



Argenta

ARGENTA SYNDICATE MANAGEMENT LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS

31 December 2019

Company registration number: 3632880



Argenta Syndicate Management Limited

Financial Statements

For the year ended 31 December 2019

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Argenta Syndicate Management Limited

Strategic Report For the year ended 31 December 2019

The directors present their Strategic Report for Argenta Syndicate Management Limited ("ASML" or "the Company") for the year ended 31 December 2019.

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

Principal activities and review of the business

ASML was the managing agent throughout the year of Syndicate 2121. Since its inception in 2000, the syndicate's capacity has steadily increased to £425 million for the 2020 year of account.

On 24 April 2018, ASML entered into an agreement to manage the affairs of Syndicate 6134, a new Special Purpose Arrangement ("SPA") that underwrites quota share reinsurance protections of Syndicate 2121. The SPA is sponsored and capitalised by the Hannover Re group, which may also introduce new business to Syndicate 2121 to be reinsured by the SPA. Syndicate 2121 will retain at least 10% of the business introduced by the sponsor.

Capacity under management

	2020 £million	2019 £million	2018 £million
Syndicate 2121	425	340	340
Syndicate 6134	145	35	27
	<u>570</u>	<u>375</u>	<u>367</u>

It is intended that the SPA will underwrite gross net premium in 2020 of £105.6 million across various classes of business within the underwriting capability of the host syndicate. Syndicate 2121 receives an overriding commission in respect of these arrangements. The quota share contracts are being underwritten on a funds withheld basis.

	2019 £000	2018 £000
Managed syndicate capacity at 1 January	375,000	367,000
Management fees	3,424	3,320
Profit commission	-	-
Profit before tax	2,652	1,934
Net assets	4,465	7,549
Net assets solvency margin	3,642	2,749

ASML receives income principally from fees for managing syndicates and profit commission that may arise when managed syndicates release profits to supporting capital providers.

There was no profit commission in respect of Syndicate 2121 for the year ended 31 December 2019 (2018: £nil) as a result of the 2017 year of account closing with a small loss.

The net asset solvency margin represents the amount of the net assets as adjusted in line with Lloyd's instructions in excess of the higher of Lloyd's minimum solvency capital requirement of 0.3% of capacity under management and £400,000.

Argenta Syndicate Management Limited

**Strategic Report (continued)
For the year ended 31 December 2019**

Financial performance during the year

The results of the Company for the year are shown on page 8. The profit for the year amounted to £2,616,000 (2018: £1,654,000).

Principal risks

The Company is reliant on having active syndicates to manage. The Company does not enter into any hedging transactions. It has normal exposure to price, credit, liquidity and cash flow risks, arising from its trading activities as a managing agency, which are only conducted in sterling. These are actively monitored by the Board during the course of the year and action taken accordingly. The Company manages its cash and borrowing requirements to maximise investment income and minimise interest expense whilst ensuring that it has sufficient liquidity to meet the operational needs of its business.

Future developments

The principal areas of focus for the development of the agency's business relate to the managed syndicates. The strategic objective is to grow the syndicates subject always to market conditions. There is considerable uncertainty surrounding the impact of the COVID-19 pandemic and although both managed syndicates may incur underwriting losses in relation to this, market conditions are likely to improve following recent events in an already hardening market.

ON BEHALF OF THE BOARD



Mr A J Annandale
Director

20 May 2020

Argenta Syndicate Management Limited

Directors' Report For the year ended 31 December 2019

The directors present their report and the audited financial statements for the year ended 31 December 2019. The Company registration number is 3632880.

Going concern

The Company has adequate financial resources and, consequently, the directors believe that it is well placed to manage its business risks successfully in the current market and economic environment. There is currently significant uncertainty in relation to the COVID-19 pandemic and the directors acknowledge that this event is evolving rapidly. However, having carried out detailed impact assessments, there are no indications of a materially adverse impact on either the Company's or managed syndicates' operational resilience, liquidity and solvency position.

Having made similar enquiries with the management of Argenta Holdings Limited ("AHL"), the directors therefore have a reasonable expectation that the Company and its parent undertaking, AHL, have sufficient resources to continue to operate for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these reports and financial statements.

Dividend

On 20 May 2020 the directors proposed a final dividend for 2019 of £2,316,000 (2018: £2,200,000). On 9 December 2019 the Company proposed an interim dividend for 2019 of £3,500,000.

Board of directors

The directors listed below have held office during the period from 1 January 2019, up to the date of this report, unless indicated otherwise.

Mr J L P Whiter	(Non-Executive Chairman)
Mr A J Annandale	(Managing Director)
Mr G K Allen	
Mr S Althoff	(Non-Executive Director)
Mr A E Grant	(Non-Executive Director)
Mr P Hunt	(Non-Executive Director)
Mr I M Maguire	
Mr N J Moore	
Mr G A Powell	(Non-Executive Director)
Mr M P Rowan	(Company Secretary)
Mr J Schäfermeier	(Non-Executive Director)
Mr D J Thompson	

No director had any interest in contracts or arrangements with the Company during the year other than directorship fees, salaries and other related remuneration.

Directors' and officers' insurance

The Company had directors' and officers' insurance in place during the year.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report & Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK GAAP. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

Argenta Syndicate Management Limited

Directors' Report (continued) For the year ended 31 December 2019

Directors' responsibilities statement (continued)

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Disclosure of information to the auditors

Under the Companies Act 2006, we can confirm that:

- so far as we are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- we have taken the steps that we ought to have taken as directors in order to make us aware of any relevant information and to establish that the Company's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP ("PwC") was appointed to replace Ernst & Young LLP as the Company's statutory auditors during the course of 2019. Pursuant to section 487(2) of the Companies Act 2006, PwC will have been deemed to be re-appointed as auditors at the end of 28 days beginning with the day on which copies of these reports and financial statements are sent to members.

ON BEHALF OF THE BOARD



Mr A J Annandale
Director

20 May 2020

Argenta Syndicate Management Limited

Independent Auditors' Report to the member of Argenta Syndicate Management Limited For the year ended 31 December 2019

Report on the audit of the financial statements

Opinion

In our opinion, Argenta Syndicate Management Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2019; the Statement of Comprehensive Income; the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Argenta Syndicate Management Limited

Independent Auditors' Report to the member of Argenta Syndicate Management Limited (continued) For the year ended 31 December 2019

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included. Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on pages 4 and 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Mark Bolton (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, London

Date: 20 May 2020

Argenta Syndicate Management Limited

**Statement of Comprehensive Income
For the year ended 31 December 2019**

Continuing operations	Notes	2019 £000	2018 £000
Turnover	3	3,427	3,322
Expenses		<u>(917)</u>	<u>(1,519)</u>
Operating profit	4	2,510	1,803
Interest receivable and similar income	7	<u>142</u>	<u>131</u>
Profit on ordinary activities before taxation		2,652	1,934
Tax on profit	8	<u>(36)</u>	<u>(280)</u>
Profit for the financial year		<u>2,616</u>	<u>1,654</u>
Other comprehensive income		-	-
Total comprehensive income attributable to the owner of the Company		<u>2,616</u>	<u>1,654</u>

The notes on pages 11 to 19 form an integral part of these financial statements

Argenta Syndicate Management Limited

**Statement of Financial Position
As at 31 December 2019**

	Notes	2019 £000	Restated 2018 £000
Current assets			
Debtors	10	2,036	1,929
Cash at bank and in hand		<u>6,804</u>	<u>5,462</u>
		8,840	7,391
Current liabilities			
Creditors: amounts falling due within one year	11	<u>(4,375)</u>	<u>(3,842)</u>
Net current assets		<u>4,465</u>	<u>3,549</u>
Debtors: amounts falling due after one year	12	-	4,000
Net assets		<u>4,465</u>	<u>7,549</u>
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account		<u>4,365</u>	<u>7,449</u>
Total shareholder's funds		<u>4,465</u>	<u>7,549</u>

The financial statements on pages 8 to 19 were approved and authorised for issue by the Board of directors on 20 May 2020 and signed on its behalf by:



Mr G K Allen
Director

The notes on pages 11 to 19 form an integral part of these financial statements.

Argenta Syndicate Management Limited

**Statement of Changes in Equity
For the year ended 31 December 2019**

	Note	Called up share capital £000	Profit and loss account £000	Total £000
At 1 January 2018		<u>100</u>	<u>7,095</u>	<u>7,195</u>
Profit and total comprehensive income for the year		-	1,654	1,654
Dividends paid		-	(1,300)	(1,300)
At 31 December 2018		<u>100</u>	<u>7,449</u>	<u>7,549</u>
Profit and total comprehensive income for the year		-	2,616	2,616
Dividends paid	14	-	(5,700)	(5,700)
At 31 December 2019		<u>100</u>	<u>4,365</u>	<u>4,465</u>

Reserves

Profit and loss account

The profit and loss account reserve represents cumulative profits and losses of the Company.

The notes on pages 11 to 19 form an integral part of these financial statements.

Argenta Syndicate Management Limited

Notes to the financial statements For the year ended 31 December 2019

1. Accounting policies

General information

Argenta Syndicate Management Limited is a private company, limited by shares and registered in England and Wales. The address of its registered office and principal place of business is 5th Floor, 70 Gracechurch Street, London, EC3V 0XL. The principal activity of the Company is that of being a managing agent of Lloyd's syndicates.

These financial statements have been presented in Pounds Sterling as this is the Company's functional and presentational currency, being the primary economic environment in which the Company operates.

Basis of preparation

These financial statements have been prepared in accordance with FRS 102 and applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. These financial statements have been prepared under the historical cost convention.

FRS 102 allows a qualifying entity particular disclosure exemptions, subject to certain conditions, (which have been complied with). In preparing the financial statements, the Company has taken advantage of the following exemptions:

- from disclosing key management personnel compensation, as required by paragraph 7 of Section 33: Related Party Disclosures;
- from presenting a reconciliation of the number of shares outstanding at the beginning and end of the year, as required by paragraph 12 of Section 4: Statement of Financial Position; and
- from presenting a statement of cash flows, as required by Section 7: Statement of Cash Flows.

On the basis that equivalent disclosures are given in the consolidated financial statements of AHL, the immediate holding company of the Company, advantage has been taken of the exemption not to provide:

- certain disclosures required by Section 11: Basic Financial Instruments and Section 12: Other Financial Instrument Issues.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts for the provision of services, net of sales-related taxes.

Management fees are receivable in the first year of any underwriting year of account and are recognised in the accounting period to which they relate as income over the period in which the services are performed.

Underwriting profit commission is recognised as income when the contractual right to receive it is established, but only to the extent that it can be estimated with sufficient reliability.

Other income relating to services rendered is recognised as income when the services are performed.

Interest income is recognised as interest accrues using the effective interest rate method.

Argenta Syndicate Management Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

1. Accounting policies (continued)

Employee benefits

Retirement benefits

The Company participates in a group personal pension scheme operated by AHL, the assets of which are held separately from those of the Company in independently administered funds.

Contributions to the defined contribution pension scheme are charged to the profit or loss in the year to which the contributions relate, based on an apportionment of the costs incurred by the group in respect of the Company.

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received. An accrual is recognised for short-term compensated absences where entitlement has accumulated, but has not been taken, at the reporting date.

Taxation

The tax expense for the year comprises current and deferred tax. Tax currently payable, relating to UK corporation tax, is calculated on the basis of the tax rates and laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date, that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Deferred income tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument. The Company holds only basic financial instruments, which comprise cash at bank and in hand, debtors and creditors. Other than the exemptions noted above, the Company has chosen to apply the provisions of Section 11: Basic Financial Instruments and Section 12: Other Financial Instrument Issues in full.

Argenta Syndicate Management Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

1. Accounting policies (continued)

Financial assets – classified as basic financial instruments

Debtors

Debtors are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Amounts that are receivable within one year are measured at the undiscounted amount expected to be receivable, net of any impairment.

Where a financial asset constitutes a financing transaction it is initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

Financial liabilities – classified as basic financial instruments

Creditors

Creditors are initially measured at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method. Amounts that are payable within one year are measured at the undiscounted amount of the amount expected to be payable.

Where a financial liability constitutes a financing transaction it is initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

Restatement of 2018 balances

The value of the subordinated loan between AHL and the Company has been reclassified from non-current to current liabilities. There has been no further impact on the financial statements.

2. Critical accounting judgements and key sources of estimation uncertainty

In applying the Company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

The Company's critical accounting judgements are as follows:

(i) Recognition of management fees

The measurement and recognition of management fees required the directors to make judgements regarding the period in which the services are performed. In arriving at this view, the directors considered the scope and scale of activities associated with the role of the managing agent.

(ii) Recognition of underwriting profit commission

The measurement and recognition of profit commission required the directors to make judgements regarding the final estimated profit position of the open years of account of the syndicates on which the Company earns profit commission. The actual profit commission received may vary from this estimate.

Argenta Syndicate Management Limited

**Notes to the financial statements (continued)
For the year ended 31 December 2019**

3. Turnover

An analysis of turnover by category is as follows:

	2019 £000	2018 £000
Management fees	3,424	3,320
Other services	3	2
	<u>3,427</u>	<u>3,322</u>

Turnover arises wholly within the United Kingdom.

4. Operating profit

	2019 £000	2018 £000
Operating profit is stated after charging:		
Salaries and associated expenses (Note 5)	774	1,321
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	21	17
Other expenses	122	181

Expenses recharged to the managed syndicates during the year amounted to £16,000,000 (2018: £15,600,000).

5. Employee information

	2019 £000	2018 £000
Salaries and associated expenses net of amounts charged to managed syndicates:		
Wages and salaries (including directors' fees)	600	1,145
Social security costs	170	170
Other pension costs	4	6
	<u>774</u>	<u>1,321</u>

Of the total bonuses accrued for staff, £641,000 were settled by a group employee benefit trust.

	2019 Number	2018 Number
Average number of persons employed by ASML during the year and working on the affairs of both the Company and the managed syndicates:		
Administration & finance	15	12
Underwriting	27	26
Underwriting support	34	25
Claims	9	10
	<u>85</u>	<u>73</u>

The staff numbers exclude employees providing services by way of a cross charge from other group companies.

Argenta Syndicate Management Limited

**Notes to the financial statements (continued)
For the year ended 31 December 2019**

6. Directors' emoluments

Remuneration disclosed below relates to amounts paid during the year to directors who are remunerated specifically for their services to the Company and is net of amounts charged to managed syndicates.

	2019 £000	2018 £000
Aggregate remuneration	1,567	1,835
Company pension contributions	3	2
	<u>1,570</u>	<u>1,837</u>

During the year three directors (2018: three) were accruing benefits under a defined contribution scheme.

Directors' remuneration includes amounts paid to the highest paid director. This is outlined below and relates specifically to services to the Company.

	2019 £000	2018 £000
Aggregate remuneration	507	604
	<u>507</u>	<u>604</u>

7. Interest receivable and similar income

	2019 £000	2018 £000
Investment income	57	22
Loan interest	84	108
Deposit interest	1	1
	<u>142</u>	<u>131</u>

In April 2016, ASML agreed to advance a loan to Argenta Underwriting Asia Pte Ltd (AUA) of £4,000,000. This loan was subordinated to the claims of the unsubordinated creditors of AUA and bore interest at the rate of LIBOR + 2%. The loan was settled in full on 4 September 2019 and no outstanding liability remains due.

Argenta Syndicate Management Limited

**Notes to the financial statements (continued)
For the year ended 31 December 2019**

8. Tax on profit

a) Analysis of charge in the year

	2019 £000	2018 £000
Current tax:		
United Kingdom corporation tax credit on profit for the year	-	-
Adjustment in respect of prior years	-	2
Total current tax credit	-	2
Deferred tax:		
Origination and reversal of timing differences	(42)	(281)
Effect of changes in tax rates	(1)	(1)
Adjustments in respect of prior periods	7	-
Total deferred tax (note 9)	(36)	(282)
Total tax charge	(36)	(280)

b) Factors affecting the tax charge for the year

Tax on profit for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	2,652	1,934
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(504)	(367)
Effects of:		
Expenses not deductible for tax purposes	-	(1)
Group relief claimed	462	87
Adjustment in respect of prior years	7	2
Effect of changes in tax rates	(1)	(1)
Total tax charge	(36)	(280)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% was substantively enacted in September 2016 and was to take effect from 1 April 2020. Deferred tax balances at the reporting date are measured at the reduced rate of 17%.

It was subsequently agreed on 11 March 2020 that the corporation tax rate is to remain at 19% for the next two financial years from 1 April 2020, rather than reducing as previously expected. This was substantively enacted on 17 March 2020 and the directors estimate that the impact of this rate change on the deferred tax asset is not material.

Argenta Syndicate Management Limited

**Notes to the financial statements (continued)
For the year ended 31 December 2019**

9. Deferred taxation

	2019 £000	2018 £000
At 1 January	62	344
Credit to profit or loss in the year	(36)	(282)
At 31 December	<u>26</u>	<u>62</u>
The deferred tax asset at 31 December is made up of:		
Decelerated capital allowances	6	-
Deferred bonus payments	20	62
	<u>26</u>	<u>62</u>

The deferred tax asset expected to reverse in 2020 is £21,000 (2019: 41,000). This relates to timing differences on bonus payments.

10. Debtors: amounts falling due within one year

	2019 £000	2018 £000
Amounts owed by other group undertakings	18	66
Amounts owed by managed syndicates	1,797	720
Corporation tax debtor	-	844
Deferred taxation (note 9)	26	62
Other debtors	195	237
	<u>2,036</u>	<u>1,929</u>

Amounts owed by the group undertakings and managed syndicates are unsecured, interest free and are repayable on demand.

11. Creditors: amounts falling due within one year

	2019 £000	Restated 2018 £000
Amounts owed to parent undertaking	2,115	1,199
Amounts owed to other group undertakings	3	132
Accruals and deferred income	2,257	2,511
	<u>4,375</u>	<u>3,842</u>

Amounts owed to the parent undertaking are unsecured, interest free and are repayable on demand.

On 30 September 2004, AHL made an interest free subordinated loan to the Company. The loan was made to enable the Company to satisfy the Lloyd's Agency minimum fixed capital requirement. The loan is subordinated to all other creditors of the Company and is repayable only if and when all such creditors have been paid or satisfied in full and with the prior written consent of the Council of Lloyd's. There are no immediate plans for AHL to seek repayment of this loan but if Lloyd's were to approve repayment, at that point it would then be repayable on demand.

Argenta Syndicate Management Limited

**Notes to the financial statements (continued)
For the year ended 31 December 2019**

12. Debtors: amounts falling due after more than one year

	2019 £000	2018 £000
Amounts owed by other group undertakings	<u>-</u>	<u>4,000</u>

In April 2016, ASML agreed to advance a loan to AUA of £4,000,000. This loan was subordinated to the claims of the unsubordinated creditors of AUA but was otherwise repayable on demand and bore interest at the rate of GBP LIBOR + 2%. The loan was settled in full on 4 September 2019 and no outstanding liability remains due.

13. Called up share capital

	2019 Number	2019 £000	2018 Number	2018 £000
Allotted and fully paid				
Non-voting 'A' ordinary shares of £1 each	100,000	100	100,000	100
Voting 'B' ordinary shares of £0.01 each	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>
	<u>100,100</u>	<u>100</u>	<u>100,100</u>	<u>100</u>

Ordinary shares with voting rights entitle shareholders to one vote per share. Voting shareholders have no rights to receive dividends or assets upon the winding up of the Company. Non-voting shareholders have the right to receive dividends and assets upon the winding up of the Company.

14. Dividends

The results of the Company are shown on page 8. The profit after taxation for the year amounted to £2,616,000 (2018: £1,654,000).

	2019 £000	2018 £000
Dividends paid	<u>5,700</u>	<u>1,300</u>

During the year the Company paid a final dividend of £2,200,000 for the year ended 31 December 2018 (£1,300,000 for the year ended 31 December 2017). The Company paid an interim dividend of £3,500,000 in December 2019 and the directors propose a final dividend of £2,316,000 for 2019.

Dividends proposed after the reporting date are not included as a liability in the statement of financial position.

15. Related parties

The Company has taken advantage of the exemption conferred by Section 33: Related Party Disclosures not to disclose transactions entered into between two or more wholly owned members of the Group.

16. Operating leases

The Company had no outstanding commitments (2018: £nil) for future minimum lease payments under non-cancellable operating leases as at the reporting date.

Argenta Syndicate Management Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

17. Parent undertaking

The Company's immediate parent company is Argenta Holdings Limited, a company registered in England and Wales. The results of the Company are consolidated in the Financial Statements of Argenta Holdings Limited, which can be obtained from 70 Gracechurch Street, London, EC3V 0XL.

The Company's ultimate controlling party is Haftpflichtverband der Deutschen Industrie V.a.G, a company registered in Germany. The financial statements of this company can be obtained from the website of Argenta Holdings Limited's immediate parent company, Hannover Re (www.hannover-re.com).

18. Subsequent events

The COVID-19 pandemic crisis and its economic effects arose after the reporting date and whilst there is still significant uncertainty the Directors have considered its impact based on the available information at the date of signing these financial statements and have concluded there are no material adjusting or non-adjusting items.