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AmTrust at Lloyd's Limited: Syndicate 2526

Syndicate Annual Accounts

31 December 2015

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Contents

Directors and advisers

Managing Agent:

Managing Agent	AmTrust at Lloyd's Limited (from 1 April 2015)
Directors	Donal Barrett Jeremy Cadle Max Caviet Histasp Contractor Peter Dewey Joanne Fox Brian Jackson Bjorn Jansli Michael Sibthorpe George Sweatman Gary Ross (resigned 20 May 2015)
Secretary	Donal Barrett
Registered Office	1 Great Tower Street London EC3R 5AA
Registered Number	3043923
Managing Agent	Asta Managing Agency Limited (to 31 March 2015)
Directors	Y A Bouman G M J Erulin L Harfitt A J Hubbard D J G Hunt D F C Murphy S P A Norton J W Ramage T A Riddell J M Tighe
Secretary	C Chow
Registered Office	23 Camomile Street London EC3A 7LL
Registered Number	1918744

Directors and advisers *(continued)*

Syndicate:

Active Underwriter	Neil Attwood (appointed 1 January 2016) Mike Sibthorpe (appointed 1 April 2015, resigned 31 December 2015) Dominic Frost (resigned 31 March 2015)
Bankers	Barclays Bank PLC Citibank N.A. Royal Bank of Canada
Investment Managers	AII Insurance Management Limited (appointed 1 August 2015) Amundi (UK) Ltd (resigned 31 July 2015)
Independent Auditors	KPMG LLP

Report of the directors of the Managing Agent

The directors of the Managing Agent present their report for the year ended 31 December 2015.

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 ("the Regulations").

Managing Agent

With effect from 1 April 2015 the Managing Agent of the Syndicate was AmTrust at Lloyd's Limited. Prior to this date the Managing Agent was Asta Managing Agency Ltd. The decision to change Managing Agents was so as to align the ownership of the Managing Agent with the major provider of capital given that AmTrust Corporate Member Limited provides 99.5% of the 2015 capacity. Both AmTrust at Lloyd's Limited and AmTrust Corporate Member Limited are wholly owned by AmTrust International Limited, a subsidiary of AmTrust Financial Services Inc. Being part of a major financial institution will provide greater capital flexibility and we will work to capitalise on efficiencies and opportunities that the group provides.

Results for the year

This is the first year that the Syndicate has presented its results under FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS102 was 1 January 2014. In accordance with FRS102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS103 "Insurance contracts". The impact of the transition to FRS 102 is set out in note 22.

Annual Accounted Result

The result for the year is a loss of £47,162k (2014 loss - £24,764k) before accounting for investment income of £617k (2014 - £808k). As set out below, the result is significantly impacted by the large deterioration that arose on the 2013 and prior years of account on the professional indemnity, Directors and Officers and medical malpractice classes of business which represent the vast majority of the Syndicate's business and reserves. As a result of the deterioration in the loss ratios arising in the 2013 and prior years of account the loss ratios for the 2014 and 2015 years of account have been increased from that previously held at the end of 2014 and in the business plan.

2015 calendar year loss before investment income by year of account

	2015	2014	2013 & prior	Total
	£'000	£'000	£'000	£'000
On-going lines of business:				
Accident & Health	-	(1,958)	(1,171)	(3,129)
Third Party Liability	3,691	722	(34,591)	(30,178)
Pecuniary Loss	104	38	(2)	140
Casualty	963	1,179	(1,604)	538
Underwriting result	**4,758**	**(19)**	**(37,368)**	**(32,629)**
Net operating expenses	(8,847)	(4,813)	(873)	(14,533)
Loss before investment income	**(4,089)**	**(4,832)**	**(38,241)**	**(47,162)**

Underwriting Year Result

The 2013 and prior underwriting years produced a loss after investment return of £42,021k (2012 & prior loss £21,320k). This loss compares to a forecast loss of £4,707k at 31 December 2014. The result was affected by movements in the claims reserves during the year following an independent review of the open claims.

The new Managing Agent was appointed on 1 April 2015 and, assisted by an independent claims consulting firm, instigated a review of all open claims as at Quarter 3. As a result, the claims reserves were strengthened materially, in particular on the 2013 and prior years. This was primarily due to a significant increase in the incurred claims position on the professional indemnity, Directors and Officers and medical malpractice classes of business These classes represent the vast majority of the Syndicate's business and reserves.

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

Key uncertainties preventing the closure of the 2013 year of account

Whilst the Managing Agent and the independent claims consultants have completed their review of open claims on the 2013 and prior years and the Syndicate’s independent actuarial consultants have advised on the ultimate level of claims reserves required, the ultimate amounts of these claims (both gross and net of reinsurance) are subject to significant uncertainty across all years of account. There exists a high degree of uncertainty over the outcome of many claims and therefore wide variability in the possible outcomes due to the relative stage of development of the claims, many involving complex litigation over a long period. In addition, the incorporation of the reserves advised by the independent claims consultants has led to some distortion in the development patterns resulting in further variability in the range of possible future outcomes. It is expected that this uncertainty will reduce in the course of the next 12 to 24 months.

Given this uncertainty and the change in capital providers between the 2013 and 2014 years of account, the board of the Managing Agent has decided to leave the 2013 year of account open at 31 December 2015. Profits and losses will continue to be distributed and collected by reference to the results of individual underwriting years. As the year of account has not closed an interim cash call of £8,404k (2014 – cash call of £21,320k) will be made at the request of the names in June 2016.

Members Balances

Mainly as a result of the losses arising in the financial year the members’ balances on the balance sheet show a deficit. Although the Syndicate does not hold capital on its own balance sheet, the members hold Funds at Lloyd’s on behalf of the Syndicate. The main capital provider, AmTrust Corporate Member Limited (who provides 99.5% of the capacity for 2016) has deposited the required Funds for the 2016 Coming into Line process as at 25 November 2015. These funds are deposited to support the solvency position of the Syndicate and for the Syndicate’s 2016 business plan.

Ultimately the Syndicate’s obligations are underpinned by the support provided by the Lloyd’s solvency process and the Lloyd’s 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 classes of business is set out below.

***Accident and Health*:** This is a broad mix of risk types, including accidental death, dismemberment and disability. The underwriting on this class was stopped during the 2014 year of account. Permission has been received from Lloyd’s to start underwriting this account during 2016.

Third Party Liability: This is the main class of business for the Syndicate and covers Professional Indemnity (PI), Directors and Officers (D & O) and Medical Malpractice insurance written on a primary basis

PI 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.

D & O 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.

Medical Malpractice provides cover to medical clinics and individual doctors against liability arising from negligent or erroneous acts.

Pecuniary Loss: The main business written under this class is Pecuniary Loss and a small amount of Warranty

Casualty: This is a generic class of business and includes all of the Syndicate’s business where it is written on an excess basis, mainly for mid-market business and larger risks.

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

Financial Performance

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

	2015	2014
	£'000	£'000
Gross Written Premiums	**28,950**	39,472
Gross Earned Premium	**37,295**	42,859
Net Earned Premium	**29,771**	33,327
Gross Incurred Claims	**(83,069)**	(62,480)
Net Incurred Claims	**(62,400)**	(42,527)
Investment Income	**617**	808
Operating expenses	**(14,295)**	(15,297)
Other expenses	**(238)**	(267)
Loss for the financial year	**(46,545)**	(23,956)

Gross written premiums decreased from £39,472k in 2014 to £28,950k in 2015. A breakdown of the premium income by internal class of business is set out below.

	2015	2014
	£'000	£'000
On-going lines of business:		
Accident & Health	**5**	(1,343)
Third Party Liability	**22,772**	32,976
Pecuniary Loss	**467**	37
Casualty	**5,706**	7,802
Total Gross Written Premium	**28,950**	39,472

Following the transfer of the managing agency to AmTrust at Lloyd's Limited the account has been reunderwritten. This process continues during 2016 and has led to the reduction in premium written during the year.

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

	2015	2014
	£'000	£'000
On-going lines of business:		
Accident & Health	**383**	1,860
Third Party Liability	**29,531**	33,574
Pecuniary Loss	**513**	313
Casualty	**6,868**	7,112
Total Gross Earned Premiums	**37,295**	42,859

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 level of earned reinsurance premium for 2015 has fallen to £7,524k compared with £9,532k in 2014, due to efficiencies in buying the reinsurances, the inclusion of the Syndicate in AmTrust group policies 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 below.

	2015	2014
	£'000	£'000
On-going lines of business:		
Accident & Health	**73**	537
Third Party Liability	**6,256**	7,787
Pecuniary Loss	**80**	67
Casualty	**1,115**	1,141
Total Earned Reinsurance Premiums	**7,524**	9,532

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

Financial Performance *(continued)*

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	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
On-going lines of business:				
Accident & Health	**3,655**	1,887	**3,439**	1,918
Third Party Liability	**73,090**	55,240	**53,453**	36,134
Pecuniary Loss	**377**	95	**292**	77
Casualty	**5,947**	5,258	**5,216**	4,398
Total	**83,069**	62,480	**62,400**	42,527

Investment Performance

The average cash and investment balance during 2015 was £76,255k (2014 - £67,592k). The investment return for 2015 of £617 (2014 - £808k) represented a return of 0.81% (2014 – 1.19%).

The make-up of the investment portfolio managed by AII Insurance Management is set out below:

2015	**GBP**	**Euro**	**Can$**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Supranational Bonds	**450**	**-**	**-**	**450**
Corporate Bonds	**13,943**	**14,796**	**5,202**	**33,941**
Government Bonds	**1,521**	**1,195**	**489**	**3,205**
Government Agencies	**2,508**	**3,082**	**5,845**	**11,435**
Total assets under management	**18,422**	**19,073**	**11,536**	**49,031**

2014	GBP	Euro	Can$	Total
	£'000	£'000	£'000	£'000
Supranational Bonds	651	-	-	651
Corporate Bonds	3,636	12,204	1,955	17,795
Government Bonds	801	1,289	221	2,311
Government Agencies	3,087	8,389	9,095	20,571
Total assets under management	8,175	21,882	11,271	41,328

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

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 Managing Agent 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.

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 Actuarial team on the risk based capital modelling; and with Compliance and Internal Audit on other specific initiatives to evaluate and address risk.

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

Risk Management *(continued)*

During 2015 the implementation of Solvency II has been progressed in line with the regulatory timetables and guidelines.

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 risk

Future Developments

Following the transfer of the management of the Syndicate to AmTrust at Lloyd’s Limited and the appointment of the new underwriter, the aim is 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 the Syndicate’s specific costs. For the 2016 year of account, the Syndicate has been authorised by Lloyd’s to underwrite Property Schemes and Accident & Health (direct and reinsurance) classes of business. We are excited about these new business initiatives and anticipate that further new classes of business will be added to the portfolio subject to recruiting first class underwriting teams with the appropriate expertise.

The Syndicate continues to manage the account proactively and to maintain strict underwriting discipline in 2016. This is being supported by further enhancements in underwriting support and risk management controls.

The Syndicate’s capacity for 2016 has reduced to £60,000,000 (2015: £64,138,490).

Directors and directors’ interests

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

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 KPMG 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, KPMG 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
Director

15 March 2016

Statement of Managing Agent’s responsibilities

The Managing Agent is responsible for preparing the Syndicate annual report and 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 financial statements at 31 December each year 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 Republic of Ireland”. The Syndicate financial statements are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of the profit or loss of the Syndicate for that year.

In preparing these financial statements, 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 financial statements 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 financial statements of Syndicate 2526.

By order of the Board

Donal Barrett
Director

15 March 2016

Independent auditor's report to the members of Syndicate 2526

We have audited the financial statements of Syndicate 2626 for the year ended 31 December 2015 as set out on pages 12 to 34. 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) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 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 the Syndicate's financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Syndicate's financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the Syndicate's financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2015 and of its loss 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 for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

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

Emphasis of matter – Claims reserves

In forming our opinion, which is not modified, we have considered the adequacy of the disclosures made by the managing agent in Notes 18 and 19 relating to the uncertainties regarding the ultimate cost of gross and net claims on business underwritten up to 31 December 2015 and accordingly the level of gross and net provisions for outstanding claims which should be established as at that date. Due to the significant increase in claims for the professional indemnity, Directors and Officers and medical malpractice classes of business there exists a high degree of uncertainty over the outcome of many claims and therefore wide variability in the possible outcomes, due to the relative stage of development of the claims, many requiring further complex litigation over a long period. In addition, the incorporation of reserves advised by independent claims consultants has led to some distortion in the development patterns resulting in further variability in the range of possible future outcomes. Accordingly there is 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 these financial statements. This uncertainty has resulted in the Board deciding to not close the 2013 year of account at 31 December 2015.

Mark Taylor (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
London
United Kingdom
15 March 2016

Income statement: Technical account – General business
For the year ended 31 December 2015

	Note	**Year Ended 31 December 2015** £000	**Year Ended 31 December 2015** £000	Year Ended 31 December 2014 £000	Year Ended 31 December 2014 £000
Earned premium, net of reinsurance					
Gross premiums written	5	**28,950**		39,472	
Outward reinsurance premiums		**(6,561)**		(10,116)	
Change in the provision for unearned premiums					
Gross amount	17	**8,345**		3,387	
Reinsurers' share	17	**(963)**		584	
Earned premium, net of reinsurance			**29,771**		33,327
Allocated investment return transferred from the non-technical account	10		**617**		808
Total technical income			**30,388**		34,135
Claims incurred, net of reinsurance					
Claims paid					
Gross amount	5/17	**(23,896)**		(30,105)	
Reinsurers' share	5/17	**3,680**		7,267	
			(20,216)		(22,838)
Change in provision for claims					
Gross amount	17	**(59,174)**		(32,375)	
Reinsurers' share	17	**16,990**		12,686	
			(42,184)		(19,689)
Claims incurred, net of reinsurance			**(62,400)**		(42,527)
Net operating expenses	7		**(14,295)**		(15,297)
Total technical charges			**(76,695)**		(57,824)
Balance on the technical account - general business			**(46,307)**		(23,689)

All operations relate to continuing activities.

The notes on pages 18 to 34 form part of these financial statements.

Income statement: Non-technical account
For the year ended 31 December 2015

	Note	**Year ended 31 December 2015**	Year ended 31 December 2014
		£000	£000
Balance on the technical account – general business		**(46,307)**	(23,689)
Investment income (including realised gains)	*10*	**1,491**	1,444
Unrealised gains on investments		**66**	17
Investment expenses and charges			
Investment management expenses	*10*	**(43)**	(42)
Realised losses on investments	*10*	**(484)**	(284)
Unrealised losses on investments		**(413)**	(327)
Allocated investment return transferred to the technical account – general business		**(617)**	(808)
Loss on foreign exchange		**(238)**	(267)
Loss for the financial year		**(46,545)**	(23,956)

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 notes on pages 18 to 34 form part of these financial statements.

Statement of financial position - Assets
As at 31 December 2015

	Note	2015		2014	
		£000	**£000**	£000	£000
Investments					
Other financial investments	*11*		**59,045**		47,891
Reinsurers' share of technical provisions					
Provisions for unearned premiums	*17*	**2,660**		3,598	
Claims outstanding	*17*	**56,034**		39,044	
			58,694		42,642
Debtors					
Debtors arising out of direct insurance operations	*12*	**8,403**		8,922	
Debtors arising out of reinsurance operations	*13*	**3,052**		5,266	
Other debtors	*14*	**17**		318	
			11,472		14,506
Other assets					
Cash at bank and in hand	*21*	**4,519**		5,678	
Overseas deposits	*15*	**18,073**		12,914	
			22,592		18,592
Prepayments and accrued income					
Deferred acquisition costs	*16*	**1,946**		4,315	
Other prepayments and accrued income		**1,276**		1,483	
			3,222		5,798
Total assets			**155,025**		129,429

The notes on pages 18 to 34 form part of these financial statements.

Statement of financial position - Liabilities
As at 31 December 2015

	Note		2015		2014
		£000	**£000**	£000	£000
Capital and reserves					
Members' balances			**(54,631)**		(29,403)
Technical provisions					
Provisions for unearned premiums	*17*	**10,200**		18,978	
Claims outstanding	*17*	**190,834**		134,822	
			201,034		153,800
Creditors					
Creditors arising out of direct insurance operations		**96**		435	
Creditors arising out of reinsurance operations		**6,344**		3,868	
Other creditors		**2,142**		166	
	20		**8,582**		4,469
Accruals and deferred income			**40**		563
Total liabilities			**155,025**		129,429

These Syndicate financial statements were approved by the Board of AmTrust at Lloyd's Limited on 15 March 2016 and were signed on its behalf by:

Peter Dewey
Director

Histasp Contractor
Director

The notes on pages 18 to 34 form part of these financial statements.

Statement of changes in members' balances
As at 31 December 2015

	2015 £000	2014 £000
Members' balances brought forward at 1 January	**(29,403)**	(10,558)
Loss for the year	**(46,545)**	(23,956)
Members' agents fees	**(3)**	(111)
Cash call	**21,320**	5,222
Members' balances carried forward at 31 December	**(54,631)**	(29,403)

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 18 to 34 form part of these financial statements.

Statement of cash flows
For the year ended 31 December 2015

	Note	**Year ended 31 December 2015**	Year ended 31 December 2014
Cash flows from operating activities		**£000**	£000
Loss for the financial year		**(46,545)**	(23,956)
Adjustments for:			
Net unrealised (gains)/losses on other financial assets including foreign exchange		**3,478**	2,380
Net investment return		**(964)**	(1,118)
Movements in operating assets and liabilities:			
Proceeds from sale of other financial assets		**(6,028)**	70
Increase in net technical provisions		**31,182**	13,271
Decrease in debtors		**5,610**	4,656
Increase in creditors		**3,590**	740
Net cash inflow from operating activities		**(9,677)**	(3,957)
Cash flows from investing activities			
Acquisition of other financial instruments		**(46,168)**	(36,861)
Proceeds from sale of other financial instruments		**32,550**	34,048
Interest received		**1,007**	1,160
Investment management fees paid		**(43)**	(42)
Net cash outflow from investing activities		**(12,654)**	(1,695)
Net cash flow from financing activities			
Cash Call from members in respect of underwriting participation		**21,320**	5,222
Net cash inflow from financing activities		**21,320**	5,222
Net decrease/(increase) in cash and cash equivalents		**(1,011)**	(430)
Cash and cash equivalents at 1 January		**5,678**	6,408
Effect of exchange rate changes on cash and cash equivalents		**(148)**	(300)
Cash and cash equivalents at 31 December	*21*	**4,519**	5,678

The notes on pages 18 to 34 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2015

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 1 Great Tower Street, London EC3R 5AA.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations"), Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK ("FRS 102") as issued in August 2014, and Financial Reporting Standard 103 Insurance Contracts ("FRS 103") as issued in March 2014.

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. They 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.

These financial statements for the year ended 31 December 2015 are the first financial statements that comply with FRS 102. The date of transition is 1 January 2014.

The transition to FRS 102 has resulted in a small number of changes in accounting policies to those used previously. An explanation of how transition to FRS 102 and FRS 103 has affected the reported financial position is given in Note 22.

The members' balances on the statement of financial position sheet show a deficit of £54,631k (2014: deficit £29,403k). The Syndicate does not hold capital of its own. However, the sole corporate member, AmTrust Corporate Member Limited, holds Funds at Lloyd's of £327,482k (2014: £237,237k) to support its underwriting, 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 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 and revisions to estimates are recognised as they occur. The following are the key sources of estimation uncertainty:

Estimates of future premium

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums, on the assumption that past premium development can be used to project future premium development. These estimates are judgemental and could result in misstatements of revenue recorded in the accounts.

Insurance contract technical provisions

The provision for outstanding claims comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet 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 Managing Agent's external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, 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 high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

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

Notes to the financial statements

For the year ended 31 December 2015 (continued)

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:

a) 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 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 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.

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. 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.

Notes to the financial statements

For the year ended 31 December 2015 (continued)

3 Accounting policies *(continued)*

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 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 balance sheet date.

d) 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 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 non-technical account.

Exchange differences arising on the retranslation of opening balance sheet items at the closing balance sheet rate and the retranslation of the profit and loss account for the year from the average rate to the closing balance sheet rate were previously taken to reserves and included in the Statement of Total Recognised Gains and Losses. Following the adoption of FRS 103 these exchange differences are now required to be reported through the non-technical account. This is a change of accounting policy from 2014. The impact of the change in accounting policy is shown in Note 22.

e) Financial assets and liabilities

In applying FRS 102, the Syndicate has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).

The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the income statement. Financial assets and liabilities are classified on their initial recognition and subsequent reclassifications are permitted only in restricted circumstances. Financial assets and financial liabilities at fair value through profit and loss comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition. Purchases and sales of financial assets are recognised and derecognised on the trade date, i.e. the date that the Syndicate commits itself to purchase or sell the asset.

Financial assets at fair value through profit or loss are measured at fair value plus, for a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue. Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in profit or loss. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest.

Investments in shares and other variable yield securities, units in unit trusts and debt and other fixed income securities are managed on a fair value basis in accordance with the Syndicate’s investment strategy. The Syndicate does not hold financial assets or financial liabilities for trading purposes although derivatives, if any, held by the Syndicate are categorised as held for trading.

Deposits with credit institutions, debtors and accrued interest are classified as loans and receivables. Financial assets at fair value through profit and loss 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 to the financial statements

For the year ended 31 December 2015 (continued)

3 Accounting policies *(continued)*

f) 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. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

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 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 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, or other group companies employ all individuals working on the Syndicate. ASH operates a defined contribution scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

4 Risk and capital management

The Managing Agent has overall responsibility for the establishment and oversight of the Syndicate's risk management framework. It has established a Risk Committee to oversee the operation of the Syndicate's risk management framework and to review and monitor the management of the risks to which the Syndicate is exposed. These 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.

a) Insurance risk

Management of 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's external consulting actuaries with the aim of producing a probability-weighted average of the expected future cash outflows from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The Reserving Committee performs a comprehensive review of the projections, both gross and net of reinsurance, and makes recommendations to the Managing Agent's board of directors, via the executive committee, as to the claims provisions to be established.

Notes to the financial statements

For the year ended 31 December 2015 (continued)

4 Risk and capital management *(continued)*

a) Insurance risk (continued)

Binding authority arrangements are also 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.

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.

	2015		2014	
	5% Increase	**5% Decrease**	5% Increase	5% Decrease
	£000	**£000**	£000	£000
Gross claims	**(9,299)**	**9,299**	(6,608)	6,608
Reinsurer's share	**3,765**	**(2,422)**	1,744	(1,592)
Net impact on members' balances	**(5,534)**	**6,877**	(4,864)	5,016

b) Finance 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 All Insurance Management Limited, a fellow subsidiary, 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 and participation in investment pools;
- Units in unit trusts and overseas deposits;
- Cash at bank and deposits with credit institutions;
- Reinsurers' share of insurance liabilities
- Amounts due from reinsurers in respect of settled claims

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 by means of a Letter of Credit.

Notes to the financial statements
For the year ended 31 December 2015 (continued)

4 Risk and capital management *(continued)*

The credit rating of financial assets that are neither past due or impaired is as follows:

31 December 2015	**AAA £000**	**AA £000**	**A £000**	**BBB £000**	**Not rated £000**	**Total £000**
Shares and other variable yield securities and units in unit trusts	**-**	**-**	**-**	**-**	**10,014**	**10,014**
Debt securities and other fixed income securities	**11,804**	**23,963**	**11,519**	**1,745**	**-**	**49,031**
Overseas deposits	**11,317**	**4,609**	**1,999**	**115**	**33**	**18,073**
Cash at bank and in hand	**-**	**-**	**-**	**-**	**4,519**	**4,519**
Reinsurers' share of insurance liabilities	**-**	**32**	**55,780**	**-**	**222**	**56,034**
Reinsurance debtors	**-**	**-**	**3,052**	**-**	**-**	**3,052**
Insurance debtors	**-**	**-**	**-**	**-**	**8,403**	**8,403**
Total credit risk	**23,121**	**28,604**	**72,350**	**1,860**	**23,191**	**149,126**

31 December 2014	AAA £000	AA £000	A £000	BBB £000	Not rated £000	Total £000
Shares and other variable yield securities and units in unit trusts	-	-	-	-	6.563	6,563
Debt securities and other fixed income securities	17,544	21,232	2,546	-	6	41,328
Overseas deposits	7,748	3,378	1,753	31	4	12,914
Cash at bank and in hand				-	5,678	5,678
Reinsurers' share of insurance liabilities	-	-	39,044	-	-	39,044
Reinsurance debtors	-	-	5,266	-	-	5,266
Insurance debtors	-	-	-	-	8,922	8,922
Total credit risk	25,292	24,610	48,609	31	21,173	119,715

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

Past due but not impaired financial assets	**2015 £000**	2014 £000
Past due by:		
Up to three months	**88**	-
Three to six months	**38**	-
Six months to one year	**8**	-
More than one year	**58**	-
	192	-

There are no debtors arising from direct or reinsurance insurance operations that are impaired at the reporting date (2014: £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 to medium term 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 2015 (continued)

4 Risk and capital management *(continued)*

Interest rate risk	**2015 £000**	2014 £000
Impact of 50 basis point increase on result	**(549)**	(151)
Impact of 50 basis point decrease on result	**572**	151
Impact of 50 basis point increase on net assets	**(549)**	(151)
Impact of 50 basis point decrease on net assets	**572**	151

Currency risk

The key aspect of exchange rate 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 Managing Agent's Chief Financial Officer ("CFO") reviews currency matching quarterly. Where there is a significant mismatch, appropriate risk mitigation techniques to minimise the effects of currency movements are considered such as the use of currency forward contracts. The table overleaf summarises the carrying value of the Syndicate's assets and liabilities at the reporting date.

31 December 2015	**GBP £000**	**USD £000**	**EUR £000**	**CAD £000**	**AUD £000**	**Total £000**
Financial investments	**21,091**	**5,331**	**19,760**	**12,863**	**-**	**59,045**
Reinsurers' share of technical provisions	**58,129**	**501**	**22**	**20**	**22**	**58,694**
Insurance and reinsurance receivables	**8,367**	**66**	**1,393**	**664**	**965**	**11,455**
Cash and cash equivalents	**1,537**	**188**	**1,262**	**2,242**	**17,363**	**22,592**
Other assets	**1,041**	**368**	**1,212**	**329**	**289**	**3,239**
Total assets	**90,165**	**6,454**	**23,649**	**16,118**	**18,639**	**155,025**
Technical provisions	**(101,877)**	**(19,430)**	**(41,246)**	**(13,675)**	**(24,806)**	**(201,034)**
Insurance and reinsurance payables	**(6,141)**	**(251)**	**(10)**	**(8)**	**(30)**	**(6,440)**
Other creditors	**(2,072)**	**(110)**	**-**	**-**	**-**	**(2,182)**
Total liabilities	**(110,090)**	**(19,791)**	**(41,256)**	**(13,683)**	**(24,836)**	**(209,656)**
Net assets / (liabilities)	**(19,925)**	**(13,337)**	**(17,607)**	**2,435**	**(6,197)**	**(54,631)**

31 December 2014	GBP £000	USD £000	EUR £000	CAD £000	AUD £000	Total £000
Financial investments	8,220	4,815	22,429	12,427	-	47,891
Reinsurers' share of technical provisions	41,949	614	28	26	25	42,642
Insurance and reinsurance receivables	8,289	635	1,476	931	2,857	14,188
Cash and cash equivalents	3,529	4	1,274	2,131	11,654	18,592
Other assets	2,132	565	1,850	304	1,265	6,116
Total assets	64,119	6,633	27,057	15,819	15,801	129,429
Technical provisions	(61,805)	(19,823)	(36,491)	(13,627)	(22,054)	(153,800)
Insurance and reinsurance payables	(4,266)	(20)	(12)	(1)	(4)	(4,303)
Other creditors	(615)	(114)	-	-	-	(729)
Total liabilities	(66,686)	(19,957)	(36,503)	(13,628)	(22,058)	(158,832)
Net assets / (liabilities)	(2,567)	(13,324)	(9,446)	2,191	(6,257)	(29,403)

Notes to the financial statements

For the year ended 31 December 2015 (continued)

4 Risk and capital management *(continued)*

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 CFO monitors cash flows and manages liquid assets to ensure that cash is available to meet obligations and operational liquidity needs. The table below summarises the maturity profile of the Syndicate's financial liabilities based on the estimated timing of claims payments and other undiscounted contractual obligations.

31 December 2015	**No stated maturity**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Insurance and reinsurance payables	**-**	**6,440**	**-**	**-**	**-**	**6,440**
Other creditors	**-**	**2,182**	**-**	**-**	**-**	**2,182**
Total liabilities	**-**	**8,622**	**-**	**-**	**-**	**8,622**

31 December 2014	No stated maturity	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
	£000	£000	£000	£000	£000	£000
Insurance and reinsurance payables	-	4,303	-	-	-	4,303
Other creditors	-	729	-	-	-	729
Total liabilities	-	5,032	-	-	-	5,032

f) Operational risk

This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate. The Managing Agent 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.

g) Regulatory 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 and 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 policy.

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 Regulatory 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.

Notes to the financial statements

For the year ended 31 December 2015 (continued)

4 Risk and capital management *(continued)*

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 Syndicate 2526 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, 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 applied for 2016 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 page 15, 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 member's FAL to meet liquidity requirements or to settle losses.

5 Segmental analysis

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

2015	Gross Premiums Written	Gross Premiums Earned	Gross Claims Incurred	Reinsurance Balance	Total
	£000	£000	£000	£000	£000
Direct insurance:					
Accident and health	**5**	**383**	**(3,655)**	**142**	**(3,130)**
Third party liability	**22,772**	**29,531**	**(73,090)**	**13,381**	**(30,178)**
Pecuniary loss	**467**	**513**	**(377)**	**5**	**141**
	23,244	**30,427**	**(77,122)**	**13,528**	**(33,167)**
Reinsurance acceptances	**5,706**	**6,868**	**(5,947)**	**(383)**	**538**
Total	**28,950**	**37,295**	**(83,069)**	**13,145**	**(32,629)**
Net operating expenses					**(14,295)**
Underwriting result					**(46,924)**

Notes to the financial statements
For the year ended 31 December 2015 (continued)

5 Segmental analysis *(continued)*

2014	Gross Premiums Written £000	Gross Premiums Earned £000	Gross Claims Incurred £000	Reinsurance Balance £000	Total £000
Direct insurance:					
Accident and health	(1,343)	1,860	(1,887)	(569)	(596)
Third party liability	32,976	33,575	(55,240)	11,319	(10,346)
Pecuniary loss	37	313	(95)	(49)	169
	31,670	35,748	(57,222)	10,701	(10,773)
Reinsurance acceptances	7,802	7,111	(5,258)	(280)	1,573
Total	39,472	42,859	(62,480)	10,421	(9,200)
Net operating expenses					(15,297)
Underwriting result					(24,497)

Reinsurance acceptances are mainly Casualty business.

Commissions on direct insurance gross premiums earned during 2015 were £6m (2014 - £8m).

All premiums were written in the UK.

6 Currency rates of exchange

The rates of exchange applied in these accounts are:

	31 December 2015	**Average for 2015**	31 December 2014	Average for 2014
Australian $	**2.03**	**2.04**	1.91	1.83
Canadian $	**2.05**	**1.95**	1.81	1.82
Euro	**1.36**	**1.38**	1.29	1.24
US $	**1.47**	**1.53**	1.56	1.65

7 Net operating expenses

	2015 £000	2014 £000
Brokerage & commissions	**5,804**	7,397
Change in deferred brokerage	**2,247**	803
Other acquisition costs	**811**	1,318
Administrative expenses	**5,433**	5,779
	14,295	15,297

Administrative expenses include:

	2015 £000	2014 £000
Auditors’ remuneration		
Fees payable to the Syndicate’s auditor, KPMG LLP, for the audit of the Syndicate annual accounts	**99**	90
Fees payable to KPMG LLP and its associates for other services: Other services pursuant to legislation, including the audit of the regulatory return	**63**	63
Members’ standard personal expenses (Lloyd’s subscriptions, New Central Fund contributions & Managing Agent’s fees)	**1,068**	960

Notes to the financial statements
For the year ended 31 December 2015 (continued)

8 Staff numbers and costs

For the period 1 January 2015 to 31 March 2015 the costs of directors and staff were recharged to the Syndicate by Asta Managing Agency Limited ("Asta"). From 1 April 2015, all staff (including directors) are employed by AmTrust Syndicate Holdings Limited ("ASH") or other group companies and their costs recharged to the Managing Agent. The following total amounts were recharged to the Syndicate in respect of staff costs (including claims staff costs):

	2015	2014
	£000	£000
Wages and salaries	**2,154**	1,777
Social security costs	**288**	237
Other pension costs	**202**	211
	2,644	2,225

The average number of employees (including directors) employed by Asta, ASH or other AmTrust group companies but working for the Syndicate during the year was as follows:

	2015	2014
	Number	Number
Administration and finance	**5**	2
Underwriting	**9**	11
Technical support	**16**	5
	30	18

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

No emoluments of the directors of Asta have been directly charged to the Syndicate. AmTrust at Lloyd's Limited recharged the syndicate £338,000 (2014 - £Nil) in respect of emoluments and pension costs paid to its directors. The active underwriter received aggregate remuneration, including pension contributions, of £67,000 (2014 - £248,000).

10 Investment income

	2015	2014
	£000	£000
Investment income		
Interest and dividend income	**1,479**	1,439
Gains on the realisation of investments	**12**	5
	1,491	1,444
Investment expenses and charges		
Investment management expenses	**(43)**	(42)
Losses on realisation of investments	**(484)**	(284)
	(527)	(326)
Net unrealised losses on investments	**(347)**	(310)
Total investment return	**617**	808
On financial assets at fair value through profit and loss	**316**	286
On financial assets at amortised cost	**344**	564
	660	850
Investment management fees	**(43)**	(42)
Total investment return	**617**	808

Notes to the financial statements

For the year ended 31 December 2015 (continued)

11 Other financial Investments

	Market value		Cost	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Shares and other variable yield securities and units in unit trusts	**10,014**	6,563	**10,014**	6,563
Debt securities and other fixed income securities	**49,031**	41,328	**49,381**	41,630
	59,045	47,891	**59,395**	48,193
Financial assets measured at fair value through profit and loss	**59,045**	47,891	**59,395**	48,193
Financial assets measured at amortised cost	**-**	-	**-**	-
	59,045	47,891	**59,395**	48,193

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:

2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Shares and other variable yield securities and units in unit trusts	**-**	**10,014**	**-**	**10,014**
Listed debt securities and other fixed income securities	**27,641**	**21,390**	**-**	**49,031**
	27,641	**31,404**	**-**	**59,045**

2014	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Shares and other variable yield securities and units in unit trusts	-	6,563	-	6,563
Listed debt securities and other fixed income securities	11,156	30,172	-	41,328
	11,156	36,735	-	47,891

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.

Notes to the financial statements

For the year ended 31 December 2015 (continued)

12 Debtors arising out of direct insurance operations

	2015 £000	2014 £000
Intermediaries		
Due within one year	**8,403**	8,921
Due after one year	-	1
	8,403	8,922

13 Debtors arising out of reinsurance operations

	2015 £000	2014 £000
Due within one year	**3,052**	5,266
	3,052	5,266

14 Other debtors

	2015 £000	2014 £000
Other debtors including taxes	**17**	318
	17	318

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:

2015	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Shares and other variable yield securities and units in unit trusts	**16**	**116**	**-**	**132**
Listed debt securities and other fixed income securities	**17,735**	**180**	**-**	**17,915**
Cash at bank and in hand	**26**	**-**	**-**	**26**
	17,777	**296**	**-**	**18,073**

2014	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities and units in unit trusts	-	-	-	-
Listed debt securities and other fixed income securities	8,996	3,850	-	12,846
Cash at bank and in hand	68	-	-	68
	9,064	3,850	-	12,914

The investments and cash have not been included on the balance sheet within Investments or Cash as they are not under the direct control of the Managing Agency. Cash has not been included with Cash and cash equivalents as it is not readily available for use by the Syndicate.

Notes to the financial statements

For the year ended 31 December 2015 (continued)

16 Deferred acquisition costs

	2015 £000	2014 £000
Balance at 1 January	**4,315**	5,199
Incurred costs deferred	**6,616**	8,715
Amortisation	**(8,862)**	(9,518)
Effect of movements in exchange rates	**(123)**	(81)
	1,946	4,315

17 Technical provisions

	2015 Gross provisions £000	2015 Reinsurance assets £000	2015 Net £000	2014 Gross provisions £000	2014 Reinsurance assets £000	2014 Net £000
Incurred claims outstanding						
Claims notified	**57,020**	**(18,962)**	**38,058**	52,824	(13,417)	39,407
Claims incurred but not reported	**77,802**	**(20,082)**	**57,720**	51,762	(12,941)	38,821
Balance at 1 January	**134,822**	**(39,044)**	**95,778**	104,586	(26,358)	78,228
Changes for prior years	**71,180**	**(17,711)**	**53,469**	53,537	(17,097)	36,440
Expected cost of current year claims	**11,890**	**(2,959)**	**8,931**	8,943	(2,856)	6,087
Claims paid in year	**(23,896)**	**3,680**	**(20,216)**	(30,105)	7,267	(22,838)
Exchange adjustments	**(3,162)**	**-**	**(3,162)**	(2,138)	-	(2,139)
Balance at 31 December	**190,834**	**(56,034)**	**134,800**	134,822	(39,044)	95,778
Claims notified	**95,429**	**(34,784)**	**60,645**	57,020	(18,962)	38,058
Claims incurred but not reported	**95,405**	**(21,250)**	**74,155**	77,802	(20,082)	57,720
Balance at 31 December	**190,834**	**(56,034)**	**134,800**	134,822	(39,044)	95,778
Unearned premiums						
Balance at 1 January	**18,978**	**(3,598)**	**15,380**	22,640	(2,981)	19,659
Premiums written in year	**28,950**	**(6,561)**	**22,389**	39,473	(10,116)	29,357
Premiums earned in year	**(37,295)**	**7,524**	**(29,771)**	(42,859)	9,532	(33,327)
Exchange adjustments	**(433)**	**(25)**	**(458)**	(276)	(33)	(309)
Balance at 31 December	**10,200**	**(2,660)**	**7,540**	18,978	(3,598)	15,380

Notes to the financial statements

For the year ended 31 December 2015 (continued)

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 2015 rates of exchange.

Pure underwriting year - gross	**2011 £000**	**2012 £000**	**2013 £000**	**2014 £000**	**2015 £000**	**Total £000**
Estimate of incurred claims						
At the end of underwriting year	13,882	14,926	15,771	13,932	13,194	
One year later	26,358	27,287	31,539	31,786	-	
Two years later	31,714	30,205	44,451		-	
Three years later	47,443	42,442			-	
Four years later	59,962	-			-	
Less gross claims paid	(17,749)	(11,553)	(10,241)	(1,873)	(360)	
Gross claims reserve	42,213	30,889	34,210	29,913	12,834	150,059
Gross claims reserve for 2010 and prior years						40,775
Gross unearned portion of claims						-
Gross claims reserve						190,834

Pure underwriting year - net	**2011 £000**	**2012 £000**	**2013 £000**	**2014 £000**	**2015 £000**	**Total £000**
Estimate of incurred net claims						
At the end of underwriting year	11,245	12,140	13,174	11,015	10,298	
One year later	21,127	21,315	26,540	26,696	-	
Two years later	23,469	23,398	37,322			
Three years later	31,663	33,184			-	
Four years later	38,554	-				
Less net claims paid	(15,219)	(10,668)	(10,047)	(1,873)	(360)	
Net ultimate claims reserve	23,335	22,516	27,275	24,823	9,938	107,887
Net ultimate claims reserve for 2010 and prior years						26,913
Net unearned portion of ultimate claims						-
Net claims reserve						134,800

19 Technical provisions - claims outstandings

The new Managing Agent (AmTrust at Lloyd's Limited) was appointed on 1 April 2015 and, assisted by an independent claims consulting firm, instigated a review of all open claims as at Quarter 3. As a result, the claims reserves were strengthened materially, in particular on the 2013 and prior years. This was primarily due to a significant increase in the incurred claims position on the professional indemnity, Directors and Officers and medical malpractice classes of business These classes represent the vast majority of the Syndicate's business and reserves.

Whilst the Managing Agent and the independent claims consultants have completed this review and the Syndicate's independent actuarial consultants have advised on the ultimate level of claims reserves required, the ultimate amounts of these claims (both gross and net of reinsurance) are subject to significant uncertainty across all years of account. There exists a high degree of uncertainty over the outcome of many claims and therefore wide variability in the possible outcomes due to the relative stage of development of the claims, many involving complex litigation over a long period. In addition, the incorporation of the reserves advised by the independent claims consultants has led to some distortion in the development patterns resulting in further variability in the range of possible future outcomes. It is expected that this uncertainty will reduce in the course of the next 12 to 24 months.

Given this uncertainty and the change in capital providers between the 2013 and 2014 years of account, the board has decided to leave the 2013 year of account open at 31 December 2015.

Notes to the financial statements
For the year ended 31 December 2015 (continued)

19 Technical provisions – claims outstandings *(continued)*

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 2015, the gross and net reserves, excluding claims handling costs, as at 31 December 2015 total £186.2 million and £130.2 million respectively (2013 & prior years' gross and net claims reserves of £145.2 million and £97.1 million respectively). During the year there was net adverse claims development of £34.5 million on the 2013 and prior years and £1.3 million on the 2014 year of account.

20 Creditors

	2015 **£000**	2014 £000
Creditors arising out of direct insurance operations	**96**	435
Creditors arising out of reinsurance operations	**6,344**	3,868
Other creditors	**2,142**	166
Total financial liabilities at amortised cost	**8,582**	4,469

Creditors are stated at amortised cost.

21 Cash and cash equivalents

	2015 **£000**	2014 £000
Cash at bank and in hand	**4,519**	5,678
Total cash and cash equivalents	**4,519**	5,678

22 Transition to FRS 102 and FRS 103

In preparing its balance sheet under FRS 102 and FRS 103, the Syndicate has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (old UK GAAP). The impact of this transition is as follows:

Reconciliation of loss for the year ended 31 December 2014	**Loss for the year ended 31 December 2014 £000**
Amount under old UK GAAP as previously reported	(23,580)
Loss on exchange previously included within STRGL	(376)
Amount under FRS 102	**(23,956)**

Previously, under old UK GAAP, exchange differences arising on the retranslation of opening balance sheet items at the closing balance sheet rate and the retranslation of the profit and loss account for the year from the average rate to the closing balance sheet rate were taken to reserves and included in the Statement of Total Recognised Gains and Losses (STRGL). Under FRS 103 these exchange differences are now required to be reported through the non-technical account. There is no impact on members' balances either at 1 January or 31 December 2014.

Notes to the financial statements
For the year ended 31 December 2015 (continued)

23 Related parties

Until 31 March 2015 Syndicate 1206 was managed by Asta Managing Agency Ltd ("Asta") which also provided administrative services and support to the Syndicate. During this period Asta was also the Managing Agent for Syndicates 1686, 1729, 1897, 1910, 2357, 2525, 4242 and 6117. During the year, managing agents fees of £160,000 (2014: £641,000) and service fees of £700,000 (2014: £2,186,000) were paid to Asta by the Syndicate.

From 1 April 2015 onwards the Syndicate was managed by AmTrust at Lloyd's Limited ("ATL"), a subsidiary of AmTrust Syndicate Holdings Limited ("ASH"). Messrs Barrett, Cadle, Contractor, Dewey, Jansli, Sibthorpe and Sweatman are and Mr Ross and Ms Tenenti were directors of ASH. During the year managing agents fees of £481,000 (2014 - £Nil) were paid to ATL by the Syndicate. ATL is also the Managing Agent for Syndicate 44 and Syndicate 1206.

From 1 April 2015, employment of staff, provision of accommodation and related services were provided by ASH to the Syndicate on a non-profit basis and recharges of £2,306,000 were recharged to the Syndicate by ASH, and paid on the Syndicate's behalf by ATL (2014 - £Nil). At 31 December 2015 the amount due to ATL was £2,032,000 (2014 - £Nil).

AmTrust Corporate Capital Limited, a fellow subsidiary of ATL, 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 the parent company of ASH, provides 99.5% of the 2015 and 2016 years of account capacity. Messrs Barrett, Cadle, Contractor, Dewey, Jansli, Sibthorpe and Sweatman are and Mr Ross and Ms Tenenti were directors of AmTrust Corporate Member Limited.

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 fellow subsidiary of ASH. The service company income in the year was £1,298,000 (2014: £3,610,000).

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.

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. The 2013 year of account call represents 20% of the cumulative loss at 31 December 2015. The 2012 year of account call was 100% of the loss on closure of the year at 31 December 2014.

	2015	2014
	£000	£000
2013 Year of account (2012 Year of account)	**8,404**	21,320