Kyoei Fire & Marine Insurance Co (UK) Limited

Company Registration No. 1235521

Report and Financial Statements

31 December 2016

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Kyoei Fire & Marine Insurance Co (UK) Limited

REPORT AND FINANCIAL STATEMENTS
For the year ended 31 DECEMBER 2016

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Kyoei Fire & Marine Insurance Co (UK) Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr A Wilson
Ms K Amos (appointed 2 December 2016)
Mr S Michael (Non-executive)
Mr B G Snover (US) (Non-executive) (appointed 20 January 2016)
Mr C Hare (Non-executive) (appointed 1 April 2016)

SECRETARY

Ms C Martin

REGISTERED OFFICE

4th Floor
8 Fenchurch Place
London
EC3M 4AJ

BANKERS

Barclays Bank PLC
One Churchill Place
London
EC14 5HP

AUDITOR

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

SOLICITORS

Hogan Lovells International LLP
Atlantic House, Holborn Viaduct
London
EC1A 2FG

Kyoei Fire & Marine Insurance Co (UK) Limited

DIRECTORS' REPORT

The directors present their report and audited Financial Statements for the year ended 31 December 2016. The directors have chosen, in accordance with section 414c(II) of the Companies Act 2006, to include certain additional matters in the Strategic Report that would otherwise be required to be disclosed in this Directors' Report.

RESULTS AND DIVIDENDS

The loss for the year attributable to shareholders amounted to $(137,000) (2015 loss - $(191,000)). The directors do not recommend payment of a dividend (2015: $nil).

DIRECTORS

The directors of the Company during the year ended 31 December 2016 were those listed on page 1.

FUNCTIONAL CURRENCY

The Directors have adopted United States Dollars as the Company's functional currency because that is the currency of the primary economic environment in which the Company operates, and the greatest proportion of the Company's assets and liabilities are denominated in that currency.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company adopts a conservative investment and risk management policy to ensure that there is no material exposure to market, liquidity or cash flow risks to funds held which support the Company's solvency requirement. In addition, the Company has no exposure to pricing, derivatives or currency-hedging risks.

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 (2) of the Companies Act 2006.

The Company has elected to dispense with the obligation to appoint an auditor annually and, accordingly, Deloitte LLP shall be deemed to be re-appointed as auditor for a further term.

Approved by the Board of Directors
and signed on behalf of the Board

A Wilson
Director

Date: 19 May 2017

STRATEGIC REPORT

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company continues to handle the run off of its marine and non-marine business.

The Company's operations are administered by the company, with additional claims-handling and administrative services being provided by related group companies.

The Company intends to continue to manage the run-off of the insurance assets and liabilities in an orderly manner.

KEY PERFORMANCE INDICATORS

The Company's performance is measured and monitored by the Board with particular regard paid to the following Key Performance Indicators:

Capital Resources

The aim of the Company is to maintain an appropriate margin of regulatory capital over capital resource requirements. In 2015 and as calculated in accordance with the handbook issued by the Prudential Regulation Authority the Company's free assets were $13,072,000. In 2016 and in accordance with the new Solvency II regulatory framework and available and eligible own funds of the company were $16,571,000 to meet a Solvency Capital Requirement of $2,620,000.

Profits or Losses after taxation and Shareholders funds

For the year ended 31 December 2016, the Company reported a loss of $(137,000) (2015 loss: $191,000). As at 31 December 2016, the Company had shareholders' funds amounting to $16,869,000 (2015: $17,006,000).

Cash flows

Cash flows are monitored closely by the business to ensure that all liabilities can be met as they fall due.

GOING CONCERN

The financial position of the Company continues to be encouraging and cash flows are as expected. The capital structure of the Company has remained stable for a considerable period and financial risk management processes are in place to maintain the Company's liquidity and solvency position.

Having taken into account the risks and uncertainties as disclosed in note 2, the performance of the business and after making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

SUBSEQUENT EVENTS

The Company is not aware of any events which materially impact the financial information disclosed.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's largest potential risk is that technical provisions may prove to be inadequate or excessive. This risk is substantially transferred to an affiliated group company by way of reinsurance.

In light of the referendum vote for the UK to leave the EU (Brexit) and the consequential uncertainties in the political and economic environment there have been a number of implications for the Company.

In addition to regulatory change the Directors are aware that Brexit also has potential to increase volatility in the markets with the sudden devaluation of Sterling being the most visible sign to date.

The Director's consider the current investment policy and matching of liabilities and assets in currency to put the Company on a sound basis to deal with any market volatility.

Approved by the Board of Directors
and signed on behalf of the Board

A Wilson
Director
Date: 19 May 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

By order of the Board

A Wilson
Director
Date: 19 May 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KYOEI FIRE & MARINE INSURANCE CO (UK) LIMITED

We have audited the financial statements of Kyoei Fire & Marine Insurance Co (UK) Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Equity and the related notes 1 to 16. 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 FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the 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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 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 Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KYOEI FIRE & MARINE INSURANCE CO (UK) LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Andrew Downes (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
Date: 19 May 2017

Kyoei Fire & Marine Insurance Co (UK) Limited

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Notes	*2016*	*2015*
		$000	*$000*
TECHNICAL ACCOUNT			
Total Technical Income		-	-
Claims paid:			
Gross amount		(56)	(1)
Reinsurers' share		56	1
Claims paid, net of reinsurance		-	-
Change in provision for claims:			
Gross amount		56	1
Reinsurers' share		(56)	(1)
Net change in the provision for claims		-	-
Claims incurred, net of reinsurance		-	-
Net operating expenses	3	37	30
Total Technical Expense		37	30
Balance on the general business technical account		(37)	(30)
NON-TECHNICAL ACCOUNT			
Balance on the general business technical account		(37)	(30)
Interest income	4	39	48
Net foreign exchange (losses)		(139)	(209)
(Loss) on ordinary activities before tax		(137)	(191)
Tax (expense)/income	8	-	-
(Loss) for the year		(137)	(191)

The accompanying notes are an integral part of the annual accounts.

Kyoei Fire & Marine Insurance Co (UK) Limited

STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	Notes	*2016* *$000*	*2015* *$000*
Assets			
Reinsurance assets	9	439	500
Insurance and other receivables	10	46	43
Cash and cash equivalents	11	16,899	17,038
Total Assets		17,384	17,581
Liabilities and Equity			
Liabilities			
Insurance liabilities	9	439	500
Insurance and other payables	12	76	75
Total Liabilities		515	575
Equity			
Called up share capital	13	15,370	15,370
Retained earnings		1,499	1,636
Total Equity		16,869	17,006
Total Liability and Equity		17,384	17,581

The accompanying notes are an integral part of the annual accounts.

Approved at a meeting of the Board of Directors and signed on its behalf.

A Wilson
Director
Date: 19 May 2017

Kyoei Fire & Marine Insurance Co (UK) Limited

STATEMENT OF CASH FLOW
For the year ended 31 December 2016

	Notes	2016 *$000*	2015 *$000*
Cash generated from operations			
Cash flows from operating activities	14	9	609
Tax (paid)/received		(1)	1
Net cash inflows from operating activities		8	610
Net increase in cash and cash equivalents		8	610
Cash and cash equivalents at beginning of year		17,038	17,231
Effect of exchange rate fluctuations on cash and cash equivalents		(147)	(803)
Cash and cash equivalents at the end of the year	11	16,899	17,038

The accompanying notes are an integral part of the annual accounts.

Kyoei Fire & Marine Insurance Co (UK) Limited

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Notes	*Share Capital $000*	*Retained Earnings $000*	*Total Equity $000*
At 1 January 2015		15,534	1,663	17,197
Redenomination of Equity to US$		(164)	164	-
Retained profit for the financial year		-	(191)	(191)
At 31 December 2015		15,370	1,636	17,006
At 1 January 2016		15,370	1,636	17,006
Retained profit for the financial year		-	(137)	(137)
At 31 December 2016		15,370	1,499	16,869

The accompanying notes are an integral part of the annual accounts.

Kyoei Fire & Marine Insurance Co (UK) Limited
Notes to the Financial Statements
For the year ended 31 December 2016

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are summarised below. These policies have been applied consistently throughout the year and to the preceding year.

(A) General information

The Company is a private limited company incorporated and domiciled in Great Britain, and transacted insurance and reinsurance business in the London Market until 2007. Since that date the business has been in run-off. The address of the registered office is given on page 1.

The Financial Statements have been prepared in accordance with Financial Reporting Standards 102 & 103 (FRS 102 & 103) applicable in the United Kingdom and Republic of Ireland and provisions of Section 396 of the Companies Act 2006. The financial statements have been prepared on the going concern basis as explained in the Strategic report on page 3.

(B) Basis of preparation

The functional currency of Kyoei Fire & Marine Insurance Co (UK) Limited is considered to be U.S. Dollars because that is the currency of the primary economic environment in which the Company operates, and the currency of the largest proportion of the Company's assets and liabilities, having regard to the duration of those liabilities. The Financial Statements are also presented in U.S. Dollars.

In accordance with FRS102 & FRS 103, the Company has applied existing accounting policies for insurance contracts. Opportunity has been taken to provide more relevant narrative information in the accounting policies and notes to support the financial statements. These clarifications have not resulted in either changes in accounting estimates or changes to any prior year numbers. Other than the change in functional currency and presentational currency the change to FRS102 and FRS 103 has had no impact on profit before tax, profit after tax or shareholder equity.

The underwriting activities of all classes of business are accounted for on an annual basis.

(C) Going concern

Having taken into account the risks and uncertainties and the performance of the business as disclosed in the Directors' Report and Strategic Report, and after making enquiries, there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As a result, the Company continues to adopt the going concern basis in the preparation of the financial statements.

(D) Critical accounting policies and the use of estimates

The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the statement of comprehensive income, statement of financial position, other primary statements and notes to the financial statements. This is particularly so in the estimation of amounts for insurance liabilities, for which further details are given in policy G below and in note 9 to these financial statements. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results may differ from those estimates, possibly significantly.

(E) Foreign currency translation

Transactions in foreign currencies other than US Dollars are converted at the reporting rate of exchange prevailing on the dates of the transactions, or at the average rate where this is a reasonable approximation. Monetary assets and liabilities denominated in foreign currencies at the date of the statement of financial position are translated into US Dollars at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

In accordance with FRS102 non-monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into US Dollars at the historic rate pertaining on the date of the transaction.

(F) Claims Incurred

Claims incurred comprise all claim payments and internal and external settlement expense payments made in the financial year and the movement in the provisions for outstanding claims and settlement expenses, including claims incurred but not reported, net of salvage and subrogation recoveries.

Outwards reinsurance recoveries are accounted for in the same accounting period as the claims for the related direct or inwards reinsurance business being reinsured.

(G) Outstanding Claims Provision

Provision is made for outstanding claims and settlement expenses incurred at the reporting date including an estimate for the cost of claims incurred but not reported at that date. Included in the provision is an estimate of the internal and external costs of handling the outstanding claims. Material salvage and other recoveries are deducted from outstanding claims.

The provision for claims outstanding is based on information available at the reporting date. Significant delays are experienced in the notification and settlement of certain claims and accordingly the ultimate cost of such claims cannot be known with certainty at the reporting date. Subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided. Any differences between provisions and subsequent settlements are dealt with in the general business technical account of later years.

Reinsurers' share of technical provisions represents the amount of the Company's gross claims outstanding that is recoverable from reinsurers, calculated by reference to policy limits or cession percentages, adjusted as appropriate for commuted proportions and having regard to collectability.

(H) Recognition and derecognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of a contract. The Company has designated on initial recognition its financial assets held for investment purposes (investments) at fair value through profit or loss (FVTPL). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A financial asset is derecognised when either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition under a combination of risks and rewards and control tests. A financial liability is derecognised when it is extinguished which is when the obligation in the contract is discharged, cancelled or expired.

(I) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position include cash in hand, deposits held at call with banks and other short-term highly liquid investments with a maturity of three months or less at the date of acquisition.

(J) Taxation

Current income tax is the expected tax payable on the taxable profit for the period using tax rates (and laws) enacted or substantively enacted at the reporting date and any adjustment to the tax payable in respect of previous periods. The Company calculates current income tax using current income tax rates.

Deferred taxation is provided for using the liability method on all timing differences, arising from the different treatment of items for accounting and taxation purposes, calculated at the rates at which it is expected that tax will arise. Deferred tax balances are not discounted.

(K) Receivables

Receivables, including inter-company loans, are recognised initially at their fair value and are subsequently assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised through the profit and loss account.

(L) Payables and other financial liabilities

Payables, including inter-company amounts payable, are recognised at their fair value.

(M) Provisions

Provisions are liabilities with uncertainties in the amounts or timing of payments. Provisions are recognised if there is a present obligation as a result of past events, that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made at the reporting date.

(N) Liability Adequacy Test

At each reporting date, a liability adequacy test is performed on insurance liabilities to ensure that the carrying value is adequate, using current estimates of future cash flows, taking into account the relevant investment returns. If that assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is recognised by recording an additional liability for claims provision. The provision is assessed in aggregate for business classes which are managed together.

2. RISK MANAGEMENT

A related company, Resolute Management Limited, has developed a Risk Management Framework applicable for all companies materially in run-off. The Board have approved this as applicable to Kyoei Fire & Marine Insurance Co (UK) Limited. This framework has the following key elements:-

- A clear organisational structure with defined authorities and responsibilities;
- Defined terms of reference for the Board of the Company and management committees; and
- Adoption of the Company risk management framework that defines risk appetite measures and sets out risk management and control standards for the Company's operations. The risk management framework also sets out the roles and responsibilities of businesses, policy owners and risk oversight committees.

The Company operates a risk management framework, which is a collection of processes and tools that have been put in place to ensure that the risks to which it is exposed are identified, measured, managed, monitored and reported on a continuous basis. The key instruments of this framework include the risk management policies, risk reports, the governance and oversight infrastructure and the risk appetite framework. The Company works within this risk management framework.

The Company has a set of formal risk policies that facilitate a consistent approach to the management of all the Company's risks across all business streams and locations in which the Company operates. These risk policies define the Company's appetite for different, specific risk types and set out risk management and control standards for the Company's operations. The Company sets limits to manage material risks to ensure the risks stay within risk appetite (the amount of risk the Company is willing to accept). Where risks are outside of appetite, actions are agreed to mitigate the exposure.

In addition to monitoring regulatory Solvency under applicable UK Prudential Regulation Authority (PRA) regulations, the PRA also requires the Company to assess its economic capital requirements to ensure that it adequately reflects the risks facing the business. The main risks being faced by the Company are as follows:-

(i) Insurance Risk

The Company is in run-off and considers insurance risk within its general insurance activity to be the management of claims and the adequacy of reserving. The risk relates to the inherent uncertainty around the level of reserves held. Actuarial claims reserving is conducted by Resolute Management Services Limited, a related company with actuarial expertise, on a prudent basis such that reserves are more likely to be overstated rather than understated,

however there remains a reasonable possibility that the final gross outcome will show that reserves are understated and possibly by a material margin; and therefore has a moderate reserving risk. All business is reinsured as the Company is party to a reinsurance agreement with its related company which provides substantial protection in excess of current gross liabilities. The adequacy of the Company's reserves is overseen by the board who are also responsible for Capital requirements.

(ii) Credit Risk

Credit Risk is the risk of loss in the financial assets due to counterparties failing to meet all or part of their obligations. The company is exposed to reinsurer credit risk, but as the level of gross reserves and consequently the reinsurance is low relative to the size of the company, management assess the overall credit risk as low.

(iii) Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its obligations associated with financial liabilities as they fall due. This risk is largely mitigated by the investment guideline requirements which ensure compliance with the operational risk appetite statements. The company retains significant liquid balances and the investment portfolio is such that it may be converted to liquid assets at short notice, and the company also has the ability to make cash calls on its reinsurer. Given that liquidity is not a material risk for the Company, no specific risk sensitivity is provided.

(iv) Market Risk

Market Risk is the risk of an adverse financial impact due to changes in future cash flows of financial instruments due to fluctuations in interest rates and market prices. The Company's investment strategy is conservative and investment guidelines require funds held which support the Company's solvency requirement to be invested in fixed interest securities with a credit rating of A and above held to maturity. The Company has no off-balance sheet transactions and has a policy of not investing in derivative contracts.

(v) Operational Risk

Operational Risk is the risk of an adverse financial impact due to being in business and can arise from the operation's people, processes, and systems. These risks are managed through controls that are aligned with the Board's risk appetite and monitored in an early warning indicator system based on key risk indicators that are reported quarterly to the Risk Committee. Key Risks, Controls and Indicators are reviewed annually.

Stress Testing

The profit on ordinary activities before tax is not sensitive to the actual reserving outcome being different from the expected outcome because all business is reinsured by an affiliated company.

Reverse Stress Testing is designed to identify events that would potentially lead to either the business model becoming unviable, or business failure. A reverse stress testing exercise is carried out annually.

The results of the sensitivity, scenario and stress testing undertaken are regularly produced to inform the Company's decision-making and planning processes, and as part of the framework for identifying and quantifying the risks to which the Company is exposed. The key sensitivity has been determined to be in relation to the reinsurance credit risk, a significant change of which could materially affect the amount, timing and uncertainty of the Company's future cash flows and profit.

Management have considered performing further stress and scenario tests but concluded that such tests would not be proportionate given the exposures in this Company.

3. NET OPERATING EXPENSES

	2016 $000	2015 $000
Administrative expenses	37	30

4. INTEREST INCOME

	2016 $000	2015 $000
Bank Interest	39	48

5. AUDITOR'S REMUNERATION

	2016 $000	2015 $000
Fees for the Audit of the Company's annual accounts and regulatory returns	25	20

The Company's auditor did not provide any other services to the company in 2016 and 2015.

6. STAFF COSTS

The Company has no full time employees, with services provided by another Group Company and, accordingly, no direct staff costs are incurred by the Company. During the year, the costs of these services were borne by the Company's immediate parent company Tenecom Limited and have not been charged into the Company (2015: $nil).

7. DIRECTORS' EMOLUMENTS

	2016 $000	2015 $000
Emoluments charged from another Group Company	-	-

During the year no directors received any emoluments specifically for activity as directors for this Company. Their costs are borne by another group company and not recharged (2015:$nil).

8. TAXATION AND DEFERRED TAX

The standard rate of current tax for the year is 20% (2015 - 21% to March 31, and 20% thereafter). Based on this, the average standard rate of Corporation Tax is 20% (2015:20.25%). The current tax charge for the year is not 20% (2015: 20.25%) for the reasons set out below:

	2016 $000	2015 $000
(Loss) on ordinary activities before tax	(137)	(191)
Tax on loss on ordinary activities at standard rate	(27)	(39)
Factors affecting tax charge:		
Current year unrelieved losses	27	39
Group relief surrendered	-	-
Total	-	-

No provision is made for potential deferred tax assets (2015: nil) as this is dependent upon the availability of future profits within this company or the rest of the UK group.

9. INSURANCE LIABILITIES AND REINSURANCE ASSETS

(a) Carrying amounts

The following is a summary of the gross insurance liabilities and the related reinsurance assets as at 31 December:

As at December 2016	Gross Insurance Liabilities $000	Reinsurance Assets $000	Net $000
Provision for outstanding claims reserves	117	117	-
Provisions for claims incurred but not reported	322	322	-
Total claims provisions	439	439	-

As at December 2015	Gross Insurance Liabilities $000	Reinsurance Assets $000	Net $000
Provision for outstanding claims reserves	190	190	-
Provisions for claims incurred but not reported	310	310	-
Total claims provisions	500	500	-

Further details of the gross liabilities are described in (b), (c) and (d) below.

Of the above reinsurance assets total, approximately $426 thousand (2015: $498 thousand) of the reinsurance assets is expected to be recovered in more than one year after the statement of financial position date.

(b) Provisions for gross outstanding claims insurance liabilities

Outstanding claims provisions are estimated based on known data and information at the date of estimation. Case estimates are generally set by counsel or skilled claims technicians applying their experience and knowledge to the circumstances of individual claims, taking into account all available information and correspondence regarding the circumstances of the claim, such as medical reports, investigations and inspections. Claims technicians set case estimates according to documented claims department policies and specialise in setting estimates for certain lines of business or types of claim. Claims above certain limits are referred to senior claims handlers for authorisation.

Delays occur in the notification and settlement of claims and a substantial measure of experience and judgement is involved in assessing insurance liabilities, the ultimate cost of which cannot be known with certainty at the statement of financial position date. The reserves are based on information currently available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

(c) Estimates and assumptions

In order to arrive at the appropriate level of gross provision, the Company has reviewed the information currently available including outstanding loss advices, past development of notifications and industry benchmarks.

It is believed that the aforementioned have been appropriately considered in estimating ultimate losses that have occurred, including future developments in known claims as well as those yet to be reported. However, the future uncertainties that are inherent in the estimating process are such that future developments might cause these provisions to be inadequate or excessive.

In addition, a significant portion of exposure remaining open is mass tort or latent injury. This exposure is dominated by asbestos and environmental claims but other situations are represented as well. The uncertainties concerning these claims are increased by legislation and judicial actions that are attempting to expand the availability of indemnity. One characteristic of these types of claims is that they are not subject to traditional actuarial analysis. With traditional actuarial analysis, projections of future claims development are heavily informed by observations of past claim development for claims in the same class, especially with regard to the development of each underwriting year.

The future emergence and settlements for the type of claims mentioned above is not adequately described by the patterns of the broader class of liability business from the past. As a result, traditional analysis of historical loss development triangles yields no information useful in projecting the future progression of these losses.

However the industry has built up a considerable body of knowledge with respect to the development of mass tort situations. Based on this body of industry information, benchmark valuations involving both the "Survival Ratio" and the ratio of required IBNR to notified claims, and which require much subjective judgment, can be used to establish estimates of the Company's future liability. In this context, with knowledge of these previous benchmark valuations, together with an understanding of the current period claims run-off, an assessment has been made to estimate future requirements. Notwithstanding this assessment, it is considered that significant uncertainty remains in respect of the provisions, which is greater than the uncertainty that would be normally expected for insurance technical provisions at this stage of development. In response to this, the Company has purchased run-off reinsurance from a related company that substantially mitigates these uncertainties in the level of net reserves.

Any reserving approach requires judgement, and involves an understanding of the nature of the liabilities and the selection of the particular methodology, as well as many decisions on how best to apply both the factual claims data and the other knowledge gained. Every book of liabilities that arises from underwriting over a long period will be different and it is important to pay special attention to those areas of the account where the most material uncertainties are believed to lie.

(d) Loss Development Tables

The Company ceased to write business in the London Market in 2007. Since that date the business has been in run-off.

2007 and prior years	As at 2012 $000	As at 2013 $000	As at 2014 $000	As at 2015 $000	As at 2016 $000
Gross Claim Insurance Liabilities	508	489	502	500	439
Gross Recovery from reinsurers	508	489	502	500	439
Total Net Insurance Liabilities	-	-	-	-	-

(e) Movements in insurance and reinsurance contracts

The following is a summary of the movements in the gross insurance liabilities and the related reinsurance assets during the year ended 31 December:

Year ended 31 December 2016	Gross Insurance Liabilities $000	Reinsurance Assets $000	Net $000
Claims as at 1 January	500	500	-
Claims paid in the year	(56)	(56)	-
Increase/(decrease) in liabilities	-	-	-
Net foreign exchange differences	(5)	(5)	-
Claims and run-off expenses as at 31 December	439	439	-

Year ended 31 December 2015	Gross Insurance Liabilities $000	Reinsurance Assets $000	Net $000
Claims as at 1 January	502	502	-
Claims paid in the year	(1)	(1)	-
Increase/(decrease) in liabilities	-	-	-
Net foreign exchange differences	(1)	(1)	-
Claims as at 31 December	500	500	-

10. INSURANCE AND OTHER RECEIVABLES

	2016 $000	2015 $000
Arising out of insurance operations	8	8
Amounts due from immediate parent undertaking	30	31
Accrued interest	5	1
Other debtors	3	3
Total	46	43

11. CASH AND CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash.

	2016 $000	2015 $000
Cash at bank and on deposit	73	192
Cash equivalents	16,826	16,846
Total	16,899	17,038

12. INSURANCE AND OTHER PAYABLES

	2016 $000	2015 $000
Arising out of direct insurance operations	37	39
Accruals and deferred income	39	36
Total	76	75

13. SHARE CAPITAL

	2016 $000	2015 $000
Allotted, issued and fully paid shares:		
10,000,000 ordinary shares of $1.537022 each	15,370	15,370
Total	15,370	15,370

Following the adoption of USD as both its functional and presentational currency the Company has taken the opportunity to re-denominate its shareholders equity as USD denominated shares. The main benefit of this will be to reduce the impact of foreign exchange fluctuations as the majority of the Company's assets and liabilities are denominated in US dollars. An auxiliary benefit arising is that it will more closely align the Company's reporting to its parent and Group.

The objective of the Company in managing its capital is to ensure that it will be able to continue as a going concern and comply with the regulators' capital requirements of the markets in which the Company operates.The level of the surplus capital held by the Company is based on its risk appetite and provides flexibility, allowing the Company to deal with shock events and to take advantage of opportunities as they arise.

The capital structure of the Company consists of equity attributable to shareholders, comprising ordinary shares and retained earnings as disclosed above and in the Statement of Changes in Equity.

The Company was in compliance with capital requirements imposed by regulators throughout the financial year.

The capital requirement of the Company is determined by its exposure to risk and the solvency criteria established by management and statutory regulations.

The table below sets out the statutory minimum capital requirement and the Company's available capital.

	2016 $000
Own Funds	16,571
Solvency capital requirement	2,620
Solvency II capital surplus	13,951
Solvency Cover %	632%

The Company fully complied with all externally imposed capital requirements throughout the financial year.

There were no changes made to the capital base nor to the objectives, policies and processes for managing capital during the financial year.

14. CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

The reconciliation of the result before tax to the net cash inflow from operating activities is:

	2016 $000	2015 $000
(Loss)/profit before tax	(137)	(191)
Adjusted for non-cash movements:		
Foreign exchange losses/(gains)	147	803
Movement in operating assets & liabilities:		
Insurance and other receivables	59	5
Insurance and other payables	(60)	(8)
Cash flow provided by operating activities	9	609

15. RELATED PARTY TRANSACTIONS

(a) All related party transactions are carried out on an arms-length commercial terms. The company had the following related party transactions in 2016 and 2015:

(i) Services provided to and from related parties

	2016 Receivable at year end $000	2016 Payable at year end $000	2015 Receivable at year end $000	2015 Payable at year end $000
Key services				
Columbia Insurance Company	30	-	31	-
Total	30	-	31	-

The related parties' receivables are not secured and no guarantees were received in respect thereof.

The Company has taken advantage under Section 33.1A, Financial Reporting Standards 102, not to disclose transactional details as all related parties are members of a group that is wholly owned by one such member of that group.

(ii) Services provided by related parties

Reinsurance agreement is in place with related party Columbia Insurance Company.

(iii) Key management compensation

The key management of the Company are considered to be the statutory directors of the Company. Note 7, directors' emoluments, gives details of their compensation as directors of the Company.

(b) Parent Companies

The Company's immediate parent company is Tenecom Limited, a UK company.

The Company's ultimate parent company, controlling party, company which heads the largest group of undertakings for which group accounts were drawn up and of which the Company was a member of, is Berkshire Hathaway Inc. incorporated in the United States of America.

The parent undertaking which heads the smallest group of undertakings for which group accounts were drawn up and of which the Company is a member is National Indemnity Company, a company incorporated in the state of Nebraska.

The consolidated financial statements of both of these companies are available to the public and may be obtained from 1440 Kiewit Plaza, Omaha, Nebraska, USA 68131.

16. SUBSEQUENT EVENTS

There are no events that have occurred between the date to which these statements are prepared (31 December 2016) and to the date of signing by the board 19th May 2017 which materially impact the financial information disclosed therein.