

The World Marine & General Insurance PLC
Annual report and financial statements
Registered number 42652
30 June 2019

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The World Marine & General Insurance PLC

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A E Reynolds (Chairman)
M D Frost
G Elliott

SECRETARY

Chiltington International Limited

AUDITOR

KPMG LLP
15 Canada Square
London
E14 5GL

REGISTERED OFFICE

One America Square
17 Crosswall
London
EC3N 2LB

REGISTERED NO.

42652

The World Marine & General Insurance PLC

STRATEGIC REPORT

The directors present their strategic report and the audited financial statements for the year ended 30 June 2019.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The company's principal activity was the underwriting of insurance risks in the London insurance market. The company ceased writing new business in 2001 and since then, the principal activity has been the orderly run-off of its liabilities.

The company principally monitors two key performance indicators. These are:

- the relationship of paid claims to the movement on technical provisions, which indicates the sufficiency of prior period reserves in respect of settled claims and claim expenses;
- administration expenses in relation to investment income to give an indication of the performance in minimising and meeting costs out of investment income.

During the year, there was an incurred claims improvement, net of reinsurance of £34k (2018: £24k). There was favourable development on both outstanding losses /IBNR and claims handling expenses with paid claims and claim handling costs being less than the reduction in provisions during the year.

Net operating expenses reduced by £56k from £247k in 2018 to £191k in 2019 due mainly to lower audit and actuarial fees. Investment income increased by £51k to £119k (2018: £68k) due to an increase in interest rates compared to the previous year and an increase in the tenure of deposits held.

DEVELOPMENT AND FINANCIAL PERFORMANCE DURING THE YEAR

The loss for the year of £8k (2018: £73k) has been transferred to reserves. There have been few claim movements in the year and incurred claim development was more favourable than forecast. Claim handling provisions decreased broadly in line with costs incurred during the year. Net assets reduced by £7k during the year being £12,724k at the balance sheet date compared with £12,731k at the previous year end.

No dividend is proposed for the current year (2018: £nil).

FINANCIAL PRINCIPAL RISKS AND UNCERTAINTIES

The company is exposed to financial risk, mainly through its financial assets and technical provisions. The key financial risk is that proceeds from financial assets are not sufficient to fund claims as they fall due.

The most important components of the risk are: timing and valuation risk in relation to technical provisions, and interest rate, currency, credit and liquidity risks in relation to financial assets.

The company manages these risks by:

- appointing specialist claims handlers who perform the day-to-day monitoring of its insurance liabilities and reinsurance assets;
- periodically reviewing the credit worthiness of its reinsurers;
- carrying out claim projections to establish adequacy of reserves;
- reviewing cash flow requirements to ensure its liquidity needs are met;
- matching foreign currency liabilities with corresponding currency assets to minimise the impact of movements in foreign exchange rates; and
- reviewing investments at least quarterly to ensure credit worthiness of counterparties and adequacy of interest earned.

The company has considered the impact of Brexit and concluded that due to the maturity of the run-off and limited currency exposures it has minimal exposure to this risk. This position will be kept under review on an ongoing basis.

By order of the Board.



E A Bagshaw

For and on behalf of Chilton International Limited, Secretary

01 October 2019

The World Marine & General Insurance PLC

DIRECTORS' REPORT

The directors present their annual report and the accounts for the year ended 30 June 2019.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were as follows:

A E Reynolds (Chairman)

M D Frost

G Elliott

None of the directors have any interests in the shares of the company. As the ultimate parent company, BHP Group Ltd is a body incorporated outside the United Kingdom (refer to Note 17 to the accounts), the directors are exempt from the requirement to notify the company of interests in shares of the parent company.

DIRECTORS' AND OFFICERS' PROTECTION

BHP Group Ltd has arranged appropriate insurance cover in respect of legal action against directors and senior managers of companies within the BHP Group. In addition, the Articles of Association of the company provide for the directors, officers and employees of the company to be indemnified in respect of liabilities incurred as a result of their office.

DIRECTORS' RESPONSIBILITIES STATEMENT

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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 judgements 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to the assets of the company and to prevent and detect fraud and other irregularities.

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.

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

The auditor, KPMG LLP, will not be seeking re-appointment. The process of appointing new auditors is expected to be concluded at the next Annual General Meeting of this Company.

The World Marine & General Insurance PLC

DIRECTORS' REPORT

GOING CONCERN

The directors have considered the suitability of the going concern basis of preparation. The company has considerable financial resources. Projections of the run-off to ultimate have been carried out based on this, the directors have reasonable expectations 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 annual financial statements.

By order of the board



G Elliott
Director
01 October 2019

Registered office:
One America Square
17 Crosswall
London
EC3N 2LB

The World Marine & General Insurance PLC

PROFIT AND LOSS ACCOUNT

TECHNICAL ACCOUNT – GENERAL BUSINESS

for the year ended 30 June 2019

	<i>Notes</i>	<i>2019</i> <i>£000</i>	<i>2018</i> <i>£000</i>
EARNED PREMIUMS, NET OF REINSURANCE:			
Gross premiums written	4	-	-
Outward reinsurance premiums	4	-	-
EARNED PREMIUMS, NET OF REINSURANCE	4	-	-
Allocated investment return transferred from the non-technical account	7	119	68
CLAIMS INCURRED, NET OF REINSURANCE:			
Claims paid:			
Gross amount		(90)	(154)
Reinsurers' share		(1)	37
Net claims paid		(91)	(117)
Change in the provision for claims:			
Gross amount		(232)	(327)
Reinsurers' share		(107)	(186)
Change in the net provision for claims		125	141
CLAIMS INCURRED, NET OF REINSURANCE	4	34	24
Net operating expenses	6	(191)	(247)
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS	4	(38)	(155)

The accompanying notes are an integral part of the financial statements

The World Marine & General Insurance PLC

PROFIT AND LOSS ACCOUNT

NON-TECHNICAL ACCOUNT – GENERAL BUSINESS

for the year ended 30 June 2019

	<i>Notes</i>	2019 £000	2018 £000
Balance on the general business technical account	4	(38)	(155)
Foreign exchange profit/ (loss)		2	(1)
Investment income	7	119	68
Allocated investment return transferred to the general business technical account		(119)	(68)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	8	(36)	(156)
Tax on loss on ordinary activities	11	28	83
LOSS FOR THE FINANCIAL YEAR	15	(8)	(73)
RETAINED PROFIT BROUGHT FORWARD		1,331	1,404
RETAINED PROFIT CARRIED FORWARD		1,324	1,331

There are no recognised gains or losses in either the year ended 30 June 2019 or the year ended 30 June 2018, other than those reflected in the profit and loss account for each year, and therefore no separate statement of other comprehensive income has been presented. All amounts in the profit and loss account relate to continuing operations.

The accompanying notes are an integral part of the financial statements

The World Marine & General Insurance PLC

BALANCE SHEET

at 30 June 2019

	<i>Notes</i>	<i>2019</i> £000	<i>2018</i> £000
ASSETS			
INVESTMENTS			
Other financial investments	12	12,884	13,135
		<u> </u>	<u> </u>
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Claims outstanding		844	951
		<u> </u>	<u> </u>
DEBTORS			
Other debtors	13	38	98
		<u> </u>	<u> </u>
		38	98
		<u> </u>	<u> </u>
OTHER ASSETS			
Cash at bank and in hand		306	187
		<u> </u>	<u> </u>
PREPAYMENTS AND ACCRUED INCOME			
Other prepayments and accrued income		44	44
		<u> </u>	<u> </u>
TOTAL ASSETS		<u>14,116</u>	<u>14,415</u>

The accompanying notes are an integral part of the financial statements

The World Marine & General Insurance PLC

BALANCE SHEET

at 30 June 2019

	Notes	2019 £000	2018 £000
LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	14	11,400	11,400
Profit and loss account		1,324	1,331
EQUITY SHAREHOLDERS' FUNDS	15	<u>12,724</u>	<u>12,731</u>
TECHNICAL PROVISIONS			
Claims outstanding		1,318	1,551
		<u>1,318</u>	<u>1,551</u>
CREDITORS			
Creditors arising out of insurance operations		-	19
		<u>-</u>	<u>19</u>
Accruals and deferred income		74	114
TOTAL LIABILITIES AND EQUITY SHAREHOLDERS' FUNDS		<u><u>14,116</u></u>	<u><u>14,415</u></u>

These financial statements were approved by the board of directors on 01 October 2019 and were signed on its behalf by:



G Elliott
Director

Company Registration No.42652

The accompanying notes are an integral part of the financial statements

1. ACCOUNTING POLICIES

General information

The World Marine & General Insurance Company PLC is a public company incorporated in England authorised by the Prudential Regulatory Authority to carry out non-life insurance business. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on page 2.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions. These conditions have been complied with. The company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in the group's consolidated financial statements, includes the company's cash flows;
- from disclosing any related party transactions with other wholly owned subsidiaries within the group.

The accounts of the company have been prepared in accordance with the provisions of section 396 of the Companies Act 2006 including applying the requirements set out in Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies.

Going concern

The directors have considered the suitability of the going concern basis of preparation. The company has considerable financial resources, and a financially strong parent company, BHP Group Limited. Based on this, the directors have reasonable expectations 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 annual financial statements.

Significant accounting policies

• *Claims related expenses*

Claims incurred comprise claims and related expenses paid in the year and changes in provisions for outstanding claims, including provisions for claims incurred but not reported and provisions for future claims handling expenses and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

• *Outstanding claims*

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. Such methods extrapolate the development of paid and incurred claims, average cost per claim and ultimate claim numbers for each underwriting year, based upon the observed development of earlier years and expected loss ratios. The main assumption underlying these techniques is that past claims development experience can be used to project ultimate claim costs. Allowance for one off occurrences or changes in legislation, portfolio mix, is also used in arriving at the estimated ultimate cost of claims, in order that it represents the most likely outcome of taking account of all the uncertainties involved. Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of information available to them, the ultimate liability may vary as a result of subsequent information and may result in adjustments to the amounts provided. The timing of the conclusion on these estimates is unknown.

• *Taxation*

Corporation tax payable is provided on taxable profits at the current rate. Deferred taxation is provided at tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date using the liability method on all material timing differences to the extent that it is probable that a liability or asset will arise.

• *Investment income and transfer of investment return*

Income from investments is included in the non-technical account on an accruals basis. A transfer of investment return, including unrealised gains and losses, expenses and charges, is made from the non-technical account to the technical account – general business.

- **Related parties**

The company has taken advantage of the exemption allowed by FRS 102 paragraph 33.1A not to disclose related party transactions with BHP Group Limited and its subsidiaries, as 100% of the voting rights were controlled within the group

- **Financial instruments**

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

- **Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

- **Short-term debtors and creditors**

Debtors and creditors with no stated interest rate and that are classified as payable or receivable within one year are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

- **Foreign exchange**

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the rates of exchange ruling at that date. Transactions in foreign currencies during the year are translated into sterling using the rate of exchange prevailing at the time of the transaction. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction on unsettled items is included as an exchange gain or loss in the profit and loss account.

2. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the company's accounting policies, which are described in note 1, 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.

Critical judgements in applying the company's accounting policies

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 applying the company's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- **Reinsurance assets**

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses. Reinsurance assets are subject to impairment testing and the carrying amount is reduced to its recoverable amount. The asset is impaired if objective evidence is available to suggest that it is probable that the company will not be able to collect the amounts due from reinsurers.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

- **Claims reserves**

The claims provision includes amounts in respect of potential claims relating to asbestos and pollution. Legislative and judicial actions to date have failed to determine the basis of liability to indemnify losses. There is no agreement or consistent precedent to determine what, if any, coverage exists or which, if any policy years and insurers may be liable. The level of the provision has been set on the basis of the information which is currently available, including potential outstanding loss advices, experience of development of similar claims and case law. Future social, economic or legal developments may continue to expand the original intent of policies and the scope of coverage and the company will continue to evaluate these developments. These uncertainties are such that the ultimate liabilities, which will vary as a result of subsequent information and events, may result in material, but presently, unquantifiable, adjustments to the amounts provided. The reserves also include an estimation of future claims handling expenses. These are based on experience of prior year's actual costs and an estimate of the future costs of carrying out a transfer of the business to a third party to finalise the run off. The ultimate cost is uncertain and may vary from the amount provided.

3. FINANCIAL RISK MANAGEMENT

The company has exposures to three main areas of risk - foreign exchange currency exposure, liquidity risk interest rate risk and credit exposure.

- **Foreign currency risk management**

The company has material insurance contract liabilities denominated in US dollars. These are primarily matched to assets of the same currency thus minimising exposure to exchange rate fluctuations. A 1% increase/decrease in the US dollar exchange rate would result in an approximate increase /decrease in technical provisions of £6k (2018: £9k) which would be matched by an equal and opposite increase /decrease in reinsurers share of technical provisions with no net profit/ loss impact.

- **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 positive bank balances and manages ongoing liquidity risk by regular review of cash flow requirements. The maturity of financial investments at the year end is 6 months or less.

- **Interest rate risk**

Interest rate risk is the risk that the value of future cash flows will fluctuate because of changes in market interest rates. A 5% increase/ decrease in the rate achieved would result in an approximate increase/ decrease to profits/ losses of £5.9k (2018: £3.5k).

- **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The key area of exposure to credit risk for the company is in relation to its bank accounts and its reinsurance recoveries. The company manages this risk by regularly reviewing the creditworthiness of its material counterparties and reinsurers. The cash and term deposits are held with financial institutions with credit ratings of A - £9.0m (2018: £5.7m) or AA £4.2 (2018: £7.5).

- **Insurance risk**

Insurance risk is the risk associated with the uncertainty regarding the quantum of claims or the time when claims payable will fall due. The company mitigates these risks by using experienced independent actuaries to carry out claim projections and internal review of reserves by the Audit and Risk Committee. If net claims reserves carried in the balance sheet of £474k (2018: £600k) moved by 1% the impact on the profit and loss account would result in an increase/ decrease to profits/ losses of £5k (2018: £6k).

4. SEGMENTAL INFORMATION

	2019			2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	£000	ceded	£000	£000	ceded	£000
Written and earned premiums						
Property damage and general liability	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Incurred claims						
Marine	-	-	-	-	-	-
Reinsurance acceptances	-	-	-	-	-	-
Property damage and general liability	142	(108)	34	173	(149)	24
	<u>142</u>	<u>(108)</u>	<u>34</u>	<u>173</u>	<u>(149)</u>	<u>24</u>
	<u>142</u>	<u>(108)</u>	<u>34</u>	<u>173</u>	<u>(149)</u>	<u>24</u>

	2019	2018
	£000	£000
Balance on the technical account for general business		
Marine	-	-
Reinsurance acceptances	-	-
Property damage and general liability	34	24
Investment income net of net operating expenses	(72)	(179)
	<u>(38)</u>	<u>(155)</u>

An analysis of the loss before taxation and net assets by class of business has not been provided because, in the opinion of the directors, the above segmental analysis is the most appropriate to the business. Investment income and administrative expenses have not been allocated to specific classes of business in determining the segmental net underwriting result as these items are managed on a portfolio basis across all classes of business.

5. PRIOR YEARS' CLAIMS PROVISIONS

The over provision for claims at the beginning of the year compared with net payments and provisions at the end of the year in respect of prior years' claims are as follows:

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Gross:					
Claim reserves b/f	1,061	1,268	1,284	1,186	1,282
Claim reserves c/f	948	1,061	1,268	1,284	1,186
Movement	<u>113</u>	<u>207</u>	<u>16</u>	<u>(98)</u>	<u>96</u>
Claims paid	(18)	(26)	(3)	(5)	(1)
Claims over/ (under) provisions	<u>131</u>	<u>181</u>	<u>13</u>	<u>(103)</u>	<u>95</u>
Net:					
Claim reserves b/f	110	131	155	195	359
Claim reserves c/f	104	110	131	155	195
Movement	<u>6</u>	<u>21</u>	<u>24</u>	<u>40</u>	<u>164</u>
Claims paid	17	11	(1)	(2)	(1)
Claims over/ (under) provisions	<u>23</u>	<u>32</u>	<u>23</u>	<u>42</u>	<u>163</u>

The company stopped writing business in 2001 and since then, the principal activity has been the orderly run-off of its liabilities. Directors consider that above disclosure is sufficient in relation to claim development table on the basis that no new business is written in last 10 years.

6. NET OPERATING EXPENSES

	2019 £000	2018 £000
Run-off expenses	100	100
Other expenses	90	147

7. INVESTMENT INCOME

	2019 £000	2018 £000
Income from financial investments	<u>119</u>	<u>68</u>

8. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2019 £000	2018 £000
Loss on ordinary activities before tax is stated after charging/ (crediting):		
Auditor's remuneration		
Amounts receivable by the company's auditor in respect of:		
Audit of these financial statements	17	18
Audit of regulatory returns	-	24

9. STAFF COSTS

	2019 £000	2018 £000
Wages and salaries	7	9

The average number of employees, including executive directors, during the year was 1 (2018: 1).

10. INFORMATION REGARDING DIRECTORS

	2019 £000	2018 £000
Directors' remuneration		
Fees	7	9

The remuneration of the highest paid Director was £7k (2018: £9k).

The services of Messrs. A E Reynolds and M D Frost were provided by BHP Group Limited, the ultimate parent undertaking, and no part of their remuneration was specifically attributed to their services to The World Marine & General Insurance PLC.

11. TAX ON PROFIT ON ORDINARY ACTIVITIES

<i>a) Analysis of tax in the year</i>	2019 £000	2018 £000
The tax charge/ (credit) is made up as follows:		
UK corporation tax at 19.00% (2018: 19.00%)	-	-
Adjustments to tax charge in respect of prior periods	(28)	(83)
	<u>(28)</u>	<u>(83)</u>
<i>b) Factors affecting the current tax charge for the year</i>	2019 £000	2018 £000
Loss before tax	(36)	(156)
Tax at 19.00% (2018: 19.00%)	(7)	(30)
Effects of:		
Current year tax losses – deferred tax not recognised	(7)	(30)
Adjustment re prior year	28	83
Current tax charge/(credit) for year	<u>(28)</u>	<u>(83)</u>

c) Factors that may affect the future tax charge

The UK corporation tax rate will reduce to 17% from 1 April 2020. The Company is a member of a group for purposes of relief under Part 5 Corporation Tax Act 2010. The Company has provided group relief to other group companies at the tax cost of the relief provided (2018: group relief was provided at the tax cost of the relief provided).

The Company has unused losses of £325,304 (FY 18: £460,799). Deferred tax assets have not been recognised in respect of these unused losses as it is not probable that there will be future taxable profits against which these unused tax losses can be utilised.

12. CURRENT ASSET INVESTMENTS

The company's investments are held in a managed portfolio administered by BHP Group Finance BV. As at 30 June 2019 and 2018 the portfolio was comprised solely of term deposits. The cost of these term deposits was £12,884k (2018: £13,135k).

All the above are Level 1 investments.

13. OTHER DEBTORS

	2019 £000	2018 £000
Amounts due from other Group undertakings	28	83
Sundry debtors	10	15
	<u>38</u>	<u>98</u>

Amounts due from other group undertakings are unsecured, interest free and are receivable on demand

14. CALLED UP SHARE CAPITAL

	2019 £000	2018 £000
Authorised: 30,000,000 ordinary shares of £1 each	30,000	30,000
Allotted, called up and fully paid: 11,400,000 ordinary shares of £1 each	11,400	11,400

The company has one class of ordinary shares which carry no right to fixed income.

The profit and loss reserve represents cumulative profits or losses net of dividends paid and other adjustments.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2019 £000	2018 £000
Loss for the financial year	(7)	(73)
Opening shareholders' funds	12,731	12,804
Closing shareholders' funds	<u>12,724</u>	<u>12,731</u>

16. FINANCIAL INSTRUMENTS

The carrying values of the company's financial assets and liabilities are summarised by category below:

	2019	2018
	£000	£000
Financial assets:		
Measured at undiscounted amount receivable:		
Trade and other debtors	38	98
Measured at cost:		
Other financial investments	12,884	13,135
Cash at bank and in hand	306	187
	<u>13,228</u>	<u>13,420</u>
Financial liabilities:		
Measured at undiscounted amount payable:		
Trade and other creditors	-	19
	<u>-</u>	<u>19</u>

17. ULTIMATE PARENT COMPANY

The ultimate parent company is BHP Group Limited (formally BHP Billiton Limited) (BHP), which is incorporated in Australia. The only group in which the results of The World Marine and General Insurance PLC are consolidated is that headed by BHP which are available to the public and may be obtained from BHP Group Limited, Level 18, 171 Collins Street, Melbourne, Victoria 3000, Australia.



Independent auditor's report

to the members of The World Marine & General Insurance Plc

1. Our opinion is unmodified

We have audited the financial statements of The World Marine & General Insurance Plc ("the Company") for the year ended 30 June 2019 which comprise the profit and loss account, balance sheet and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to those charged with governance.

We were appointed as auditor by the directors in June 2004. The period of total uninterrupted engagement is for the 16 financial years ended 30 June 2019.

We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality:	£120,000 (2018:120,000)
financial statements as a whole	0.8% (2018: 0.8%) of Total Assets

Coverage	100% (2018 100%) of net assets
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Risks of material misstatement vs 2018

Recurring risk	Valuation of insurance contract liabilities	◀▶ unchanged
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New risk	The impact of uncertainties due to the UK exiting the European Union on our audit ("Brexit")
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2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<p>Valuation of Incurred But Not Reported (IBNR) reserves (£0.9m; 2018: £0.8m)</p> <p>Reported within the balance sheet (page 9 – included within claims outstanding balance)</p> <p>Risk vs 2018: ◀▶</p>	<p>Subjective valuation</p> <p>— IBNR reserves remain the most judgmental items on the company's balance sheet. Given the level of judgement involved, it is critical that insurance liabilities are supported by adequate methodologies and assumptions, and underpinned by data integrity. Small changes in the key assumptions, such as estimates of the frequency and severity of claims, used to value the liabilities, can lead to material impacts on the valuation of insurance liabilities.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the IBNR reserve has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.</p>	<p>Our control procedures included:</p> <ul style="list-style-type: none"> • Control design: We tested the design and implementation of key controls over the valuation of IBNR process including assessment and approval of the methods and assumptions adopted over the calculation of insurance liabilities. <p>With the assistance of our actuarial specialists, our substantive approach focused on:</p> <ul style="list-style-type: none"> • Methodology choice: Assessed the reserving assumptions and methodology used by management in setting the provision for outstanding claims for prudence and consistency. <p>We considered the appropriateness of the approach used by the Company to set Claims Handling Provisions.</p> <ul style="list-style-type: none"> • Independent assessment: Assessed the changes within the margin held above best estimate and considered whether the movements are consistent with the perceived change in risk within the reserves. • Data completeness and accuracy: we reconciled the data provided to the external expert to the source system. • Historical comparison: We performed movement analysis on the insurance reserves from prior to current period to understand the claims experience during the year. • Assessing transparency: We assessed the appropriateness of the accounting policy and disclosures relating to the subjectivity of insurance contract liabilities. • Our results <p>We found the valuation of insurance contract liabilities to be acceptable (2018 result: acceptable)</p>

	The risk	Our response
<p>The impact of uncertainties due to the UK exiting the European Union on our audit ("Brexit")</p> <p>Refer to page 2 (Strategic report)</p> <p>Risk vs 2018: ▲ (new risk)</p>	<p>Unprecedented levels of uncertainty</p> <p>All audits assess and challenge the reasonableness of estimates, in particular as described in the valuation of IBNR claims below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements, see below. All of these depend on assessments of the future economic environment and the company's future prospects and performance.</p> <p>Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.</p>	<p>We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:</p> <ul style="list-style-type: none"> • Our Brexit knowledge: We considered the directors' assessment of Brexit-related sources of risk for the company's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. • Sensitivity analysis: when addressing the valuation of IBNR claims and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. • Assessing transparency: As well as assessing individual disclosures as part of our procedures on valuation of IBNR claims, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. • Our results <p>As reported under valuation of IBNR claims, we found the resulting estimate and the related disclosures of outstanding claims and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.</p>

3. Our application of materiality and an overview of the scope of our audit

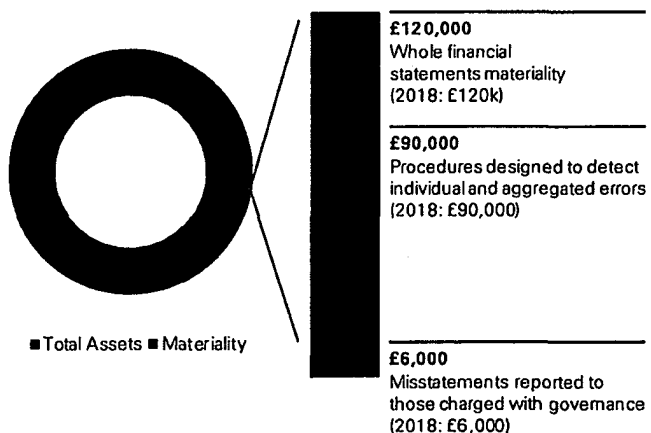
Materiality for the financial statements as a whole was set at £120,000 (2018: £120,000), determined with reference to a benchmark of total assets, of which it represents 0.8% (2018: 0.8%). We consider total assets to be the most appropriate benchmark as the Company has ceased writing any new business and in undertaking an orderly run-off. This means the key focus is on the strength of the balance sheet, making total assets the most appropriate measure.

We agreed to report to the those charged with governance any corrected or uncorrected identified misstatements exceeding £6,000 (2018: £6,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the company was undertaken to the materiality level specified above and was performed at the company's head office in London.

Total Assets
£14.4m (2018: £14.4m)

Materiality
£120,000 (2018: £120,000)



4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease their operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Company's available financial resources over this period was level of expenses incurred by the Company that have caused a loss in the current and preceding financial periods.

As this was a risk that could potentially cast significant doubt on the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the impact on the economic environment, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement on page 4 and 5 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- 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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 4, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

7. Respective responsibilities (continued)

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation and taxation legislation) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of company's license to operate. We identified the area of regulatory capital as that most likely to have such an effect, recognising the financial and regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected

to detect non-compliance with all laws and regulations.

These limited procedures did not identify actual or suspected non-compliance.

8. The purpose of our audit work and to whom we owe our responsibilities

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.



David Maddams (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL

2 October 2019