

# **CITY RE LIMITED**

**Directors' Report and Financial Statements**

**For the year ended 31 March 2017**

# CITY RE LIMITED

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# CITY RE LIMITED

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## CORPORATE INFORMATION

### DIRECTORS:

Mr G A Hollingsworth  
Mr S A Le Prevost  
Dr P R Kane  
Mr J Mayhew (Appointed 1 September 2016)  
Mr R A H Chadwick (Resigned 10 May 2016)

### INSURANCE MANAGER:

JLT Insurance Management (Guernsey) Limited  
Mill Court  
La Charroterie  
St Peter Port  
Guernsey  
GY1 4ET

### SECRETARY:

JLT Insurance Management (Guernsey) Limited  
Mill Court  
La Charroterie  
St Peter Port  
Guernsey  
GY1 4ET

### 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 ended 31 March 2017.

### 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 £140,984 (2016: £830,013)

### 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

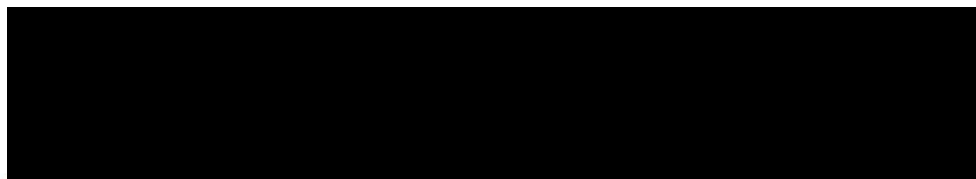
The Auditor, Moore Stephens, has indicated its willingness to continue in office and offers itself for re-appointment at the forthcoming Annual General Meeting.

### GOING CONCERN

The directors have, at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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

Director:



Date:

19 June 2017

## 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) including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts". 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 2017 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), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts".

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 FRC'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 2017 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 us to report to you if, in our opinion:

- 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 Statement of Financial Position showing a situation materially different from that which would otherwise have obtained, and which is not adequately disclosed in the financial statements.

**MOORE STEPHENS**

St Peter Port, Guernsey, GY1 3HZ

Date 26 June 2017

# CITY RE LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

		31 Mar 2017	31 Mar 2016
	Notes	£	£
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>			
Gross premiums written	2	2,167,798	1,610,572
Change in unearned premium provision	2	( 348,621)	15,352
<b>Premium earned for the year</b>		<b>1,819,177</b>	<b>1,625,924</b>
<b>UNDERWRITING EXPENSES</b>			
Claims payable	2	( 1,449,513)	( 1,123,306)
Claims reserve movement - outstanding loss reserves	2	( 99,845)	( 252,421)
Commission	2	( 48,352)	( 40,648)
<b>Total underwriting expenses</b>		<b>( 1,597,710)</b>	<b>( 1,416,375)</b>
<b>UNDERWRITING RESULT FOR THE YEAR</b>		<b>221,467</b>	<b>209,549</b>
Interest income	2	16,222	17,047
Administrative expenses	6	( 73,891)	( 83,465)
<b>PROFIT BEFORE TAXATION AND COMMISSION</b>		<b>163,798</b>	<b>143,131</b>
Profit commission payable	2	( 2,457)	( 2,147)
<b>PROFIT BEFORE TAXATION</b>		<b>161,341</b>	<b>140,984</b>
Taxation	5	-	-
<b>RETAINED PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>161,341</b>	<b>140,984</b>

The notes on pages 11 to 18 form part of these financial statements.

# CITY RE LIMITED

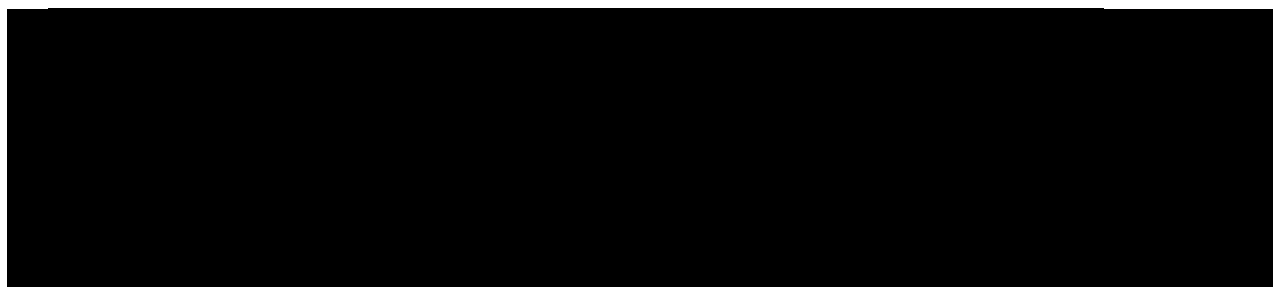
## STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2017

	Notes	31 Mar 2017 £	31 Mar 2016 £
<b>CURRENT ASSETS</b>			
Deferred commission		47,614	30,963
Prepaid expenses		15,640	15,498
Cash and cash equivalents		4,313,910	3,811,160
<b>TOTAL ASSETS</b>		<b>4,377,164</b>	<b>3,857,621</b>
<b>EQUITY AND LIABILITIES</b>			
Issued capital	7	500,000	500,000
Retained earnings		161,341	140,984
<b>TOTAL EQUITY</b>		<b>661,341</b>	<b>640,984</b>
<b>LIABILITIES</b>			
Trade and other payables	8	232,440	181,720
<b>TECHNICAL RESERVES</b>			
Unearned premium reserve	2	1,587,135	1,238,514
Claims reserves	9	1,896,248	1,796,403
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,377,164</b>	<b>3,857,621</b>

These financial statements were approved by the Board of Directors on 19 June 2017

Signed on behalf of the Board of Directors

Director



The notes on pages 11 to 18 form part of these financial statements.

# CITY RE LIMITED

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## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	31 Mar 2017 £	31 Mar 2016 £
<b>Balance at the beginning of the year</b>	<b>640,984</b>	<b>1,330,013</b>
Dividend paid during the year	( 140,984)	( 830,013)
Total comprehensive income for the year	161,341	140,984
<b>Balance at the end of the year</b>	<b><u>661,341</u></b>	<b><u>640,984</u></b>

The notes on pages 11 to 18 form part of these financial statements.

# CITY RE LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	31 Mar 2017 £	31 Mar 2016 £
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the year	161,341	140,984
Less interest income	( 16,222)	( 17,047)
Decrease / (Increase) in unearned premiums	348,621	( 15,054)
(Increase) / Decrease in prepaid expenses	( 16,793)	70
Increase / (Decrease) in trade and other payables	50,720	( 19,523)
Increase in claims reserves	99,845	252,421
<b>Net cash inflow from operating activities</b>	<b>627,512</b>	<b>341,851</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	16,222	17,047
<b>Net cash from investing activities</b>	<b>16,222</b>	<b>17,047</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	( 140,984)	( 830,013)
<b>Net cash from financing activities</b>	<b>( 140,984)</b>	<b>( 830,013)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>502,750</b>	<b>(471,115)</b>
Cash and cash equivalents brought forward	3,811,160	4,282,275
<b>Cash and cash equivalents carried forward</b>	<b>4,313,910</b>	<b>3,811,160</b>

The notes on pages 11 to 18 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### 1. BASIS OF PREPARATION

The company is a limited company, limited by shares and is incorporated in Guernsey. The address of its registered office is PO Box 155, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 4ET.

The principal activity of the company is to provide reinsurance protection to the RSA Group on the risks associated with the material damage and loss of rent insurance programmes of the City of London property investment portfolio.

The financial statements have been prepared in accordance with The Insurance Business (Bailiwick of Guernsey) Law, 2002, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts".

### 2. PRINCIPAL ACCOUNTING POLICIES

These financial statements are prepared under the historical cost convention.

The preparation of financial statements in compliance with FRS102 and FRS103 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies.

#### *(a) Going concern*

The directors have, at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### *(b) Gross premiums written*

Gross premiums written is in respect of the provision of reinsurance protection to RSA Insurance Group Plc on the risks associated with material damage and loss of rent insurance programmes of the City of London portfolio.

#### *(c) Unearned premiums*

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

#### *(d) Claims*

Claims are accounted for on an accruals basis. Provisions made for the cost of outstanding claims reported at the reporting date are included in the outstanding loss reserve. The estimate for the cost of claims incurred but not reported ("IBNR") is included in the IBNR reserve. 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.

#### *(e) Commission*

Fronting fees calculated as 3% of gross premiums written is payable to RSA Insurance Group 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.

#### *(f) Interest income*

Interest income is accounted for on an accruals basis.

#### *(g) Cash and cash equivalents*

Cash and cash equivalents comprise bank balances, short term fixed deposits and short term notice accounts.

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2017

### 3. FINANCIAL INSTRUMENTS

#### Financial Assets

Basic financial assets, including debtors and cash and cash equivalents, are initially recognised at transaction price, and are subsequently carried at amortised cost.

#### Debtors arising out of insurance operations

Debtors arising out of insurance operations consist of balances due from the insurer in respect of outstanding premiums.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. None of the financial assets at the year end are deemed to be impaired.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

#### Financial liabilities

All financial liabilities, are initially recognised at transaction price and are subsequently carried at amortised cost.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The Company does not hold or issue derivative financial instruments.

#### Creditors arising out of insurance operations

Creditors arising out of insurance operations consist of balances due to the insurer in respect of outstanding claims payable.

#### Offsetting

Financial assets and liabilities are not offset in the accounts and the gross amounts are shown in the financial statements.

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of the applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

# CITY RE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2017

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### Outstanding loss reserves.

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. The carrying amount of the reserve is £1,646,248 (2016: £1,546,403). There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The level of provision has been set on the basis of the information that is currently available, including potential outstanding loss advices, experience of development of similar claims and on the advice of expert loss adjusters where appropriate.

The most significant assumptions made relate to the level of future claims, the level of future claims settlements and the legal interpretation of insurance policies. Whilst the directors consider that the gross provision for claims are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amounts of provision are reflected in the financial statements for the period in which the adjustments are made.

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.

### 5. TAXATION

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

### 6. ADMINISTRATIVE EXPENSES

	31 Mar 2017 £	31 Mar 2016 £
Management fees	51,912	52,038
Audit fees	5,007	5,206
Directors' fees	7,480	7,521
Consultancy fees	400	10,549
Company registration fees	5,943	5,808
Directors and officers premium	1,195	1,195
Sundry expenses	1,954	1,148
	<b>73,891</b>	<b>83,465</b>

### 7. SHARE CAPITAL

	31 Mar 2017 £	31 Mar 2016 £
<b>ISSUED SHARE CAPITAL</b>		
500,000 GBP1 Ordinary Shares	<b>500,000</b>	<b>500,000</b>

#### Dividends

Shareholders of ordinary shares are entitled to receive dividends declared by the Company.

#### Capital

On winding up of the assets of the Company, the holder of ordinary shares is entitled to repayment of the nominal amount paid thereon. Any surplus is attributable to holders of ordinary shares pro rata in proportion to the number of ordinary shares.

#### Voting rights

Ordinary shares carry one vote per shareholder at general meetings.

# CITY RE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2017

8. TRADE AND OTHER PAYABLES	31 Mar 2017 £	31 Mar 2016 £
Claims payable	163,613	145,496
Profit commission	2,457	2,147
Insurance reduction payable	-	15,880
Commission payable	58,868	-
Audit fees	5,000	5,675
Directors and officers premium	26	26
Consultancy fees	400	10,400
Directors' fees	2,076	2,096
	<b>232,440</b>	<b>181,720</b>
9. CLAIMS RESERVES	31 Mar 2017 £	31 Mar 2016 £
IBNR reserve	250,000	250,000
Outstanding loss reserves	1,646,248	1,546,403
	<b>1,896,248</b>	<b>1,796,403</b>

## 10. FINANCIAL RISK MANAGEMENT

The Company is exposed to a range of financial risks through its financial assets, financial liabilities and policyholder liabilities. The most important components of these financial risks are market risk (interest rate risk), credit risk, currency risk and liquidity risk. The risk management policies employed by the Company to manage these risks are discussed below.

### a) Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Company manages the levels of credit risk it accepts by limiting its exposure to a single counterparty, or groups of counterparty. Such risks are subject to regular review by the Board of Directors.

The assets bearing credit risk and their associated credit ratings are shown below:

	31 Mar 2017 £	31 Mar 2016 £
<i>Assets bearing credit risk</i>		
Cash and cash equivalents	<b>4,313,910</b>	3,811,160
<i>By Rating</i>		
A rated	<b>4,313,910</b>	3,811,160

No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

### b) Liquidity risk

Liquidity risk is the risk that the company cannot meet its obligations associated with financial liabilities as they fall due. The company has adopted an appropriate liquidity risk management framework for the management of the company's liquidity requirements. The company manages liquidity risk by maintaining banking facilities and monitoring premiums due and by continuously monitoring the forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The company is exposed to liquidity risk arising from its insurance activities. Liquidity management ensures that the company has sufficient access to funds necessary to cover insurance liabilities and expenses. All financial liabilities are due to be settled within the next twelve months.

There were no significant changes to the company's liquidity risk exposure in the financial year nor the objectives, policies and processes for managing liquidity risk.

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2017

### 10. FINANCIAL RISK MANAGEMENT CONTINUED

#### *c) 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 2017 the Company had various interest bearing accounts bearing interest rates ranging from 0.40% to 0.65% (2016: 0.39% to 0.65%).

During the year to 31 March 2017, if Bank of England interest rates had been 50 basis points higher with all other variables held constant, profit for the year would have been increased by £21,570 (2016: £19,056), as a result of interest received on cash and cash equivalents. However if Bank of England interest rates had been 50 basis points lower with all other variables held constant, no interest would have been received therefore a decrease to profit for the year by £16,222 (2016: £17,047).

The following are the underlying assumptions made in the model used to calculate the effect on profits and other components of equity:

- The bank balances at 31 March 2017 formed the basis of the calculation.
- A 50 basis point charge on these principal balances reflects the absolute increase or decrease in profit that could arise with such an interest rate movement. The directors have chosen the estimate of 50 basis points as this reflects the directors best estimate of the change in interest rates which could reasonably be expected to occur.

#### *d) Currency risk*

The company manages their foreign exchange risk by currently ensuring all commercial transactions or recognised assets and liabilities are denominated in its functional currency.

#### *e) Concentration risk*

Concentration risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Board does not feel that the company is exposed to concentration risk at the current time.

### 11. MANAGEMENT OF INSURANCE RISK

The principal risk that the Company faces under its insurance contracts is that the actual claims are significantly different to the amounts included in the technical reserves. This could occur because the frequency or severity of claims and benefits are greater or lower than estimated. Insurance events are fortuitous and the actual number and amounts of claims may vary from year to year from the estimate established.

The Company provides re-insurance protection to the RSA Insurance Group Plc on the risks associated with material damage and loss of rent for the City of London's property portfolio. The re-insurance protection is limited to a maximum liability of £250,000 for each and every loss with an aggregate limited equal to £250,000 in excess of net written premium.

All risks covered under the insurance policy are within the United Kingdom.

#### **Claims development tables**

The claims development table that follows shows claims reported per underwriting year in the first accounting period (effectively 25 December to 31 March) and subsequent reporting periods.

# CITY RE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2017

### 11. MANAGEMENT OF INSURANCE RISK CONTINUED

*Claims development table at 31 March 2017*

<u>Underwriting</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
accounting period end	112,985	159,440	427,179	201,400	188,840	223,724	1,313,568
one year later	858,137	1,412,020	1,361,059	1,350,481	1,543,888		6,525,585
two years later	730,153	1,099,579	1,411,703	1,239,357	-		4,480,792
three years later	704,362	1,114,079	1,526,623	-	-		3,345,064
four years later	679,622	1,084,595	-	-	-		1,764,217
Current estimate of cumulative claims	679,622	1,084,595	1,526,623	1,239,357	1,543,888	223,724	6,297,809
Cumulative payments to date	(679,622)	(1,084,320)	(1,000,556)	(998,189)	(881,987)	(6,887)	(4,651,561)
<b>Statement of Financial Position Reserves</b>	<b>-</b>	<b>275</b>	<b>526,067</b>	<b>241,168</b>	<b>661,901</b>	<b>216,837</b>	<b>1,646,248</b>

The Company has currently provided for an Incurred but not Reported Reserve up to the value of one maximum claim being GBP 250,000 which has been agreed by the Board.

### 12. CAPITAL MANAGEMENT

The Company defines capital in accordance with regulations prescribed by the Guernsey Financial Services Commission ("GFSC"). The Company's capital consists of:-

	<b>31 Mar 2017 GBP</b>	<b>31 Mar 2016 GBP</b>
Share Capital	500,000	500,000
Retained earnings	161,341	140,984
Capital to meet Minimum Capital Requirements	661,341	640,984
Adjustments	-	-
Capital to meet Prescribed Capital Requirements	<b>661,341</b>	<b>640,984</b>

Its objectives when managing capital are:

- i) to comply with legal and statutory obligations and maintain capital resources commensurate with the nature, scale and risk profile of its business;

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2017

### 12. CAPITAL MANAGEMENT (Continued)

- ii) to provide a framework for monitoring the financial and capital position of the Company, including the procedures to be followed during periods of general financial distress, either due to internal or external events; and
- iii) to safeguard the Company's ability to continue as a going concern.

Under the rules prescribed by the GFSC, the Company must at all times maintain assets of a value sufficient to cover its liabilities, including liabilities arising under or in connection with contracts of insurance and that there is a suitable matching of assets and liabilities.

Under the current regulations, the GFSC rules require the Company to maintain a surplus of admissible assets over its liabilities which is at all times at least higher than both its MCR and PCR. The MCR represents the point at which the regulator would invoke the strongest action, while the PCR is the level of capital above which no action is required, with varying degree of action required if capital lies between MCR and PCR.

As at 31 March 2017, the Company held a surplus of £243,335 above its MCR requirement of £418,006 and a surplus of £79,406 above its PCR requirement of £581,935.

Management information to monitor the Company's capital requirements and solvency position is produced and presented to the Board on a regular basis ensuring that the Company meets its capital requirements at all times.

The Company has complied with the GFSC imposed rules and guidance in respect of capital, in both 2017 and 2016.

### 13. TECHNICAL PROVISIONS

Technical provisions arising from insurance contracts are included in these financial statements as follows:

	31 Mar 2017 GBP	31 Mar 2016 GBP
<b>Gross</b>		
Unearned premium reserve	1,587,135	1,238,514
IBNR provision	250,000	250,000
Outstanding loss reserves	1,646,248	1,546,403
Total technical provisions, gross	<u>3,483,383</u>	<u>3,034,917</u>

Provisions for claims reported are estimated using the latest available information which comprises up to date reports from the claims handlers, loss adjusters and fronting insurers, on that basis there are no significant assumptions impacting on the level of the claims other than the assumption that the information used is complete and accurate.

### 14. RELATED PARTY DISCLOSURE

The parent Company and ultimate controlling party which has interests in 100% (2016: 100%) of the issued share capital of the company is the City of London Corporation, the municipal body of the City of London, acting in its City's Cash capacity.

#### *Key management personnel of the company*

Key management personnel include all directors who together have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £7,480 (2016: £7,521).

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2017

### 14. RELATED PARTY DISCLOSURE (Continued)

*Entities that provide key management personnel services to the company*

During the year management fees of £51,912 (2016: £52,038) were paid to JLT Insurance Management (Guernsey) Limited, regarded as a related party by virtue of the fact that Mr S Le Prevost is a director of both companies.

Profit commission calculated as 1.5% of the profit before tax in the financial year is also payable to the insurance manager JLT Insurance Management (Guernsey) Limited. An amount of £2,457 is payable as at 31 March 2017. (2016: £2,147)

### 15. POST BALANCE SHEET EVENT

Following a Board meeting on 19 June 2017, the directors declared a dividend in the sum of £161,341 relating to the profit for the year.