
CITY RE LIMITED

Directors' Report and Financial Statements

For the year ending 31 March 2014

CITY RE LIMITED

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CITY RE LIMITED

CORPORATE INFORMATION

DIRECTORS

The directors of the Company who held office during the year were:

Mr G A Hollingsworth
Mr N H Wild
Mr R A H Chadwick
Dr P R Kane (Appointed 2nd June 2014)
Mr C N Bilisland (Resigned 5 May 2014)

INSURANCE MANAGER AND GENERAL REPRESENTATIVE

The insurance manager and general representative of the Company throughout the year was JLT Insurance Management (Guernsey) Limited.

SECRETARY

The secretary of the Company throughout the year was JLT Insurance Management (Guernsey) Limited.

REGISTERED OFFICE

Mill Court
La Charroterie
St Peter Port
Guernsey
GY1 4ET

AUDITORS

Lince Salisbury Limited
Avenue House
St Julian's Avenue
St Peter Port
Guernsey
GY1 1WA

CITY RE LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ending 31 March 2014.

INCORPORATION

The Company was incorporated in Guernsey, Channel Islands on 20 December 2010 with registered number 52816. It operates in accordance with the provisions of The Companies (Guernsey) Law, 2008 and The Insurance Business (Bailiwick of Guernsey) Law, 2002 to carry out general insurance business, excluding domestic business.

ACTIVITIES

The principal activity of the Company during the year was to provide re-insurance protection to the RSA Group on the risks associated with material damage and loss of rent for the City of London's property portfolio.

RESULTS

The results for the period are shown on page 7.

DIVIDENDS

During the year the directors proposed and agreed the payment of a dividend in the sum of £810,883 (2013: £997,747)

DIRECTORS

The directors of the Company who held office during the period are detailed on page 3.

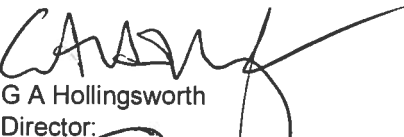
DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.


AUDITORS

The Auditors, Lince Salisbury Limited, have indicated their willingness to continue in office and offer themselves for re-appointment at the forthcoming Annual General Meeting.

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



G A Hollingsworth
Director:



R A H Chadwick
Director:

Date: 24th June 2014

CITY RE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Director's 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law.

The financial statements are required by law to 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 year.

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

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CITY RE LIMITED

We have audited the financial statements of City Re Limited for the year ending 31 March, 2014 on pages 7 to 13 which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, under the historical cost convention, and the accounting policies set out on page 11.

This report is made solely to the company's members as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. 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 auditors

As explained 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 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 Company'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 Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st March 2014 and of its result for the period then ended,
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- the financial statements have been properly prepared in accordance with The Insurance Business (Bailiwick of Guernsey) Law, 2002 and The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Insurance Business (Bailiwick of Guernsey) Law, 2002 and The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper 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; or
- the annual return pursuant to The Insurance Business (Bailiwick of Guernsey) Law, 2002 is inconsistent with the financial statements.

26th June 2014
Avenue House,
St. Julian's Avenue,
St. Peter Port,
GUERNSEY

Lince Salisbury Limited

LINCE SALISBURY LIMITED
CHARTERED ACCOUNTANTS

CITY RE LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 31 MARCH 2014

CONTINUING OPERATIONS	<i>Notes</i>	31 Mar 2014 £	31 Mar 2013 £
REVENUES			
Gross Premiums written	1	1,717,679	1,707,690
Change in unearned premium provision	1	-	(5,746)
Premium earned for the year		1,717,679	1,701,944
UNDERWRITING EXPENSES			
Claims paid / payable	1	(623,204)	(612,130)
Claims reserve movement - Outstanding Loss Reserve	1	(914,776)	(222,917)
Commission	1	(42,942)	(42,549)
Total underwriting expenses		(1,580,922)	(877,596)
UNDERWRITING RESULT FOR THE YEAR		136,757	824,348
Interest income	1	32,196	72,672
Administrative expenses	3	(74,974)	(73,789)
PROFIT BEFORE TAXATION AND COMMISSION		93,979	823,231
Profit commission payable	1	(1,410)	(12,348)
PROFIT BEFORE TAXATION		92,569	810,883
Taxation	2	-	-
RETAINED PROFIT FOR THE YEAR		92,569	810,883

The notes on pages 11 to 13 form part of these financial statements.

CITY RE LIMITED

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2014

		31 Mar 2014	31 Mar 2013
	Notes	£	£
CURRENT ASSETS			
Cash and cash equivalents	4	3,694,172	858,051
Bank deposits	1	-	2,665,000
Accrued interest income	1	18	410
Deferred commission		31,346	31,346
Prepaid expenses		14,993	14,981
TOTAL ASSETS		3,740,529	3,569,788
EQUITY AND LIABILITIES			
Issued capital	6	500,000	500,000
Retained earnings		92,569	810,883
TOTAL EQUITY		592,569	1,310,883
LIABILITIES			
Trade and other payables	5	39,764	65,486
TECHNICAL RESERVES			
Unearned premium reserve	1	1,253,866	1,253,865
Claims reserves	7	1,854,330	939,554
TOTAL EQUITY AND LIABILITIES		3,740,529	3,569,788

These financial statements were approved by the Board of Directors on 24 June 2014

Signed on behalf of the Board of Directors


G A Hollingsworth
Director:


R A H Chadwick
Director:

The notes on pages 11 to 13 form part of these financial statements.

CITY RE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 31 MARCH 2014

	31 Mar 2014 £	31 Mar 2013 £
Balance at the beginning of the year	1,310,883	1,497,747
Dividend paid during the year	(810,883)	(997,747)
Profit for the year	92,569	810,883
Balance at the end of the year	<u>592,569</u>	<u>1,310,883</u>

The notes on pages 11 to 13 form part of these financial statements.

CITY RE LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 31 MARCH 2014

	31 Mar 2014	31 Mar 2013
	£	£
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year	92,569	810,883
Less interest income	(32,195)	(72,672)
Decrease / (Increase) in accrued interest	392	6,316
Increase in unearned premiums	1	5,745
Increase in prepaid expenses	(12)	(415)
(Decrease) / Increase in trade and other payables	(25,722)	25,255
Increase in reserves for losses and loss expenses	914,776	222,917
Net cash inflow from operating activities	949,809	998,029
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	32,195	72,672
Decrease in bank deposits	2,665,000	8,090
Net cash from investing activities	2,697,195	80,762
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(810,883)	(997,747)
Net cash from financing activities	(810,883)	(997,747)
Net increase in cash and cash equivalents	2,836,121	81,044
Cash and cash equivalents brought forward	858,051	777,007
Cash and cash equivalents carried forward	3,694,172	858,051

The notes on pages 11 to 13 form part of these financial statements.

CITY RE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2014

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Companies (Guernsey) Law, 2008. The Insurance Business (Bailiwick of Guernsey) Law, 2002 and the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") dated December 2006.

The financial statements have been prepared on a going concern basis as the directors consider this gives the most meaningful picture of the state of affairs of the business. They give a true and fair view and have been prepared in accordance with International Financial Reporting Standards.

(b) Underwriting business

Premiums written

Gross premiums written in respect of the cover for providing reinsurance protection to the RSA group on the risks associated with material damage and loss of rent insurance programmes of the City of London portfolio.

Unearned premiums

Unearned premium represents the proportion of premium which has been pre-paid for the following financial period.

Claims

Claims are accounted for on an accruals basis

Provisions are made for outstanding claims incurred at the balance sheet date including an estimate for the cost of claims incurred but not reported ("IBNR").

Commission

Fronting fees calculated as 2.5% of premiums written is payable to Royal and Sun Alliance PLC and are earned over the related policy period.

Profit commission calculated as 1.5% of the profit before tax in the financial period is payable to JLT Insurance Management (Guernsey) Limited.

(c) Bank deposits

Bank deposits included term deposits with Barclays Bank Plc, held at cost, and matured within three to twelve months of the balance sheet date and were carried on the balance sheet at cost.

(d) Interest income

Interest income is accounted for on an accruals basis.

2. TAXATION

The Company is taxed at the standard rate of income tax for Guernsey companies of 0%

CITY RE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDING 31 MARCH 2014

3. ADMINISTRATIVE EXPENSES	31 Mar 2014	31 Mar 2013
	£	£
Management fees	50,987	49,803
Audit fees	6,000	6,000
Directors fees	7,158	6,943
Consultancy fees	500	297
Company registration fees	5,694	5,615
Letter of credit fees	-	862
Directors and officers premium	2,656	2,656
Sundry expenses	1,979	1,613
	<u>74,974</u>	<u>73,789</u>
4. CASH AND CASH EQUIVALENTS	31 Mar 2014	31 Mar 2013
	£	£
Bank balances	2,005,671	858,051
Fixed deposits	1,688,501	-
	<u>3,694,172</u>	<u>858,051</u>
Cash and cash equivalents comprise bank balances and short term fixed deposits with maturity of three months or less at the balance sheet date.		
5. TRADE AND OTHER PAYABLES	31 Mar 2014	31 Mar 2013
	£	£
Claims payable	29,672	44,862
Profit commission	1,410	12,348
Audit fees	6,000	6,000
Directors and officers premium	58	58
Consultancy fees	400	300
Director's fees	2,075	1,918
Insurance payables	141	-
Bank charges	8	-
	<u>39,764</u>	<u>65,486</u>
6. SHARE CAPITAL	31 Mar 2014	31 Mar 2013
	£	£
ISSUED SHARE CAPITAL		
500,000 GBP1 Ordinary Shares	<u>500,000</u>	<u>500,000</u>
7. CLAIMS RESERVES	31 Mar 2014	31 Mar 2013
	£	£
IBNR Reserve	250,000	250,000
Outstanding loss reserves	1,604,330	689,554
	<u>1,854,330</u>	<u>939,554</u>

CITY RE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDING 31 MARCH 2014

8. FINANCIAL RISK MANAGEMENT

Interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its bank deposits, cash and cash equivalents and cash flows. At 31 March 2014 the Company had various interest bearing accounts bearing interest rates ranging from 0.39% to 0.65% all maturing within 12 months of the balance sheet date.

All of the above risks are monitored by the appointed Company Manager and reviewed on a regular basis by the Board of Directors.

9. IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

The Company is a wholly owned subsidiary of the City of London Corporation, the municipal governing body of the City of London, acting in its City's Cash capacity.

10. RELATED PARTY TRANSACTIONS

Mr N H Wild served as a director of the Company and of the insurance manager, JLT Insurance Management (Guernsey) Limited during the year. Management fees paid in respect of the financial year totalled £50,987 (2013: £49,803).

Profit commission calculated as 1.5% of the profit before tax in the financial year is payable to the company manager JLT Insurance Management (Guernsey) Limited. An amount of £1,410 is payable as at 31 March 2014. (2013: £12,348)