of technical provisions	61,691	61,691	23,146	23,523	10,270	4,752
Debtors and accrued interest	15,880	15,880	15,880	-	-	-
Cash at bank and in hand	3,531	3,531	3,531	-	-	-
Total Assets	170,171	170,171	68,604	25,837	23,677	52,053
Claims outstanding	(247,067)	(247,067)	(92,693)	(94,209)	(41,132)	(19,033)
Insurance and reinsurance payables	(4,310)	(4,310)	(4,310)	-	-	-
Other creditors	(1,582)	(1,582)	(1,582)	-	-	-
Total liabilities	(252,959)	(252,959)	(98,585)	(94,209)	(41,132)	(19,033)
Net assets / (liabilities)	(82,788)	(82,788)	(29,981)	(68,372)	(17,455)	33,020

f) Operational risk

This is the risk that errors caused by people, processes, systems or external events lead to losses to the Syndicate. The Managing Agent seeks to manage this risk through the use of detailed procedures manuals and regular reviews of systems and controls, 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, through its Audit Committee, with reasonable assurance that the controls and procedures are able to contain the risks within acceptable limits.

g) Regulatory (including Conduct) risk

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Managing Agent is required to comply with the requirements of the Financial Conduct Authority (FCA), the Prudential Regulation Authority (PRA) and the Council of Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US Situs business. The Managing Agent has a compliance officer who monitors regulatory developments and assesses the impact on the Managing Agent's policy.

Conduct Risk is the risk that customers experience poor outcomes in their engagement with ASL and is part of Regulatory Risk. This risk applies to all of the Syndicate's business but is particularly focused where the Syndicate insures retail risks especially using delegated underwriting. This has been an area of particular emphasis by the FCA and by Lloyd's. ASL has a Product Governance Committee, which oversees its response to these requirements and operates a conduct framework designed to ensure that appropriate outcomes are delivered to customers.

Supplementing and informing the assessment of risk in the categories identified above, management receives regular risk reports highlighting the material areas of risk, uncertainty and comparison with risk appetite as well as risk events, near misses and emerging risks.

Notes to the financial statements

For the year ended 31 December 2017 (continued)

4 Risk and capital management *(continued)*

h) Capital management

The Managing Agent's objectives in managing the capital of the Syndicate, consistent with the risk profile and the regulatory and market requirements of its business are:

- To match the profile of assets and liabilities, taking account of the risks inherent in the business;
- To satisfy the requirements of the policyholders, regulators and rating agencies; and
- To manage exposure to movements in exchange rates.

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulation Authority (PRA) under the Financial Services and Markets Act 2000 and in accordance with the Solvency II framework. Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II requirements, and beyond that to meet its own financial strength, licence and ratings objectives.

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly, the capital requirement in respect of the Syndicate is not disclosed in these financial statements.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR to ultimate). The Syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use

In meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicates on which it participates though not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR is therefore determined by the sum of the member's shares of the Syndicates' SCR to ultimate. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss to ultimate for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, the combination of both is known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift was 35% of the member's SCR to ultimate.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's), assets held and managed within a syndicate (Funds in Syndicate), or as the member's share of the members' balances on each syndicate on which it participates. Accordingly, all of the assets less liabilities of the Syndicate, as represented in the members' balances reported on the Statement of Financial Position on pages 15 to 16, represent resources available to meet members' and Lloyd's capital requirements.

Funds at Lloyd's

Funds at Lloyd's (FAL) are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these financial statements by way of such capital resources. However, the Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses through a formal process controlled by Lloyd's.

Notes to the financial statements

For the year ended 31 December 2017 (continued)

5 Segmental analysis

An analysis of the underwriting result before investment return is set out below:

2017	Gross Premiums Written £000	Gross Premiums Earned £000	Gross Claims Incurred £000	Reinsurance Balance £000	Net Operating Expenses £000	Underwriting Result £000
Direct insurance:						
Accident and health	**19**	**19**	**309**	**(139)**	**(70)**	**119**
Third party liability	**3,553**	**14,749**	**14,860**	**(5,367)**	**(7,066)**	**17,176**
Pecuniary loss	**-**	**-**	**(1,469)**	**266**	**-**	**(1,203)**
Property	**58**	**1,278**	**(192)**	**(215)**	**(487)**	**384**
	3,630	**16,046**	**13,508**	**(5,455)**	**(7,623)**	**16,476**
Reinsurance acceptances	**426**	**1,801**	**(3,273)**	**2,452**	**(589)**	**391**
Total	**4,056**	**17,847**	**10,235**	**(3,003)**	**(8,212)**	**(16,867)**

2016	Gross Premiums Written £000	Gross Premiums Earned £000	Gross Claims Incurred £000	Reinsurance Balance £000	Net Operating Expenses £000	Underwriting Result £000
Direct insurance:						
Accident and health	362	362	(3,175)	(103)	(47)	(2,963)
Third party liability	19,242	18,418	(47,443)	10,297	(9,399)	(28,127)
Pecuniary loss	123	123	(1,350)	-	192	(1,035)
Property	2,110	843	(574)	(174)	(685)	(590)
	21,837	19,746	(52,542)	10,020	(9,939)	(32,715)
Reinsurance acceptances	7,684	5,899	(4,934)	(14)	(2,297)	(1,346)
Total	29,521	25,645	(57,476)	10,006	(12,236)	(34,061)

Reinsurance acceptances are Casualty business.
Commissions on direct insurance gross premiums earned during 2017 were £918K (2016 - £7,686k).
All premiums were written in the UK.

6 Currency rates of exchange

The rates of exchange applied to GBP in these accounts are:

	31 December 2017	**Average for 2017**	31 December 2016	Average for 2016
Australian $	**1.7302**	**1.6805**	1.6584	1.8257
Canadian $	**1.6985**	**1.6714**	1.6375	1.7968
Euro	**1.1260**	**1.1416**	1.1652	1.2246
US $	**1.3513**	**1.2889**	1.2578	1.3557

Notes to the financial statements

For the year ended 31 December 2017 (continued)

7 Net operating expenses

	2017 £000	2016 £000
Brokerage & commissions	**1,040**	7,686
Change in deferred brokerage	**3,642**	(1,803)
Other acquisition costs	**82**	1,742
Administrative expenses	**3,448**	4,611
	8,212	12,236

Administrative expenses include:

	2017 £000	2016 £000
Auditors' remuneration		
Fees payable to the Syndicate's auditor, KPMG LLP, for the audit of the Syndicate annual accounts	**148**	99
Fees payable to KPMG LLP and its associates for other services:		
Other services pursuant to legislation, including the audit of the regulatory return	**76**	74
Members' standard personal expenses (Lloyd's subscriptions, New Central Fund contributions & Managing Agent's fees)	**(177)**	602

Lloyd's subscriptions and New Central Funds Contributions are initially levied by Lloyd's based on expected ultimate premium. These expenses are subsequently adjusted based on actual ultimate premiums written. As a result, the 2017 calendar year shows an income following a shortfall in premiums written.

8 Staff numbers and costs

All staff (including directors) are employed by an AmTrust group service company , either AmTrust Central Bureau of Service Limited (CBS), AmTrust Syndicate Holdings Limited (ASH) or AmTrust Management Services Limited (AMSL). The following amounts were recharged to the Syndicate in respect of staff costs (including claims staff costs):

	2017 £000	2016 £000
Wages and salaries	**1,357**	1,824
Social security costs	**169**	238
Other pension costs	**90**	131
	1,616	2,193

The average number of employees (including directors) employed by group service companies but working for the Syndicate during the year was as follows:

	2017 Number	2016 Number
Administration and finance	**6**	7
Underwriting	**2**	7
Technical support	**9**	20
	17	34

Notes to the financial statements
For the year ended 31 December 2017 (continued)

9 Emoluments of the directors of AmTrust Syndicates Limited and the Run-off Manager

Recharges of £175,185 (2016 - £261,917) were made to the Syndicate in respect of emoluments and pension costs paid to its directors.

Following cessation of the Syndicate, the Syndicate was charged a proportion of expense attributable to a Run-Off Manager amounting to £98,493 (2016: recharges of £328,331 were made to the Syndicate in respect of emoluments and pension costs of the active underwriter).

10 Investment income

	2017 £000	2016 £000
Investment income		
Interest and dividend income	**2,320**	1,959
Gains on the realisation of investments	**396**	633
	2,716	2,592
Investment expenses and charges		
Investment management expenses	**(117)**	(105)
Losses on realisation of investments	**(534)**	(683)
	(651)	(788)
Unrealised gains on investments	**103**	423
Unrealised losses on investments	**(490)**	(1,402)
	(387)	(979)
Total investment return	**1,678**	825
On financial assets at fair value through profit and loss	**1,246**	437
On financial assets at amortised cost	**549**	493
	1,795	930
Investment management fees	**(117)**	(105)
Total investment return	**1,678**	825

11 Other financial Investments

	Market value		**Cost**	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Shares and other variable yield securities and units in unit trusts	**3,744**	3,169	**3,744**	3,169
Debt securities and other fixed income securities	**67,733**	67,702	**68,117**	68,775
	71,477	70,871	**71,861**	71,944

11 Other financial assets

Financial assets measured at fair value through profit and loss	**71,477**	70,871	**71,861**	71,944

Notes to the financial statements
For the year ended 31 December 2017 (continued)

11 Other financial assets *(continued)*

Shares and other variable yield securities and units in unit trusts and debt securities and other fixed income securities are analysed between the three levels in the fair value hierarchy as follows:

2017	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Shares and other variable yield securities and units in unit trusts	**-**	**3,744**	**-**	**3,744**
Listed debt securities and other fixed income securities	**13,558**	**54,175**	**-**	**67,733**
	13,558	**57,919**	**-**	**71,477**

2016	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Shares and other variable yield securities and units in unit trusts	**-**	**3,169**	**-**	**3,169**
Listed debt securities and other fixed income securities	**-**	**67,702**	**-**	**67,702**
	-	**70,871**	**-**	**70,871**

Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market where quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions.

The level 3 category includes financial assets measured using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are based on available market data but are based on assumptions that market participants would use in pricing the asset.

12 Debtors arising out of direct insurance operations

	2017 £000	2016 £000
Intermediaries		
Due within one year	**2,114**	9,018

13 Debtors arising out of reinsurance operations

	2017 £000	2016 £000
Due within one year	**6,218**	1,534

14 Other debtors

	2017 £000	2016 £000
Other debtors including taxes	**101**	109

Notes to the financial statements

For the year ended 31 December 2017 (continued)

15 Overseas deposits

Overseas deposits are lodged as a condition of conducting business in certain countries and are managed by Lloyd's centrally or by investment managers appointed on their behalf. The assets contained within the overseas deposits are as follows:

2017	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Listed debt securities and other fixed income securities	**187**	**12,568**	**-**	**12,755**
Cash at bank and in hand	**8**	**-**	**-**	**8**
	195	**12,568**	**-**	**12,763**

2016	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Listed debt securities and other fixed income securities	340	17,832	-	18,172
Cash at bank and in hand	26	-	-	26
	366	17,832	-	18,198

The investments and cash held in overseas deposits have not been included on the Statement of Financial Position within Investments or Cash as they are not under the direct control of the Managing Agent. Cash has not been included with Cash and cash equivalents as it is not readily available for use by the Syndicate.

16 Deferred acquisition costs

	2017 £000	2016 £000
Balance at 1 January	**4,034**	1,946
Incurred costs deferred	**1,123**	9,428
Amortisation	**(4,765)**	(7625)
Effect of movements in exchange rates	**(5)**	285
	387	4,034

Notes to the financial statements

For the year ended 31 December 2017 (continued)

17 Technical provisions

	2017 Gross provisions £000	2017 Reinsurance assets £000	2017 Net £000	2016 Gross provisions £000	2016 Reinsurance assets £000	2016 Net £000
Incurred claims outstanding						
Claims notified	**105,770**	**(36,891)**	**68,879**	95,429	(34,784)	60,645
Claims incurred but not reported	**126,073**	**(23,326)**	**102,747**	95,405	(21,250)	74,155
Balance at 1 January	**231,843**	**(60,217)**	**171,626**	190,834	(56,034)	134,800
Changes for prior years	**(9,290)**	**1,129**	**(8,161)**	27,071	(6,265)	20,806
Cost of current year claims	**(945)**	**115**	**(830)**	30,405	(7,037)	23,368
Claims paid in year	**(44,021)**	**11,362**	**(32,659)**	(34,620)	9,786	(24,834)
Exchange adjustments	**20**	**(12)**	**8**	18,153	(667)	17,486
Balance at 31 December	**177,607**	**(47,623)**	**129,984**	231,843	(60,217)	171,626
Claims notified	**87,793**	**(16,369)**	**71,424**	105,770	(36,891)	68,879
Claims incurred but not reported	**89,814**	**(31,253)**	**58,561**	126,073	(23,326)	102,747
Balance at 31 December	**177,607**	**(47,622)**	**129,985**	231,843	(60,217)	171,626
Unearned premiums						
Balance at 1 January	**15,224**	**(1,474)**	**13,750**	10,200	(2,660)	7,540
Premiums written in year	**4,056**	**(388)**	**3,668**	29,521	(2,016)	27,505
Premiums earned in year	**(17,847)**	**1,759**	**(16,088)**	(25,645)	3,296	(22,349)
Exchange adjustments	**(29)**	**14**	**(15)**	1,148	(94)	1,054
Balance at 31 December	**1,404**	**(89)**	**1,315**	15,224	(1,474)	13,750

Technical provisions include an unexpired risk provision of £1,253k (2016 - £2,920k).

18 Claims development

Claims development is shown in the tables below on an underwriting year basis both gross and net of reinsurance ceded. Balances have been translated at 31 December 2017 rates of exchange. The effect of previously unearned premium being earned in later years affects the development patterns.

Pure underwriting year - gross	**2011 £000**	**2012 £000**	**2013 £000**	**2014 £000**	**2015 £000**	**2016**	**Total £000**
Estimate of incurred claims							
At the end of underwriting year	**15,071**	**16,671**	**17,430**	**15,548**	**14,714**	**13,518**	
One year later	**28,428**	**30,094**	**34,419**	**35,533**	**24,650**	**28,398**	
Two years later	**34,108**	**33,174**	**47,762**	**42,807**	**19,779**		
Three years later	**51,909**	**45,893**	**58,333**	**39,354**			
Four years later	**64,909**	**57,090**	**54,307**				
Five years later	**67,786**	**61,208**					
Six years later	**60,939**						
Less gross claims paid	**37,952**	**23,883**	**22,487**	**15,917**	**3,581**	**3,039**	
Gross claims reserve	**22,987**	**37,325**	**31,820**	**23,437**	**16,198**	**25,359**	**157,126**
Gross claims reserve for 2010 and prior years	**20,481**						**20,481**
Gross claims reserve	**43,468**	**37,325**	**31,820**	**23,437**	**16,198**	**25,359**	**177,607**

Notes to the financial statements
For the year ended 31 December 2017 (continued)

18 Claims development *(continued)*

Pure underwriting year - Net	**2011 £000**	**2012 £000**	**2013 £000**	**2014 £000**	**2015 £000**	**2016**	**Total £000**
Estimate of incurred claims							
At the end of underwriting year	**12,433**	**13,885**	**14,834**	**12,631**	**11,818**	**13,019**	
One year later	**23,197**	**24,122**	**29,405**	**30,443**	**20,571**	**23,963**	
Two years later	**25,864**	**26,263**	**40,617**	**33,938**	**18,327**		
Three years later	**36,069**	**36,474**	**49,813**	**31,322**			
Four years later	**43,440**	**39,518**	**45,945**				
Five years later	**47,327**	**40,123**					
Six years later	**42,142**						
Less net claims paid	**28,027**	**18,553**	**21,618**	**11,184**	**3,327**	**3,039**	
Net claims reserve	**14,115**	**21,570**	**24,327**	**20,138**	**15,000**	**20,924**	**116,074**
Net claims reserve for 2010 and prior years	**13,911**						**13,911**
Net claims reserve	**28,026**	**21,570**	**24,327**	**20,138**	**15,000**	**20,924**	**129,985**

19 Technical provisions - claims outstanding

Following the significant deterioration seen in the claims reserves during 2015, the Managing Agent decided to leave the 2013 year of account open given the uncertainty identified at 31 December 2015. Further significant deterioration occurred in the incurred claims position in the second quarter of 2016. The 2014 and 2015 years of account also experienced deterioration during the same period, as a result of which, following further review, the Managing Agent also decided to cease underwriting of the Syndicate from 1 January 2017 and so there is no ongoing business of the Syndicate.

The Managing Agent appointed a run-off manager and uses independent actuarial consultants (Lane Clark & Peacock (LCP)) who have been the consulting actuaries to the Syndicate since inception, to advise on the ultimate level of claims reserves required. Due to the high degree of uncertainty over the outcome of many claims due to their relative stage of development, many of which involve complex litigation over a long period, there remains significant variability in the possible outcomes. The ultimate amounts of these claims (both gross and net of reinsurance) are subject to significant uncertainty. In addition, the incorporation of the reserves advised by the independent claims consultants in 2015 and the internal case reserve increases in 2016 led to some distortion in the development patterns resulting in further variability in the range of possible future outcomes.

As a result of the above, the ultimate estimate of any reinsurance to close is subject to significant uncertainty and may differ materially from the estimate that is currently included in the annual accounts.

Given the ongoing uncertainty that continues to exist and the change in capital providers between the 2013, 2014 and 2015 years of accounts, the Managing Agent has decided to leave the 2013, 2014 and 2015 years of account open at 31 December 2017.

For the purposes of preparing these Financial Statements, the Managing Agent has adopted its external actuarial consultants' best estimate outcome. In respect of business earned at 31 December 2017, the gross and net reserves, excluding claims handling costs and run-off provision, as at 31 December 2017 total £172.9 million and £125.3 million respectively. During the year there was net claims development improvement of £14.7 million on the 2013 and prior years, £1.9 million on the 2014 year, £2.7 million on the 2015 year and an improvement of £0.5 million on the 2016 year of account.

Notes to the financial statements

For the year ended 31 December 2017 (continued)

20 Creditors

	2017 £000	2016 £000
Creditors arising out of direct insurance operations	**517**	152
Creditors arising out of reinsurance operations	**3,522**	4,158
Other creditors	**185**	1,582
Total financial liabilities at amortised cost	**4,224**	5,892

Creditors are stated at amortised cost.

21 Cash at bank and in hand

	2017 £000	2016 £000
Cash at bank and in hand	**8,590**	3,531
	8,590	3,531

22 Related parties

Lloyd’s market regulations require that a managing agent be responsible for engaging underwriting staff and managing the affairs of each syndicate at Lloyd’s on behalf of the Syndicate members. The Syndicate’s Managing Agent was AmTrust at Lloyd’s Limited (‘ATL’) until novation on 23 June 2017 to AmTrust Syndicates Limited (‘ASL’).

ATL was the Managing Agent of Syndicate 1206 and Syndicate 44 until novation to ASL on 3 March 2017. ASL was the managing agent of Syndicates 1861, 5820 and 779 throughout the period.

AmTrust entities

In 2017 and 2016 a large proportion of the expenses incurred in operating the Syndicate were incurred by group service companies and were then recharged under intragroup service agreements with ASL and ATL on a basis that reflected the Syndicate's usage of resources. Group recharges are charged on a cost basis and predominantly represent recharges of staff costs for employees working on syndicate business as well as other related administrative expenses including accommodation, professional fees and information technology.

These recharges, included within amounts disclosed as net operating expenses, acquisition costs and claims incurred were as follows:

	2017 £’m	2016 £’m
AmTrust Central Bureau of Services Limited (formerly ANV Central Bureau of Services Limited – both ‘CBS’)	**2.7**	-
AmTrust Syndicate Holdings Limited (‘ASH’)	**1.1**	5.1
Total expenses recharged	**3.8**	**5.1**

The following amounts were outstanding at 31 December 2017 and 31 December 2016:

	2017 £’m	2016 £’m
CBS	**0.1**	
ASH	**0.1**	1.5
Total amount outstanding in relation to group recharges	**0.2**	**1.5**

Notes to the financial statements
For the year ended 31 December 2017 (continued)

Included within the recharges are amounts relating to the remuneration of Directors of ASL. Profit-related remuneration for the Syndicate's Active Underwriters and ASL Directors is not charged to the Syndicate.

The following directors of ASL are also directors of CBS: P Dewey, J E Cadle, M G Caviet and J M Hamilton (resigned from ASL Board 31 December 2017).

The following directors of ASL are also directors of ASH: P Dewey, J E Cadle and M G Caviet.

Members' expenses, being agent's fees payable to the Managing Agent, and subscriptions and central fund contributions payable to Lloyd's, are charged on an underwriting year of account, rather than a calendar year basis. Following the decision to place the Syndicate into run-off there is no 2017 year of account on which fees would be levied (2016: agency fees of £0.6m were charged in relation to the 2016 year of account). At 31 December 2017 there are no unpaid fees (2016: £nil).

Syndicate 2526 uses a service company, Dore Underwriting Services Limited, to receive premiums that are not processed through Lloyd's. The service company, which does not receive any commissions for this service, is also a subsidiary of AIL.

The following directors of ASL are also directors of Dore Underwriting Services Limited: P Dewey and D J L Barrett.

The ultimate holding company is AmTrust Financial Services Inc. (AFSI), a company incorporated in Delaware and listed on NASDAQ Global Market. A copy of AFSI's consolidated accounts can be obtained from that company's registered office, which is located at 59 Maiden Lane, 43rd Floor, New York, New York, USA.

Syndicate capital

AmTrust Corporate Capital Limited, a subsidiary of AmTrust International Limited (AIL), provides 16.0% of the 2013 and 60.8% of the 2014 year of account capacity. AmTrust Corporate Member Limited, a subsidiary of AmTrust Lloyd's Holdings Limited, itself an intermediate parent company of ATL and ASH, provides 99.5% of the 2015 and 2016 years of account capacity.

The following directors of ASL are also directors of AmTrust Corporate Capital Limited: P Dewey, J E Cadle and J M Hamilton (resigned from ASL Board 31 December 2017)

The following directors of ASL are also directors of AmTrust Corporate Member Ltd: P Dewey, J E Cadle and J M Hamilton (resigned from ASL Board 31 December 2017).

The ultimate holding company is AmTrust Financial Services Inc. (AFSI), a company incorporated in Delaware and listed on NASDAQ Global Market. A copy of AFSI's consolidated accounts can be obtained from that company's registered office, which is located at 59 Maiden Lane, 43rd Floor, New York, New York, USA.

23 Post balance sheet events

The Syndicate does not intend to make any cash calls or distributions in 2018 calendar year (2017 calendar year £34.1m). Management deemed that there is sufficient liquidity to pay all claims due in the next twelve months.

Forecast cash calls at the period end	**2017**	2016
	£000	£000
2013 Year of account cash call	**-**	27,422
2014 Year of account cash call	**-**	6,714
	-	34,136