

# **CITY RE LIMITED**

**Directors' Report and Financial Statements**

**For the year ending 31 March 2015**

# CITY RE LIMITED

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# CITY RE LIMITED

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## CORPORATE INFORMATION

### DIRECTORS

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

Mr G A Hollingsworth  
Mr R A H Chadwick  
Dr P R Kane (appointed 2nd June 2014)  
Mr S A Le Prevost (appointed 25 March 2015)  
Mr C N Bilisland (resigned 5 May 2014)  
Mr N H Wild (resigned 10 March 2015)

### 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

### Auditor

Moore Stephens  
Town Mills South  
La Rue Du Pre  
St Peter Port  
Guernsey  
GY1 1LT

# CITY RE LIMITED

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## DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ending 31 March 2015.

### 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 year are shown on page 7.

### DIVIDENDS

During the year the directors proposed and agreed the payment of a dividend in the sum of £92,569 (2014: £810,883)

### DIRECTORS

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

### DISCLOSURE OF INFORMATION TO AUDITOR

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 Auditor is 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 Auditor is aware of that information.

### AUDITOR

The Auditor, Moore Stephens, has indicated its 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: 16th June 2015

# CITY RE LIMITED

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## 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 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 the affairs of the company and 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 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 AUDITOR'S REPORT TO THE MEMBERS OF CITY RE LIMITED

We have audited the financial statements of City Re Limited for the year ended 31 March 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report 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 auditor

As explained more fully in the Statement of Directors' Responsibilities, 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 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 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 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- comply with The Companies (Guernsey) Law, 2008 and The Insurance Business (Bailiwick of Guernsey) Law, 2002.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires

- proper accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

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

- the information given in the annual return prepared pursuant to section 33 is inconsistent with the financial statements; or
- there is any transaction outside the normal course of business which resulted in the balance sheet showing a situation materially different from that which would otherwise have obtained, and which is not adequately disclosed in the financial statements.

**MOORE STEPHENS**

Chartered Accountants

St Peter Port, Guernsey, GY1 3HZ

# CITY RE LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 31 MARCH 2015

		31 Mar 2015	31 Mar 2014
	Notes	£	£
<b>CONTINUING OPERATIONS</b>			
<b>REVENUES</b>			
Gross premiums written	1	1,700,456	1,717,679
Change in unearned premium provision	1	-	-
<b>Premium earned for the year</b>		<b>1,700,456</b>	<b>1,717,679</b>
<b>UNDERWRITING EXPENSES</b>			
Claims paid / payable	1	( 1,069,293)	( 623,204)
Claims reserve movement - Outstanding Loss Reserve	1	310,348	( 914,776)
Commission	1	( 42,512)	( 42,942)
<b>Total underwriting expenses</b>		<b>( 801,457)</b>	<b>( 1,580,922)</b>
<b>UNDERWRITING RESULT FOR THE YEAR</b>		<b>898,999</b>	<b>136,757</b>
Interest income	1	18,632	32,196
Administrative expenses	3	( 74,978)	( 74,974)
<b>PROFIT BEFORE TAXATION AND COMMISSION</b>		<b>842,653</b>	<b>93,979</b>
Profit commission payable	1	( 12,640)	( 1,410)
<b>PROFIT BEFORE TAXATION</b>		<b>830,013</b>	<b>92,569</b>
Taxation	2	-	-
<b>RETAINED PROFIT FOR THE YEAR</b>		<b>830,013</b>	<b>92,569</b>

The Company has had no gains and losses other than the profit for the year.

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

# CITY RE LIMITED

## STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2015

	Notes	31 Mar 2015 £	31 Mar 2014 £
<b>CURRENT ASSETS</b>			
Accrued interest income	1	-	18
Deferred commission		31,346	31,346
Prepaid expenses		15,483	14,993
Cash and cash equivalents	4	4,282,275	3,694,172
<b>TOTAL ASSETS</b>		<b>4,329,104</b>	<b>3,740,529</b>
<b>EQUITY AND LIABILITIES</b>			
Issued capital	5	500,000	500,000
Retained earnings		830,013	92,569
<b>TOTAL EQUITY</b>		<b>1,330,013</b>	<b>592,569</b>
<b>LIABILITIES</b>			
Trade and other payables	6	201,243	39,764
<b>TECHNICAL RESERVES</b>			
Unearned premium reserve	1	1,253,866	1,253,866
Claims reserves	7	1,543,982	1,854,330
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,329,104</b>	<b>3,740,529</b>

These financial statements were approved by the Board of Directors on 16 June 2015

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

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## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 31 MARCH 2015

	31 Mar 2015 £	31 Mar 2014 £
<b>Balance at the beginning of the year</b>	<b>592,569</b>	<b>1,310,883</b>
Dividend paid during the year	( 92,569)	( 810,883)
Profit for the year	830,013	92,569
<b>Balance at the end of the year</b>	<b><u>1,330,013</u></b>	<b><u>592,569</u></b>

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 2015

	31 Mar 2015	31 Mar 2014
	£	£
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the year	830,013	92,569
Less interest income	( 18,632)	( 32,195)
Increase in unearned premiums	-	1
Increase in prepaid expenses	( 490)	( 12)
Increase / (decrease) in trade and other payables	161,479	( 25,722)
(Decrease) / increase in reserves for losses and loss expenses	( 310,348)	914,776
<b>Net cash inflow from operating activities</b>	<b>662,022</b>	<b>949,417</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	18,650	32,587
Decrease in bank deposits	-	2,665,000
<b>Net cash from investing activities</b>	<b>18,650</b>	<b>2,697,587</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	( 92,569)	( 810,883)
<b>Net cash from financing activities</b>	<b>( 92,569)</b>	<b>( 810,883)</b>
<b>Net increase in cash and cash equivalents</b>	<b>588,103</b>	<b>2,836,121</b>
<b>Cash and cash equivalents brought forward</b>	<b>3,694,172</b>	<b>858,051</b>
<b>Cash and cash equivalents carried forward</b>	<b>4,282,275</b>	<b>3,694,172</b>

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

# CITY RE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2015

### 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") amended December 2006.

The financial statements have been prepared on a going concern basis under the historical cost convention 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 UK Generally Accepted Accounting Practice.

#### **(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"). The current IBNR is in the sum of £250,000 representing one maximum loss to the Company and is determined by the Board of Directors using both historical data and any data available at the time of preparation of the Financial Statements.

##### **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 are 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.

# CITY RE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDING 31 MARCH 2015

### 2. TAXATION

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

### 3. ADMINISTRATIVE EXPENSES

	31 Mar 2015 £	31 Mar 2014 £
Management fees	51,536	50,987
Audit fees	5,500	6,000
Directors' fees	7,500	7,158
Consultancy fees	400	500
Company registration fees	5,742	5,694
Directors and officers premium	2,624	2,656
Sundry expenses	1,676	1,979
	<u>74,978</u>	<u>74,974</u>

### 4. CASH AND CASH EQUIVALENTS

	31 Mar 2015 £	31 Mar 2014 £
Bank balances	4,282,275	2,005,671
Fixed deposits	-	1,688,501
	<u>4,282,275</u>	<u>3,694,172</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. SHARE CAPITAL

	31 Mar 2015 £	31 Mar 2014 £
<b>ISSUED SHARE CAPITAL</b>		
500,000 GBP1 Ordinary Shares	<u>500,000</u>	<u>500,000</u>

### 6. TRADE AND OTHER PAYABLES

	31 Mar 2015 £	31 Mar 2014 £
Claims payable	180,602	29,672
Profit commission	12,640	1,410
Audit fees	5,500	6,000
Directors and officers premium	26	58
Consultancy fees	400	400
Directors' fees	2,075	2,075
Insurance payables	-	141
Bank charges	-	8
	<u>201,243</u>	<u>39,764</u>

### 7. CLAIMS RESERVES

	31 Mar 2015 £	31 Mar 2014 £
IBNR Reserve	250,000	250,000
Outstanding loss reserves	1,293,982	1,604,330
	<u>1,543,982</u>	<u>1,854,330</u>

# CITY RE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDING 31 MARCH 2015

### 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 2015 the Company had various interest bearing accounts bearing interest rates ranging from 0.39% to 0.55% (2014: 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 Insurance 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 £51,536 (2014: £50,987).

Profit commission calculated as 1.5% of the profit before tax in the financial year is payable to the insurance manager JLT Insurance Management (Guernsey) Limited. An amount of £12,640 is payable as at 31 March 2015. (2014: £1,410 )

### 11. POST BALANCE SHEET EVENT

Following a Board meeting on the 16th June 2015, the directors declared a dividend in the sum of £830,013 relating to the profit for the year.