

Important information about Syndicate Reports and Accounts

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AmTrust at Lloyd's Limited: Syndicate 1206

Syndicate Annual Accounts

31 December 2014

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Directors' report and annual accounts

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AmTrust at Lloyd's Limited: Syndicate 1206

Directors and advisers

Managing Agent:

Managing Agent AmTrust at Lloyd's Limited

Directors Donal Barrett (appointed 15 August 2014)
Jeremy Cadle (appointed 14 May 2014)
Max Caviet (appointed 2 September 2014)
Histasp Contractor
Peter Dewey (appointed 14 July 2014)
Joanne Fox (appointed 30 September 2014)
Brian Jackson (appointed 1 December 2014)
Bjorn Jansli
Gary Ross
Michael Sibthorpe (appointed 1 October 2014)
George Sweatman
Elisabetta Tenenti
Geoffrey Halpin (resigned 16 January 2014)
Andreas Loucaides (appointed 21 July 2014, resigned 31 December 2014)
John Mantz (resigned 7 April 2014)
Duncan Reed (resigned 14 May 2014)

Secretary Donal Barrett (appointed 14 May 2014)
Duncan Reed (resigned 14 May 2014)

Registered Office 1 Great Tower Street
London
EC3R 5AA

Registered Number 3043923

Syndicate:

Active Underwriter Michael Sibthorpe (appointed 1 October 2014)
Andreas Loucaides (appointed 17 January 2014, resigned 30 September 2014)
Geoffrey Halpin (resigned 16 January 2014)

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

Investment Managers All Insurance Management Limited (from 1 April 2014)
Threadneedle Investments Asset Management (until 31 March 2014)

Independent Auditors BDO LLP

Report of the directors of the Managing Agent

The directors of the Managing Agent present their report for the year ended 31 December 2014.

This annual report is prepared using the annual basis of accounting as required by the Statutory Instrument No 3219 of 2004, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations").

Managing Agent

The Managing Agent of the syndicate, together with its capital provider AmTrust Corporate Member Limited are wholly owned by AmTrust International Limited (formerly IGI Group Limited), a subsidiary of AmTrust Financial Services Inc. The change of control of the Agency took place on 23 December 2013 and 2014 has been a year of transition and consolidation for the Agency.

In January, the role of Active Underwriter and Chief Executive Officer was split and Geoff Halpin (former CEO and Active Underwriter) resigned from the Board and left the business. Peter Dewey took over as Chief Executive officer and was appointed to the Board in July 2014. Following the split of the role Andreas Loucaides was appointed as Active Underwriter in the interim until the appointment of Michael Sibthorpe in October.

The watchword for 2014 was to bring the Syndicate back to stability and a number of reviews were undertaken to refocus energies on profitable lines of business and contracts. The year therefore saw a number of changes within the underwriting area principally in the Syndicate's longer tailed classes where historic deterioration on 2013 and prior years necessitated significant changes in both personnel and risk profile.

Being part of a major financial institution has provided greater capital flexibility and work continues to capitalise on efficiencies and opportunities that the group provides.

Results for the year

Annual Accounted Result

The result for the year is a loss of £31,631k (2013 loss - £24,198k) before accounting for investment income of £4,720k (2013 - £2,107k). As set out below the deterioration arises on the 2013 and prior years of account and emanates primarily from the Liability account which is no longer written in that form.

2014 calendar year loss before investment income by year of account

| | 2014 £'000 | 2013 & prior £'000 | Total £'000 |
|--------------------------------------|----------------|-----------------------|-----------------|
| On-going lines of business: | | | |
| Personal Accident & Sickness | 135 | (492) | (357) |
| Property | (1,689) | 4,220 | 2,531 |
| Special Lines | (1,692) | (4,792) | (6,484) |
| Treaty | (83) | (3,049) | (3,132) |
| Liability | (960) | (24,011) | (24,971) |
| Lines of business no longer written | - | 782 | 782 |
| Loss before investment income | (4,289) | (27,342) | (31,631) |

As mentioned above the majority of the loss for the year emanates from the liability line of business on the 2013 and prior years of account. The 2014 Pure year of account is performing according to plan and as expected has made a loss in its first 12 months primarily as a result of the earning of reinsurance premiums and expenses.

Report of the directors of the Managing Agent (*continued*)

Underwriting Year Result

The 2012 and prior underwriting years produced a loss of £17,854k (2011 & prior loss £22,813k). This loss compares to a forecast profit of £6,314k at 31 December 2013. The result was affected by worse than expected claims experienced primarily in the US liability account and further movement in the discontinued element of the Treaty account. Profits and losses will continue to be distributed and collected by reference to the results of individual underwriting years. A cash call of £17,854k (2013 – cash call of £22,813k) will be made to the corporate member in June 2015.

Members Balances

As a result of the losses arising in the financial year the members' balances on the balance sheet show a deficit. The Syndicate does not hold capital on its own balance sheet. However the sole corporate member AmTrust Corporate Member Limited holds Funds at Lloyd's on behalf of the Syndicate, which can be used to support the solvency position of the Syndicate. The ability of the Syndicate to meet its obligations as they fall due is underpinned by the support provided by the Lloyd's solvency process and its chain of security.

Principal activities and review of business

The principal activity of the Syndicate remains the transaction of general insurance and reinsurance business in the United Kingdom.

A brief outline of the internal classes of business is set out below.

Personal Accident and Sickness: This is a broad mix of risk types, including accidental death, dismemberment and disability including sports disability, with incidental amounts of trip travel and medical expense. Trip travel includes lost baggage, delay, cancellation, repatriation and personal liability. The sub class Professional Sports Disability is primarily the temporary or permanent disablement of sports persons, and includes a small amount of related accidental death and medical expense cover.

Property: The profile of this line of business is a balanced mix in terms of location, currency and method of placement. The main sub-classes are: US binder book, High Value Homeowners (HVHO); Direct and Facultative Property (D&F), Sabotage & Terrorism (S&T) and UK Middle Market SME business. Our aim has been to develop a balanced portfolio of US and International Risks. This involves catastrophe and non catastrophe exposed business.

Treaty: Treaty for 2011 comprised: General Liability, Motor Liability, Political Risks, Property and Personal Accident lines. The General Liability, Motor Liability and Political Risks lines have concentrated mainly on domestic UK and Lloyd's Syndicates, whereas Property and Personal Accident are more internationally focused. Cedants are selected based on their size and their dependence on the product for their long term viability. The Property, General Liability and Motor Liability classes are no longer written since 2012.

Special Lines: This portfolio comprises of three main areas, Professional Liability (PI), Management Liability (D&O/Commercial Crime) and Product Recall.

Professional Liability provides indemnity cover for professional groups such as solicitors, accountants or architects and it is underwritten according to the size of risk; on a primary basis for Small to Medium Enterprises (SME) where the majority of risks are placed with one carrier, on both a primary and excess of loss basis for Mid-market business, and on an excess of loss basis for larger risks.

Management Liability provides management professionals with insurance protection when they have been accused by a third party of a wrongful act in connection with their business practice. The main product in terms of income being Director's and Officer's liability (D&O), followed by Commercial Crime, Employment Practices Liability (EPLI), Pension Trustee Liability (PFT), Charities and other not-for-profit entities.

Product Recall, also known as contaminated products insurance, provides corporate entities with insurance protection for the costs of a recall of their product(s), independent consultant costs, loss of profits/business interruption costs and rehabilitation costs incurred directly as a result of a contaminated product that is injurious to health. The policy is a first party cover, the only third party cover offered under a standard policy wording is for the costs of an insured's customer recalling a product on their behalf. Due to a high frequency of losses this account was placed under review in the fourth quarter of 2013 and currently no new or renewal business is being accepted.

Direct Motor: UK private motor insurance. Cover provided is limited to Comprehensive and Third Party Fire & Theft; no Third Party only cover. Business is written through aggregator sites via a sole coverholder. This line of business was last written for the 2011 year of account.

Liability: As a result of the above mentioned losses arising on the 2013 and prior years of account, the portfolio now focuses on small, niche programme opportunities, where there are avenues to enforce strong risk management and loss control. Business is written under delegated authorities, in the UK and on an International basis.

Report of the directors of the Managing Agent (continued)

Financial Performance

The Syndicate's key financial performance indicators, split in accordance with the internal classes of business as set out on the preceding page, during the year were as follows:

| | 2014 | 2013 |
|-----------------------------|------------------|-----------|
| | £'000 | £'000 |
| Gross Written Premiums | 182,517 | 183,069 |
| Gross Earned Premium | 193,631 | 182,819 |
| Net Earned Premium | 175,148 | 160,026 |
| Gross Incurred Claims | (137,448) | (128,016) |
| Net Incurred Claims | (128,832) | (112,862) |
| Investment Income | 4,720 | 2,107 |
| Operating expenses | (77,947) | (71,362) |
| Loss for the financial year | (26,911) | (22,091) |

Gross written premiums decreased from £183,069k in 2013 to £182,517k in 2014. A breakdown of the premium income by internal class of business is set out below.

| | 2014 | 2013 |
|--------------------------------------|----------------|---------|
| | £'000 | £'000 |
| On-going lines of business: | | |
| Personal Accident & Sickness | 29,756 | 33,904 |
| Property | 87,453 | 94,041 |
| Special Lines | 26,206 | 23,227 |
| Treaty | 17,630 | 11,380 |
| Liability | 17,514 | 20,965 |
| Lines of business no longer written: | 3,958 | (448) |
| Total Gross Written Premium | 182,517 | 183,069 |

The movement in gross written premiums on lines no longer written is entirely due to a reallocation of amounts due under a loss corridor agreement on the Motor Account. This recovery had previously been included as a reduction in claims.

A breakdown of the earned premium by internal class is set out below.

| | 2014 | 2013 |
|--------------------------------------|----------------|---------|
| | £'000 | £'000 |
| On-going lines of business: | | |
| Personal Accident & Sickness | 32,372 | 34,008 |
| Property | 89,280 | 91,194 |
| Special Lines | 27,486 | 22,244 |
| Treaty | 17,288 | 14,057 |
| Liability | 20,826 | 20,848 |
| Lines of business no longer written: | 6,379 | 468 |
| Total Gross Earned Premiums | 193,631 | 182,819 |

The Agency continues to carefully manage line sizes and retention levels such that the aggregate exposure to hurricane and other losses is controlled to manageable levels. Reinsurance remains an integral part of the management of aggregate exposure. The level of earned reinsurance premium for 2014 has fallen to £18,483k compared with £22,793k in 2013, due to efficiencies in buying the reinsurances and also not reaching the levels of income required for adjustment premiums. A breakdown of the earned reinsurance premiums by internal class of business is set out in the table overleaf.

AmTrust at Lloyd's Limited: Syndicate 1206

Report of the directors of the Managing Agent (continued)

| | 2014 | 2013 |
|--------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| On-going lines of business: | | |
| Personal Accident & Sickness | 3,690 | 4,544 |
| Property | 6,350 | 8,024 |
| Special Lines | 3,089 | 3,231 |
| Treaty | 1,636 | 2,406 |
| Liability | 2,615 | 1,995 |
| Lines of business no longer written: | 1,103 | 2,469 |
| Total Earned Reinsurance Premiums | 18,483 | 22,669 |

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 | |
|---|-----------------------|----------------|---------------------|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | £'000 | £'000 | £'000 | £'000 |
| On-going lines of business: | | | | |
| Personal Accident & Sickness | 16,524 | 18,593 | 16,510 | 18,678 |
| Property | 44,476 | 39,810 | 40,799 | 38,460 |
| Special Lines | 20,986 | 14,454 | 19,198 | 14,551 |
| Treaty | 14,515 | 7,358 | 14,268 | 8,285 |
| Liability (2014 year of account) | 1,896 | - | 1,896 | - |
| Liability (2013 and prior years of account) | 31,594 | 15,841 | 30,917 | 15,755 |
| Lines of business no longer written: | 7,457 | 31,960 | 5,244 | 17,133 |
| Total | 137,448 | 128,016 | 128,832 | 112,862 |

The make-up of the portfolio managed by All Insurance Management (2013 - Threadneedle Investments Asset Management (TIAM)) is set out below:

| | 2014 | | | | | 2013 | | |
|-------------------------------|---------------|----------------|--------------|--------------|---------------|---------------|-----------------|---------------|
| | US\$ £'000 | Can\$ £'000 | GBP £'000 | AUD £'000 | Euro £'000 | US\$ £'000 | Can \$ £'000 | Euro £'000 |
| Straight Floating Rate Notes | 177 | - | - | - | - | 331 | - | - |
| Supranational Bonds | 97 | - | - | - | 125 | 684 | 571 | 133 |
| Corporate Bonds | 56,752 | 27,860 | 777 | 1,758 | 14,476 | 26,275 | 4,503 | 10,367 |
| Government Bonds | 436 | 11,781 | - | - | 6,556 | 27,618 | 28,677 | 5,712 |
| Government Agencies | 25,084 | - | - | - | - | 616 | 2,915 | - |
| Government Guaranteed Bonds | 2,582 | - | - | - | 1,578 | - | 2,345 | 772 |
| Total assets under management | 85,128 | 39,641 | 777 | 1,758 | 22,735 | 55,524 | 39,011 | 16,984 |

The Syndicate does not have any exposure to securities issued by companies or Governments in Southern Europe.

The average cash and investment balance during 2014 was £205,727k (2013 - £182,611k). The investment return for 2014 of £4,720k (2013 - £2,107k) represented a return of 2.29% (2013 - 1.15%).

Risk Management

AmTrust at Lloyd's has a formal risk management programme to analyse its risk profile and adopt risk mitigation strategies. Risk identification, assessments and control reviews are updated and refreshed regularly to ensure that risk management adapts to changing conditions and that risk mitigation is continuously strengthened.

The Agency has a risk committee which meets regularly to review and update the risk register, risk appetite and monitor performance of risk controls using a series of key risk indicators, and reports to the Board on a quarterly basis. Reportable changes to the risk profile being defined within the Syndicate's risk management policy.

Report of the directors of the Managing Agent (*continued*)

The risk management programme is controlled by the Chief Risk Officer (CRO) who provides guidance and support for risk management practice across the entity. Responsibility for risk management is spread throughout the organisation and is embedded in the operational responsibilities of each executive director. The CRO works together with the Head of Business Analysis on the risk based capital modelling; and with Compliance and Internal Audit on other specific initiatives to evaluate and address risk.

During 2014 the implementation of Solvency II has been progressed in line with the regulatory timetables and guidelines.

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

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.

The Agency 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 Syndicate business analysis team. In addition the Agency receives independent external analyses of the reserve requirements annually.

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

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.

Credit risk

The key aspect of credit risk is the risk of default by one or more of the Syndicate's reinsurers. This risk is managed by the Executive Committee and Reinsurance Security Committee which establish standards applicable to all reinsurers and the reinsurance department 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 by means of a Letter of Credit.

Market risk

The key aspect of market risk is that the Syndicate incurs losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Agency's Chief Financial Officer reviews currency matching quarterly. Where there is a significant mismatch, appropriate risk mitigation techniques to minimise the effects of currency movements are considered.

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 Chief Financial Officer monitors cash flows and manages liquid assets to ensure that cash is available to meet obligations and operational liquidity needs.

Operational risk

This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate. The Agency seeks to manage this risk through the use of detailed procedures manuals and a structured programme of testing of processes and systems by internal audit. The internal audit process is designed to provide management and the Board, through its audit committee, with reasonable assurance that the controls and procedures are able to contain the risks within acceptable limits.

Regulatory risk

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

Report of the directors of the Managing Agent (*continued*)

Future Developments

Following the acquisition of the Managing Agent by AmTrust International Limited (formerly known as IGI Group Limited), we continue to work together with the new owner to refocus the business in lines that complement the group and ensure the syndicate's profitability by building a platform for sustained returns and stability.

This is to be achieved by reaching critical mass in our existing lines of business and by introducing new classes of business which deliver the required threshold for return on capital and lead to a reduction of the expense ratio. The latter will also be reduced by a combination of potential synergies with other group companies and reduction of syndicate's specific costs.

The Syndicate continues to manage the account proactively and to maintain strict underwriting discipline in 2015. This is being supported by further enhancements in underwriting support and risk management controls.

The Syndicate's capacity for 2015 remains at £200,000,000.

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. Previously, the executive directors indirectly participated in the Syndicate through their shareholdings in AmTrust Lloyd's Holdings Limited, the parent company of AmTrust Corporate Member Limited, the capital provider. All directors' and employee shareholdings in AmTrust Lloyd's Holdings Limited were reduced to nil before the acquisition by AmTrust International Limited (formerly known as IGI Group Limited).

Disclosure of information to the auditors

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 needed by the auditor in connection with its report, of which the auditor is unaware. Having made enquiries of fellow directors of the Agency and 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

The Managing Agent, AmTrust at Lloyd's Limited, intends to reappoint BDO LLP as the Syndicate's auditors.

Syndicate's Annual General Meeting

AmTrust at Lloyd's Limited does not propose to hold an annual general meeting of members of the Syndicate to re-appoint the existing Syndicate auditors, BDO LLP. Members are asked to note that any objections to this proposal should be submitted, in writing, to AmTrust at Lloyd's Limited within 21 days of this notice.

By order of the Board

Donal Barrett
Secretary

17 March 2015

Statement of managing agent's responsibilities

The Managing Agent is responsible for preparing the Syndicate annual accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations") require the Managing Agent to prepare syndicate annual accounts at 31 December each year which 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 year.

In preparing these syndicate annual accounts, the Managing Agent is required to:

1. select suitable accounting policies which are applied consistently, with the exception of changes arising on the adoption of new accounting standards in the year;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
4. prepare the financial statements on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that there will be future years of account of the Syndicate.

The Managing Agent is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the syndicate annual accounts comply with the Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with the above requirements in preparing the syndicate annual accounts of Syndicate 1206.

By order of the Board

Donal Barrett
Secretary

17 March 2015

Independent auditor's report to the members of Syndicate 1206

We have audited the syndicate annual accounts for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with section 10 of part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and for no other purpose. Our audit work has been undertaken so that we might state to the Syndicate's members those matters we are required to state 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 Syndicate and the Syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the managing agent and the auditors

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 9, the Managing Agent is responsible for the preparation of syndicate annual accounts which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the syndicate annual accounts

An audit involves obtaining evidence about the amounts and disclosures in the syndicate annual accounts sufficient to give reasonable assurance that the syndicate annual accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the syndicate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Managing Agent; and the overall presentation of the syndicate annual accounts. In addition, we read all the financial and non-financial information in the 'Report of the directors of the Managing Agent' to identify material inconsistencies with the audited syndicate annual accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on syndicate annual accounts

In our opinion the syndicate annual accounts:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2014 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Opinion on other matter prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

In our opinion the information given in the Report of the directors of the Managing Agent for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the Managing Agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

David Roberts (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
17 March 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

AmTrust at Lloyd's Limited: Syndicate 1206

Profit and loss account: Technical Account – General Business

For the year ended 31 December 2014

| | <i>Note</i> | Year Ended 31 December 2014 | Year Ended 31 December 2013 |
|--|-------------|--------------------------------|--------------------------------|
| | | £000 | £000 |
| Earned premium, net of reinsurance | | | |
| Gross premiums written | 3 | 182,517 | 183,069 |
| Outward reinsurance premiums | | (15,498) | (22,107) |
| Change in gross provisions for unearned premiums | | 11,114 | (250) |
| Change in provision for unearned premiums, reinsurers' share | | (2,985) | (686) |
| | | 175,148 | 160,026 |
| Earned premium, net of reinsurance | | | |
| Allocated investment return transferred from the non-technical account | | 4,720 | 2,107 |
| | | 179,868 | 162,133 |
| Claims incurred, net of reinsurance | | | |
| Claims paid | | | |
| Gross amount | | (99,911) | (122,793) |
| Reinsurers' share | | 13,891 | 20,031 |
| | | (86,020) | (102,762) |
| Change in provision for claims | | | |
| Gross amount | | (37,537) | (5,223) |
| Reinsurers' share | | (5,275) | (4,877) |
| | | (42,812) | (10,100) |
| | | (128,832) | (112,862) |
| Claims incurred, net of reinsurance | | | |
| Net operating expenses | 6 | (77,947) | (71,362) |
| | | (206,779) | (184,224) |
| Total technical charges | | | |
| Balance on the technical account for general business | | (26,911) | (22,091) |

All operations are classified as continuing.

The notes on pages 16 to 26 form part of the annual accounts.

AmTrust at Lloyd's Limited: Syndicate 1206

Profit and loss account: Non-Technical Account

For the year ended 31 December 2014

| | Note | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|------|--------------------------------|--------------------------------|
| | | £000 | £000 |
| Balance on the general business technical account | | (26,911) | (22,091) |
| Investment income (including realised gains) | 9 | 6,467 | 4,812 |
| Unrealised gains on investments | | 1,080 | 31 |
| Investment expenses and charges | | | |
| Investment management expenses | 9 | (210) | (135) |
| Realised losses on investments | 9 | (2,197) | (2,230) |
| Unrealised losses on investments | | (420) | (371) |
| Allocated investment return transferred to the general business technical account | | (4,720) | (2,107) |
| Loss for the financial year | | (26,911) | (22,091) |

There were no recognised gains or losses relating to the current or preceding year other than those included in the profit and loss account. Therefore no statement of total recognised gains and losses has been presented.

The notes on pages 16 to 26 form part of the annual accounts.

AmTrust at Lloyd's Limited: Syndicate 1206

Balance sheet - Assets

As at 31 December 2014

| | Note | £000 | 2014 £000 | £000 | 2013 £000 |
|--|------|--------|----------------|--------|----------------|
| Investments | | | | | |
| Other financial investments | 10 | | 169,242 | | 141,828 |
| Reinsurers' share of technical provisions | | | | | |
| Provisions for unearned premiums | | 3,892 | | 6,877 | |
| Claims outstanding | | 50,831 | | 55,048 | |
| | | | 54,723 | | 61,925 |
| Debtors | | | | | |
| Debtors arising out of direct insurance operations | 11 | 51,066 | | 36,950 | |
| Debtors arising out of reinsurance operations | 12 | 11,515 | | 9,485 | |
| Other debtors | 13 | 4,383 | | 6,549 | |
| | | | 66,964 | | 52,984 |
| Other assets | | | | | |
| Cash at bank and in hand | 20 | 7,592 | | 6,954 | |
| Overseas deposits | 20 | 44,602 | | 46,841 | |
| | | | 52,194 | | 53,795 |
| Prepayments and accrued income | | | | | |
| Deferred acquisition costs | | 30,933 | | 37,285 | |
| Other prepayments and accrued income | | 1,785 | | 862 | |
| | | | 32,718 | | 38,147 |
| Total assets | | | 375,841 | | 348,679 |

The notes on pages 16 to 26 form part of the annual accounts.

AmTrust at Lloyd's Limited: Syndicate 1206

Balance sheet - Liabilities

As at 31 December 2014

| | <i>Note</i> | £000 | 2014 £000 | £000 | 2013 £000 |
|--|-------------|---------|--------------|---------|--------------|
| Member's balances | 14 | | (38,580) | | (34,736) |
| Technical provisions | | | | | |
| Provisions for unearned premiums | | 85,287 | | 96,401 | |
| Claims outstanding | 15 | 321,885 | | 278,997 | |
| | | _____ | 407,172 | _____ | 375,398 |
| Creditors | | | | | |
| Creditors arising out of direct insurance operations | 16 | 477 | | 558 | |
| Creditors arising out of reinsurance operations | 17 | 5,134 | | 6,167 | |
| Other creditors | 18 | 1,638 | | 1,292 | |
| | | _____ | 7,249 | _____ | 8,017 |
| Total liabilities | | | 375,841 | _____ | 348,679 |
| | | | ===== | ===== | |

These annual accounts were approved by the Board of AmTrust at Lloyd's Limited on 17 March 2015 and were signed on its behalf by:

Peter Dewey
Director

Histasp Contractor
Director

The notes on pages 16 to 26 form part of the annual accounts.

AmTrust at Lloyd's Limited: Syndicate 1206

Statement of cash flows

For the year ended 31 December 2014

| | <i>Note</i> | Year ended 31 December 2014 | Year ended 31 December 2013 |
|--|-------------|--------------------------------|--------------------------------|
| | | £000 | £000 |
| Reconciliation of operating loss to net cash inflow from operating activities | | | |
| Operating loss on ordinary activities | | (26,911) | (22,091) |
| Realised and unrealised investment (losses)/gains including foreign exchange | 19 | (1,084) | 10,564 |
| Increase in net technical provisions | | 38,976 | 1,976 |
| (Increase)/decrease in debtors | | (8,297) | 22,307 |
| (Decrease)/increase in creditors | | (768) | 469 |
| Net cash inflow from operating activities | | 1,916 | 13,225 |
| Returns on investment and servicing of finance | | | |
| Cash Call | | 22,813 | 36,839 |
| | 20 | 24,729 | 50,064 |
| Cash flows were invested as follows: | | | |
| Increase in cash holdings | 20 | 706 | 1,710 |
| Net portfolio investment | 20 | 24,023 | 48,354 |
| Net application of cash flows | | 24,729 | 50,064 |

The notes on pages 16 to 26 form part of the annual accounts.

Notes to the annual accounts

1 Basis of preparation

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations") and applicable Accounting Standards in the United Kingdom. They comply with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (as amended in December 2006 ("the ABI SORP")).

As a result of the losses arising in the financial year the members' balances on the balance sheet show a deficit. The Syndicate does not hold capital on its own balance sheet. However the sole corporate member AmTrust Corporate Member Limited holds Funds at Lloyd's on behalf of the Syndicate, which can be used to support the solvency position of the Syndicate. The ability of the Syndicate to meet its obligations as they fall due is underpinned by the support provided by the Lloyd's solvency process and its chain of security.

2 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 as follows:

a) *Basis of Accounting*

Premiums written

Premiums written comprise premiums on contracts inception 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 balance sheet 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 written in the year that relate to unexpired terms of policies in force at the balance sheet 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 balance sheet 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 syndicate's in-house actuaries and reviewed by 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.

Notes (continued)

In the event of a catastrophe, the Syndicate's approach is to analyse the range of exposures through two primary methods, the Catastrophe Model or on a risk by risk basis, depending on the type of loss occurrence. Both analyses involve a number of departments who consider the ranges arising from the review to determine the Syndicate's ultimate estimate of the event. The Catastrophe Model exercise is principally undertaken by the Catastrophe Modelling, Risk Management and Underwriting teams based on the loss footprints provided by external agencies. The risk by risk analysis is performed by the Claims and Underwriting teams taking into account internal information as well as that received from third party sources.

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.

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.

b) 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 in accordance with paragraph 119 of the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (as amended in December 2006 ("the ABI SORP")), after taking into account relevant investment return.

c) Acquisition costs

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts are deferred (DAC) to the extent that they are attributable to premiums unearned at the balance sheet date.

d) Segmental Reporting

The segmental analysis provided in note 3 to the financial statements is produced on the basis of the class of business as required by Lloyd's.

e) Foreign currencies

The functional currency is Sterling. Income and expenditure in US dollars, Canadian dollars, Japanese yen 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.

Monetary assets and liabilities are translated into Sterling at the rates of exchange at the balance sheet dates unless contracts to sell currency for Sterling have been entered into prior to the year end, in which case the contracted rates have been used. Foreign exchange gains and losses are recognised in the technical account.

Non-monetary assets and liabilities are translated at historic rates of exchange. Unearned premium reserves and deferred acquisition costs are treated as non-monetary items.

f) Investments

Investments are stated at fair value at the balance sheet date. For this purpose listed investments are stated at mid-market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they were traded on the balance sheet date or the last trading day before that date.

Notes (continued)

g) 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 market 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 balance sheet 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.

h) 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 balance sheet under the heading 'Member's balances'.

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

i) Pension costs

AmTrust Syndicate Holdings Limited ("ASH"), the parent company of the Managing Agent, employs all individuals working on the Syndicate. It operates a defined contribution scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

j) FRS 23 to FRS 29

Accounting standards FRS 23 to FRS 29 apply for periods commencing 1 January 2006. The standards are:

- FRS 23 – The Effects of Changes in Foreign Exchange Rates;
- FRS 24 – Financial Reporting in Hyperinflationary Economies;
- FRS 26 – Financial Instruments: Recognition and Measurement; and
- FRS 29 – Financial Instruments: Disclosures

The Syndicate has not adopted these accounting standards because it does not hold any financial investments that meet the criteria to make adoption mandatory.

AmTrust at Lloyd's Limited: Syndicate 1206

Notes (continued)

3 Segmental analysis

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

| 2014 | Gross Premiums Written £000 | Gross Premiums Earned £000 | Gross Claims Incurred £000 | Reinsurance Balance £000 | Total £000 |
|-----------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|--------------------------------|-----------------|
| Direct insurance: | | | | | |
| Accident and health | 27,658 | 30,026 | (15,064) | (1,179) | 13,783 |
| Motor (other classes) | 2,942 | 2,942 | (5,059) | 164 | (1,953) |
| Marine aviation and transport | 2,506 | 2,518 | (338) | (139) | 2,041 |
| Fire and other damage to property | 63,717 | 65,637 | (33,321) | (3,610) | 28,706 |
| Third party liability | 47,757 | 52,763 | (57,734) | (3,509) | (8,480) |
| Pecuniary loss | 5,276 | 8,665 | (4,084) | (11) | 4,570 |
| | <u>149,856</u> | <u>162,551</u> | <u>(115,600)</u> | <u>(8,284)</u> | <u>38,667</u> |
| Reinsurance acceptances | 32,661 | 31,080 | (21,848) | (1,583) | 7,649 |
| Total | <u>182,517</u> | <u>193,631</u> | <u>(137,448)</u> | <u>(9,867)</u> | <u>46,316</u> |
| Net operating expenses | | | | | (77,947) |
| Underwriting result | | | | | <u>(31,631)</u> |
| | | | | | |
| 2013 | Gross Premiums Written £000 | Gross Premiums Earned £000 | Gross Claims Incurred £000 | Reinsurance Balance £000 | Total £000 |
| Direct insurance: | | | | | |
| Accident and health | 31,074 | 31,106 | (16,547) | (1,455) | 13,104 |
| Motor (other classes) | (4,015) | (4,015) | 2,501 | (2,771) | (4,285) |
| Marine aviation and transport | 3,048 | 2,843 | (654) | (206) | 1,983 |
| Fire and other damage to property | 71,786 | 70,036 | (27,841) | (8,065) | 34,130 |
| Third party liability | 45,196 | 43,679 | (31,397) | (5,455) | 6,827 |
| Pecuniary loss | 10,694 | 12,554 | (31,086) | 13,384 | (5,148) |
| | <u>157,783</u> | <u>156,203</u> | <u>(105,024)</u> | <u>(4,568)</u> | <u>46,611</u> |
| Reinsurance acceptances | 25,286 | 26,616 | (22,992) | (3,071) | 553 |
| Total | <u>183,069</u> | <u>182,819</u> | <u>(128,016)</u> | <u>(7,639)</u> | <u>47,164</u> |
| Net operating expenses | | | | | (71,362) |
| Underwriting result | | | | | <u>(24,198)</u> |

Commissions on direct insurance gross premiums earned during 2014 were £44,319,000 (2013 - £44,319,000).

All premiums were written in the UK.

The geographical analysis of premiums by destination is as follows:

| | 2014 £000 | 2013 £000 |
|--------------------|----------------|----------------|
| UK | 68,079 | 60,532 |
| USA | 50,490 | 62,949 |
| Australia | 17,402 | 20,284 |
| Canada | 11,334 | 14,328 |
| Other EU Countries | 17,557 | 11,044 |
| Other | 17,655 | 13,932 |
| | <u>182,517</u> | <u>183,069</u> |

AmTrust at Lloyd's Limited: Syndicate 1206

Notes (continued)

4 Currency rates of exchange

The rates of exchange applied in these accounts are:

| | 31 December 2014 | Average for 2014 | 31 December 2013 | Average for 2013 |
|---------------|---------------------|---------------------|---------------------|---------------------|
| Australian \$ | 1.84 | 1.83 | 1.85 | 1.62 |
| Canadian \$ | 1.79 | 1.82 | 1.76 | 1.61 |
| Euro | 1.26 | 1.24 | 1.20 | 1.18 |
| Japanese Yen | 185.68 | 174.21 | 174.08 | 152.8 |
| US \$ | 1.56 | 1.65 | 1.66 | 1.56 |

5 Movement in prior year's provision for claims outstanding

During 2014 the net loss ratio (net of acquisitions costs) on certain lines of business for the 2012 and prior years of account was increased. These increases are set out in the table below together with their effect on ultimate claims reserves.

| Internal Class | Dec 2014 loss ratio | Dec 2013 loss ratio | Increase in claims reserves (£000) |
|----------------|------------------------|------------------------|---------------------------------------|
| Treaty | 104% | 98% | 6,623 |
| Liability | 122% | 97% | 16,719 |

6 Net operating expenses

| | 2014 £000 | 2013 £000 |
|--|---------------|---------------|
| Brokerage & commissions | 48,430 | 45,126 |
| Change in deferred brokerage | 2,738 | 283 |
| Other acquisition costs | 299 | 539 |
| Change in deferred other acquisition costs | 3,613 | (1,789) |
| Administrative expenses | 24,911 | 23,882 |
| (Profit) / loss on exchange | (2,044) | 3,321 |
| | 77,947 | 71,362 |

Administrative expenses include:

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Auditors' remuneration | | |
| Fees payable to the Syndicate's auditor, BDO LLP, for the audit of the Syndicate annual accounts | 114 | 115 |
| Fees payable to BDO LLP and its associates for other services: | | |
| Other services pursuant to legislation, including the audit of the regulatory return | 46 | 25 |
| Other assurance services | 5 | - |
| Fees payable to PWC and its associates for other services: | | |
| Other services pursuant to legislation, including the audit of the regulatory return | - | 35 |
| Members' standard personal expenses (Lloyd's subscriptions, New Central Fund contributions & Managing Agent's fees) | 3,243 | 3,418 |

AmTrust at Lloyd's Limited: Syndicate 1206

Notes (continued)

7 Staff numbers and costs

All staff (including directors) are employed by AmTrust Syndicate Holdings Limited and their costs recharged to the Managing Agent. The following amounts were recharged to the Syndicate in respect of staff costs (including claims staff costs):

| | 2014 £000 | 2013 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 10,522 | 10,272 |
| Social security costs | 1,505 | 1,572 |
| Other pension costs | 681 | 687 |
| | 12,708 | 12,531 |
| | 12,708 | 12,531 |

The average number of employees (including directors) employed by the managing agency but working for the syndicate during the year was as follows:

| | 2014 Number | 2013 Number |
|----------------------------|----------------|----------------|
| Administration and finance | 18 | 17 |
| Underwriting | 36 | 41 |
| Technical support | 65 | 63 |
| | 119 | 121 |
| | 119 | 121 |

8 Emoluments of the directors of AmTrust at Lloyd's Limited and the active underwriter

During the year AmTrust at Lloyd's Limited recharged the syndicate £711,000 (2013 - £1,525,000) in respect of emoluments and pension costs paid to its directors. This included aggregate remuneration, including pension contributions, in respect of the active underwriters of £187,000 (2013 - £358,000).

9 Investment income

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Investment income | | |
| Income from other financial investments | 5,554 | 4,267 |
| Gains on the realisation of investments | 913 | 545 |
| | 6,467 | 4,812 |
| Investment expenses and charges | | |
| Investment management expenses, including interest | (210) | (135) |
| Losses on realisation of investments | (2,197) | (2,230) |
| | (2,407) | (2,365) |
| Unrealised gains/(losses) on investments | 660 | (340) |
| Total investment return | 4,720 | 2,107 |

AmTrust at Lloyd's Limited: Syndicate 1206

Notes *(continued)*

10 Other financial Investments

| | Market value | | Cost | |
|--|----------------|----------------|----------------|----------------|
| | 2014 £000 | 2013 £000 | 2014 £000 | 2013 £000 |
| Listed shares and other variable yield securities and units in unit trusts | 19,204 | 30,309 | 19,204 | 30,309 |
| Listed debt securities and other fixed income securities | 150,038 | 111,519 | 150,212 | 112,328 |
| | <u>169,242</u> | <u>141,828</u> | <u>169,416</u> | <u>142,637</u> |

Shares and other variable yield securities and units in unit trusts and debt securities and other fixed income securities are all traded on active markets.

11 Debtors arising out of direct insurance operations

| | 2014 £000 | 2013 £000 |
|----------------------------|---------------|---------------|
| Due within one year | | |
| Intermediaries | 51,066 | 36,950 |
| | <u>51,066</u> | <u>36,950</u> |

12 Debtors arising out of reinsurance operations

| | 2014 £000 | 2013 £000 |
|---------------------|---------------|--------------|
| Due within one year | 11,515 | 9,485 |
| | <u>11,515</u> | <u>9,485</u> |

13 Other debtors

| | 2014 £000 | 2013 £000 |
|---------------------------------------|--------------|--------------|
| Balance with other group undertakings | 2,751 | 5,440 |
| Other debtors | 1,632 | 1,109 |
| | <u>4,383</u> | <u>6,549</u> |

AmTrust at Lloyd's Limited: Syndicate 1206

Notes *(continued)*

14 Reconciliation of members' balances

| | 2014 £000 | 2013 £000 |
|--|-----------------|-----------------|
| Members' balances at 1 January | (34,736) | (49,993) |
| Loss for the year | (26,911) | (22,091) |
| Personal expenses | 254 | 509 |
| Cash call | 22,813 | 36,839 |
| Members' balances carried forward at 31 December | <u>(38,580)</u> | <u>(34,736)</u> |

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.

15 Technical Provisions

| | Provision for Unearned Premiums £000 | Provision for Outstanding Claims and IBNR £000 | Total £000 |
|-----------------------|---|---|----------------|
| Gross | | | |
| At 1 January 2014 | 96,401 | 278,997 | 375,398 |
| Exchange adjustments | - | 5,351 | 5,351 |
| | <u>96,401</u> | <u>284,348</u> | <u>380,749</u> |
| Movement in provision | (11,114) | 37,537 | 26,423 |
| At 31 December 2014 | <u>85,287</u> | <u>321,885</u> | <u>407,172</u> |

16 Creditors arising out of direct insurance operations

| | 2014 £000 | 2013 £000 |
|---------------------|--------------|--------------|
| Due within one year | 477 | 558 |
| | <u>477</u> | <u>558</u> |

17 Creditors arising out of reinsurance operations

| | 2014 £000 | 2013 £000 |
|---------------------|--------------|--------------|
| Due within one year | 5,134 | 6,167 |
| | <u>5,134</u> | <u>6,167</u> |

AmTrust at Lloyd's Limited: Syndicate 1206

Notes (continued)

18 Other creditors

| | 2014 £000 | 2013 £000 |
|-----------------|--------------|--------------|
| Other creditors | 1,638 | 1,292 |
| | 1,638 | 1,292 |

19 Movement in opening and closing portfolio investments net of financing

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Net cash (outflow)/inflow from the year | (1,877) | 3,557 |
| Cash flow – portfolio investments | 26,606 | 46,507 |
| Movement arising from cash flows | 24,729 | 50,064 |
| Changes in market value and exchange rates | 1,084 | (10,565) |
| Total movement in portfolio investments net of financing | 25,813 | 39,499 |
| Portfolio at 1 January | 195,623 | 156,124 |
| Portfolio at 31 December | 221,436 | 195,623 |

20 Movement in cash, portfolio investments and financing

| | At 1 January 2014 £000 | Cash in / (out) flow £000 | Changes to market value and currencies £000 | At 31 December 2014 £000 |
|--|------------------------------|---------------------------------|--|--------------------------------|
| Cash at bank and in hand | 6,954 | 706 | (68) | 7,592 |
| Overseas deposits | 46,841 | (2,583) | 344 | 44,602 |
| | 53,795 | (1,877) | 276 | 52,194 |
| Portfolio investments: | | | | |
| Shares and other variable yield securities | 30,309 | (9,990) | (1,115) | 19,204 |
| Debt securities and other fixed income securities | 111,519 | 36,596 | 1,923 | 150,038 |
| Total portfolio investments | 141,828 | 26,606 | 808 | 169,242 |
| | 195,623 | 24,729 | 1,084 | 221,436 |

AmTrust at Lloyd's Limited: Syndicate 1206

Notes (continued)

21 Net cash inflow on portfolio investments

| | 2014 £000 | 2013 £000 |
|---|-----------------|-----------------|
| Purchase of shares and other variable yield securities | (456,457) | (501,090) |
| Purchase of debt securities and other fixed income securities | (248,575) | (124,270) |
| Sale of shares and other variable yield securities | 466,447 | 482,591 |
| Sale of debt securities and other fixed income securities | 211,979 | 96,262 |
| Net cash (outflow) on portfolio investments | (26,606) | (46,507) |

22 Amounts held within Premium Trust Funds

A large part of the Syndicate's assets are required to be held in trust funds. The total amount concerned as at 31 December 2014 was £284,014,000 (2013: £242,785,000). These assets comprise all the Syndicate's investments, cash and overseas deposits together with certain debtors net of creditors. The Syndicate writes business in certain jurisdictions that require the deposit of cash and investments in locally held trust funds therefore preventing the free transfer of cash between currencies and locations. These amounts include overseas deposits which are lodged as a condition of conducting underwriting business in certain countries (see note 20).

23 Related parties

Syndicate 1206 is managed by AmTrust at Lloyd's Limited, a subsidiary of AmTrust Syndicate Holdings Limited. All of the directors of AmTrust at Lloyd's Limited are directors of AmTrust Syndicate Holdings Limited. During the year Managing Agents fees of £2,000,000 (2013 - £2,000,000) were charged by the Managing Agent to the Syndicate. Recharges of £18,249,000 (2013 - 18,728,000) were made from AmTrust Syndicate Holdings Limited to the Syndicate. AmTrust at Lloyds Limited is also the Managing Agent for Syndicate 44. During the year Syndicate 1206 lent funds to Syndicate 44 in order to enable it to meet its expenses. The amounts outstanding at 31 December 2014 were £Nil (2013 - £605,200).

Syndicate 1206's entire capital since 2000 has been provided by AmTrust Corporate Member Limited, a subsidiary of AmTrust Lloyd's Holdings Limited, itself the parent company of AmTrust Syndicate Holdings Limited. Messrs Barrett, Cadle, Dewey, Contractor, Jansli, Sibthorpe, Ross Sweatman and Ms Tenenti are directors of AmTrust Corporate Member Limited.

AmTrust Syndicate Services Limited, a subsidiary of AmTrust Syndicate Holdings Limited, acts as a means of introducing business to Syndicate 1206, from non-Lloyd's brokers, under a binding authority arrangement. During the year £46,000 (2013 - £141,000) was processed through this company. Messrs Barrett, Cadle, Dewey, Contractor, Jansli, Loucaides, Sibthorpe, Ross Sweatman and Ms Tenenti are directors of AmTrust Syndicate Services Limited.

AmTrust Underwriting Limited, a subsidiary of AmTrust Syndicate Holdings Limited, is an insurance intermediary authorised by the FCA and produces Accident & Health and Commercial Combined business to the Syndicate. Premiums amounting to £3,902k (2013 - £3,774k) were received from this company during 2014. All of the directors of AmTrust at Lloyd's Limited are directors of this company.

AmTrust Claims Services Limited (ACS), a subsidiary of AmTrust Syndicate Holdings Limited, is a claims management company in California and adjusts claims on behalf of the Syndicate and others on the Liability book of business. All of the directors of AmTrust at Lloyd's Limited are directors of ACS.

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.

Notes *(continued)*

24 Post Balance Sheet Events

The following amounts are proposed to be called from members' personal reserve funds as part of the normal distribution process.

| | 2014 £000 | 2013 £000 |
|---|----------------------------|--------------|
| 2012 Year of account (2011 Year of account) | 17,854 | 22,813 |

25 Funds at Lloyd's

Every member of Lloyd's is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' 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 annual accounts, by way of capital resources. However, the Managing Agent is able to call on the members' FAL to meet liquidity requirements or to settle losses.