

# City General Insurance Company Limited

Registered number: 00501027

## Annual reports and financial statements

For the year ended 31 December 2015

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# CITY GENERAL INSURANCE COMPANY LIMITED

## COMPANY INFORMATION

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|-----------------------------|---|
| <b>Directors</b>            | John H Winter<br>Juliette L Winter                                  |
| <b>Company secretary</b>    | Sarah Ouarbya   |
| <b>Registered number</b>    | 00501027  |
| <b>Registered office</b>    | New Broad Street House<br>35 New Broad Street<br>London<br>EC2M 1NH |
| <b>Independent auditors</b> | Ernst & Young LLP<br>25 Churchill Place<br>London<br>E14 5EY        |

# **CITY GENERAL INSURANCE COMPANY LIMITED**

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# CITY GENERAL INSURANCE COMPANY LIMITED

## STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

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### Business review

City General Insurance Company Limited is a wholly owned indirect subsidiary of Ruxley Enterprises Limited, the parent company of the 'Ruxley Group' ("Ruxley"), which comprises the following companies:

Ruxley Enterprises Limited  
Ruxley Ventures Limited  
Ruxley Management Services Limited  
City General Insurance Company Limited ('CG') - regulated by the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ("FCA")  
Aviation & General Insurance Company Limited ('A&G')

Ruxley was established in December 2001 as a specialist insurance business to acquire insurance companies in run-off and portfolios of discontinued insurance business with a high proportion of long tail US based Asbestos, Pollution and Health Hazard liabilities. Ruxley's business objective is to achieve accelerated closure of the acquired run-off business through arrangements which are beneficial to both the business and to policyholders. Ruxley seeks to acquire certain assets and insurance liabilities from third party insurers, add its own capital (and potentially that of others) to meet regulatory capital requirements, and then manages the insurance run-off business in order to pay down the liabilities, make a trading profit and return capital to its backers and shareholders.

During 2015 preliminary work was prepared for four (2014: seven) potential acquisitions and discussions are in progress on one (2014: four) of these opportunities.

### Principal risks and uncertainties

The company assess each business opportunity by measuring the risk against its specially developed business model. The model makes conservative assumptions against the main business risk. Opportunities that match the risk profile are priced in a competitive market environment and only progressed if a profitable return can be achieved. As far as the current activity is concerned, the company:

- Regularly reviews investments to ensure credit worthiness of counterparties and adequacy of investment return; and
- Reviews cash flow requirements to ensure its liquidity needs are met.

### Insurance risks

When the company is managing an insured portfolio the principal risk the company faces is insurance risk. Insurance risk is the risk that actual claims and payments or the timing thereof differ from expectation. This is influenced by frequency of claims, severity of claims, actual payment of claims and subsequent development of claims. The risk is managed by careful selection and implementation of claims management practices, as well as the use of reinsurance arrangements.

### Regulatory risks

The company is subject to regulation by the PRA and the FCA. The PRA requires the company to maintain sufficient margins of regulatory solvency. The company has procedures in place including preparation of PRA returns by an outsourced service company and consultation with external regulatory experts in order to ensure that the requirements of the PRA and FCA rules are fully met.

The company is not currently subject to the Solvency II Directive and is classified by the PRA as a non Solvency II Firm. Should the company successfully acquire a portfolio of insurance business from a third party insurer the company will become subject to the Solvency II Directive and the Directors will put in place the appropriate arrangements to ensure compliance.

### Market risks

Market risk represents the potential for losses that may result from changes in the value of a financial instrument

# **CITY GENERAL INSURANCE COMPANY LIMITED**

## **STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2015**

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as a result of changes in market conditions. Market risk for the company relates primarily to the company's investment portfolio, of which 100% (2014: 100%) was invested UCITS as of 31 December 2015.

### **Credit risks**

The primary credit risk for the company relates to non-payment of intercompany balances by the immediate parent company, Ruxley Ventures Limited.

### **Going concern**

The directors have considered the appropriateness of preparing these financial statements on a going concern basis. The company does not require any borrowing facilities, having sufficient funds to meet its forecast cash flow needs from its own resources. The company holds investments in highly liquid, highly diversified and low risk investment funds, and regularly reviews the security of the investments in these funds.

The company is regulated by the PRA and FCA, and meets its regulatory solvency requirements at 31 December 2015.

### **Other key performance indicators**

The company reviews the following two key financial performance indicators to monitor and manage its financial performance:

- Rate of investment returns; and
- Level of net operating expenses against prior years.

The following two additional key performance indicators are monitored when the company is managing an insured portfolio:

- Rate of underwriting profits; and
- Level of claims paid.

This report was approved by the board on 24 March 2016 and signed on its behalf.

  
**John H Winter**  
Chief Executive Officer

# **CITY GENERAL INSURANCE COMPANY LIMITED**

## **DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2015**

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The directors present their report and the financial statements for the year ended 31 December 2015.

### **Principal activity**

City General Insurance Company Limited is an insurance company authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and Financial Conduct Authority.

### **Results and dividends**

The loss for the year, after taxation, amounted to \$136,000 (2014 - loss \$169,000).

The company has not paid or approved a dividend during the year.

### **Directors**

The directors who served during the year were:

Philip J Grant (resigned 31 December 2015)

John H Winter

Juliette L Winter

The directors of the company are considered to be the key management personnel.

### **Company Secretary**

The Company secretaries who served during the year ended 31 December 2015 were as follows:

Katrina Holford (resigned 2 November 2015)

Sarah Ouarbya (appointed 2 November 2015)

### **Political contributions**

There were no political or charitable contributions made in the year (2014 - \$nil).

### **Directors' and Officers' liability insurance**

During the period the Company effected liability insurance for the directors and officers of the Company as permitted by the Companies Act 2006.

### **Matters covered in the Strategic report**

As permitted by paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on pages 1 and 2. These matters relate to the business review, principal risks and uncertainties and other key performance indicators.

### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

# **CITY GENERAL INSURANCE COMPANY LIMITED**

## **DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2015**

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- 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Provision of information to auditors**

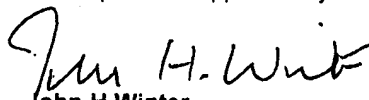
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Auditors**

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

  
**John H Winter**  
Chief Executive Officer

24 March 2016

# **CITY GENERAL INSURANCE COMPANY LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CITY GENERAL INSURANCE COMPANY LIMITED**

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We have audited the financial statements of City General Insurance Company Limited for the year ended 31 December 2015 which comprise the Profit and Loss account, the Balance Sheet, the Statement of Changes in Equity, Cash Flow Statement and the related notes 1 to 13. 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' ('FRS 103').

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 directors' report and strategic 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 the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Financial Reporting Standard 103 – "Insurance Contracts" ('FRS 103'); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# CITY GENERAL INSURANCE COMPANY LIMITED

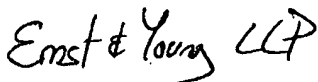
## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CITY GENERAL INSURANCE COMPANY LIMITED (continued)

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

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

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

Handwritten signature of Stuart Wilson in black ink, reading "Ernst & Young LLP".

Stuart Wilson (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP

25 Churchill Place  
London  
E14 5EY

24 March 2016

# CITY GENERAL INSURANCE COMPANY LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2015

|   | Note | 2015<br>\$000 | 2014<br>\$000 |
|---|------|---------------|---------------|
| <b>TECHNICAL ACCOUNT - GENERAL BUSINESS</b>       |      |               |               |
| Net operating expenses                            | 3    | (114)         | (159)         |
| Balance on the general business technical account |      | <u>(114)</u>  | <u>(159)</u>  |
| <b>NON-TECHNICAL ACCOUNT</b>                      |      |               |               |
| Balance on the general business technical account |      | (114)         | (159)         |
| Realised gains/(losses) on investments            | 5    | (30)          | -             |
| Exchange gains/(losses)                           |      | 8             | (10)          |
| <b>LOSS ON ORDINARY ACTIVITIES BEFORE TAX</b>     |      | <u>(136)</u>  | <u>(169)</u>  |
| Tax on loss on ordinary activities                | 6    | -             | -             |
| <b>LOSS FOR THE FINANCIAL YEAR</b>                |      | <u>(136)</u>  | <u>(169)</u>  |

The company had no recognised gains and losses during the year other than the loss for the year and therefore no separate Statement of Comprehensive Income has been prepared.

The notes on pages 11 to 17 form part of these financial statements.

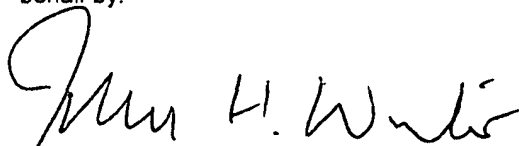
# CITY GENERAL INSURANCE COMPANY LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2015

| ASSETS  | Note | 2015<br>\$000 | 2014<br>\$000 |
|---|------|---------------|---------------|
| <b>INVESTMENTS</b>                                    |      |               |               |
| Other financial investments                           | 7    | 4,622         | 5,875         |
| <b>DEBTORS: amounts falling due within one year</b>   |      |               |               |
| Amounts owed by group undertakings                    |      | 1,107         | -             |
| Other   |      | 2             | 2             |
| Cash at bank and in hand                              |      | 11            | 12            |
| <b>TOTAL ASSETS</b>                                   |      | <u>5,742</u>  | <u>5,889</u>  |
| <b>LIABILITIES</b>                                    |      |               |               |
| <b>CAPITAL AND RESERVES</b>                           |      |               |               |
| Called up share capital                               | 8    | 1,945         | 1,945         |
| Profit and loss account                               |      | <u>3,760</u>  | <u>3,896</u>  |
| <b>Shareholder's funds</b>                            |      | 5,705         | 5,841         |
| <b>CREDITORS: amounts falling due within one year</b> |      |               |               |
| Amounts owed to group undertakings                    |      | 4             | 6             |
| Accruals and deferred income                          |      | <u>33</u>     | <u>42</u>     |
|   |      | 37            | 48            |
| <b>TOTAL LIABILITIES</b>                              |      | <u>5,742</u>  | <u>5,889</u>  |

The notes on pages 11 to 17 form part of these financial statements.

The financial statements on pages 7 to 17 were approved by the Board on 24 March 2016 and signed on its behalf by:



John H Winter  
Chief Executive Officer  
Company 00501027

# CITY GENERAL INSURANCE COMPANY LIMITED

## STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2015

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|                     | Called up<br>Share<br>capital<br>\$'000 | Perpetual<br>preference<br>Shares<br>\$'000 | Profit and<br>loss<br>account<br>\$'000 | Total<br>\$'000 |
|---------------------|---|---|---|-----------------|
| At 1 January 2014   | 495                                     | 1,450                                       | 4,065                                   | 6,010           |
| Loss for the year   | -                                       | -   | (169)                                   | (169)           |
| At 31 December 2014 | <u>495</u>                              | <u>1,450</u>                                | <u>3,896</u>                            | <u>5,841</u>    |
| Loss for the year   | -                                       |   | (136)                                   | (136)           |
| At 31 December 2015 | <u>495</u>                              | <u>1,450</u>                                | <u>3,760</u>                            | <u>5,705</u>    |

The profit and loss account represents cumulative profits and losses of the Company.

# CITY GENERAL INSURANCE COMPANY LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

|   | Notes | 2015<br>\$'000 | 2014<br>\$'000 |
|---|-------|----------------|----------------|
| <b>Cash flow from operating activities</b>                                    |       |                |                |
| Loss before taxation  |       | (136)          | (169)          |
| Decrease in other debtors   |       | -              | 1              |
| (Decrease) in creditors, accruals and deferred income                         |       | (9)            | -              |
| (Increase) in intercompany debtors  |       | (1,107)        | -              |
| (Decrease) in intercompany creditors  |       | (2)            | (151)          |
| Realised losses on investments  |       | 30             | -              |
| <b>Net cash flow from operating activities</b>                                |       | <b>(1,224)</b> | <b>(319)</b>   |
| <b>Cash flow from investing activities</b>                                    |       |                |                |
| Realised (losses) on investments  |       | (30)           | -              |
| <b>Net cash out flow from investing activities</b>                            | 12    | <b>(30)</b>    | <b>-</b>       |
| <b>Net (decrease) in cash and cash equivalents</b>                            |       | <b>(1,254)</b> | <b>(319)</b>   |
| Cash and cash equivalents at the beginning on of the year                     |       | 5,887          | 6,206          |
| <b>Cash and cash equivalents at the end of the year</b>                       |       | <b>4,633</b>   | <b>5,887</b>   |
| Cash and cash equivalents consists of:  |       |                |                |
| Cash at bank and in hand  |       | 11             | 13             |
| Units in collective investment schemes presented within financial instruments |       | 4,622          | 5,874          |
| <b>Cash and cash equivalents at the end of the year</b>                       | 12    | <b>4,633</b>   | <b>5,887</b>   |

# CITY GENERAL INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

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### 1. Accounting Policies

#### 1.1 General information

City General Insurance Company Limited ("the Company") is a limited company incorporated in the United Kingdom. The address of its registered office is New Broad Street House, 35 New Broad Street, London, EC2M 1NH. The nature of the Company's operations are set out in the Strategic report on page 1.

These financial statements have been presented in US Dollar (\$) as this is the Company's functional currency, being the primary economic environment in which the Company operates.

#### 1.2 Basis of preparation and transition to FRS 102

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), Financial Reporting Standard 103 – 'Insurance Contracts' ('FRS 103') and with the Companies Act 2006. For financial years up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with prior UK GAAP. The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value as specified in the accounting policies below. The date of transition is 1 January 2014.

As permitted by FRS 103, the Company continues to apply the existing accounting policies that were applied prior to this standard for insurance contracts.

#### 1.3 Going concern

The directors have considered the appropriateness of preparing these financial statements on a going concern basis. The company does not require any borrowing facilities, having sufficient funds to meet its forecast cash flow needs from its own resources. The company holds investments in highly liquid, highly diversified and low risk investment funds, and regularly reviews the security of the investments in these funds.

The company is regulated by the PRA and FCA, and meets its regulatory solvency requirements at 31 December 2015.

#### 1.4 Investment return

Investment income is included on an accruals basis. All investment income is included in the non-technical account.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and original cost. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or if they have been previously revalued in the accounts, their valuation at the last balance sheet date. The movement in unrealised gains and losses recognised in the year also includes the reversal of unrealised gains and losses recognised in earlier periods in respect of investment disposals in the current period.

#### 1.5 Claims provisions

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the company. The estimated cost of claims includes expenses to be incurred in settling claims. The company takes all

# CITY GENERAL INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

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reasonable steps to ensure that it has appropriate information regarding its claim exposures. The company uses independent consulting actuaries to advise on the appropriate level of provision.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that are recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

In calculating the estimated cost of unpaid claims the company analyses historical experience, and assumes that the development pattern of claims is consistent with past experience. A component of these estimation techniques is the estimation of the cost of notified but not paid claims. In estimating the cost of these, the company has regard to the claim circumstances as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

### **1.6 Reinsurance recoveries**

Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the company's reinsurance programme over time. An assessment is also made of the recoverability of reinsurance recoveries having regard to market data on the financial strength of each of the reinsurance companies.

### **1.7 Exchange rates**

The financial statements are prepared in U.S. dollars. Revenue transactions in currencies other than U.S. dollars are translated at approximate average rates of exchange during the year with the exception of Canadian dollars which are translated at the rate ruling at the year-end. Monetary assets and liabilities are translated into U.S. dollars at rates ruling at the year-end. All exchange differences are dealt with through the profit and loss account.

### **1.8 Segmental analysis**

The company's business is considered to derive from a single segment, casualty business. Therefore a segmental analysis has not been presented.

### **1.9 Deferred taxation**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

### **1.10 Financial instruments**

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument. The Company holds basic financial instruments, which comprise cash at bank, trade and other debtors, trade and other creditors, and non-basic financial instruments such as financial investments. The Company has chosen to apply the measurement and recognition provisions of IAS 39 (as adopted for use in the EU) and the disclosure requirements of FRS 102 in respect of financial instruments.

# CITY GENERAL INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

### Financial assets – classified as basic financial instruments

#### (i) Trade and other debtors

Trade and other debtors are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Amounts that are receivable within one year are measured at the undiscounted amount of the amount expected to be receivable, net of any impairment.

Where a financial asset constitutes a financing transaction it is initially measured at the present value of the future payments, discounted at a market rate of interest.

At the end of each reporting year, the Company assesses whether there is objective evidence that any financial asset amount may be impaired. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the financial assets. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows. The amount of the provision is recognised immediately in profit or loss.

### Financial liabilities – classified as basic financial instruments

#### (i) Trade and other creditors

Trade and other creditors are initially measured at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Amounts that are payable within one year are measured at the undiscounted amount of the amount expected to be payable.

Where a financial liability constitutes a financing transaction it is initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

### Financial investments - classified as non-basic financial instruments

These financial investments are measured at fair value being the market value or current value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

### 3. Net Operating Expenses

|   |               |               |
|---|---------------|---------------|
| Net operating expenses are stated after charging: | 2015<br>\$000 | 2014<br>\$000 |
| Management charge by parent company               | 29            | 42            |
| Auditor's remuneration:                           |               |               |
| - audit of annual accounts                        | 11            | 22            |
| - services supplied pursuant to legislation       | 7             | 7             |
| Total   | 47            | 71            |

The Company had no staff during the year and no employment costs as these were borne by the management charge.

# CITY GENERAL INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

### 4. Directors

The directors received no emoluments from the Company during the year (2014 - \$nil). The company has made no pension contributions in respect of directors. No pension benefits were paid to current or previous directors in the year.

Emoluments paid to the directors by the Company's parent company totalled \$305,142 (2014 - \$311,860) of which \$152,571 (2014 - \$155,930) relates to the highest paid director. The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of the holding and fellow subsidiary companies.

### 5. Investment Return

|                                | 2015<br>\$000 | 2014<br>\$000 |
|--------------------------------|---------------|---------------|
| Realised losses on investments | (30)          | -             |

### 6. Taxation

#### Factors affecting tax charge for the year

|  | 2015<br>\$000 | 2014<br>\$000 |
|--|---------------|---------------|
| Loss on ordinary activities before tax   | (136)         | (169)         |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%) | (28)          | (36)          |
| Effects of:  |               |               |
| Unrelieved tax losses and other deductions arising in the period   | 28            | 36            |
| <b>Total tax charge for the year</b>   | -             | -             |

#### Factors that may affect future tax charges

There are trading tax losses carried forward of \$19.4m (2014 - \$19.2m) which have not been recognised for financial statements purposes. The company is not recognising a deferred tax asset of \$3.5m (2014 - \$3.8m) in respect of these losses because the availability of future profits to recover the deferred tax asset is uncertain. Reductions in the UK corporation tax rate from 20% to 19% and then to 17% will take effect from 1 April 2017 and 2020 respectively. As at 31 December 2015 a corporation tax rate of 18% has been substantively enacted from 1 April 2020, accordingly the 18% rate has been applied in the measurement of the unrecognised deferred tax asset at 31 December 2015.

# CITY GENERAL INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

### 7. Investments

#### Other financial investments - Current Value

|                               | 2015<br>\$000 | 2014<br>\$000 |
|-------------------------------|---------------|---------------|
| Collective Investment schemes | 4,622         | 5,875         |

#### Other financial investments - Historical Cost

|                               | 2015<br>\$000 | 2014<br>\$000 |
|-------------------------------|---------------|---------------|
| Collective Investment schemes | 4,622         | 5,875         |

The Company's financial investments are all categorised as investments at fair value through profit or loss. All the investments are classified as level 1 of the fair value hierarchy. Level 1 investments are securities with quoted prices in active markets, where the quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

### 8. Share Capital

|   | 2015        | 2014        |
|---|-------------|-------------|
| Allotted, called-up and fully paid Ordinary shares of £1 each | £300,000    | £300,000    |
| Perpetual preference shares of US\$1 each                     | \$1,450,000 | \$1,450,000 |

|   | 2015<br>\$000 | 2014<br>\$000 |
|---|---------------|---------------|
| Converted to USD:                         |               |               |
| Ordinary shares of £1 each                | 495           | 495           |
| Perpetual preference shares of US\$1 each | 1,450         | 1,450         |

#### Share rights

The perpetual preference shares carry the right to receive out of the profits of the company which it shall determine to distribute, in priority to the ordinary shares, a non-cumulative preferential dividend on such dates in respect of such periods and on such terms and conditions as may be determined by the directors prior to allotment thereof. The perpetual preference shares will rank as regards participation in profits *pari passu inter se*. On a return of capital, whether or not on a winding up (but not on a redemption or purchase of any shares by the company) or otherwise, the perpetual preference shares will rank, *pari passu* and *inter se* and with the ordinary shares of the company. On such return of capital, each perpetual preference share will be entitled to receive an amount equal to all arrears and accruals (if any) of the preference dividend which are due and payable up to the date of commencement of the winding up (on a liquidation) or on the return of capital (in any other case) together with an amount equal to the nominal capital paid up or credited as paid up on such share. If, upon any such return of capital, the amounts available for payment are insufficient to cover the amounts payable in full on the perpetual preference shares and on any other shares expressed to rank *pari passu* therewith as regards participation in assets, then the holders of the perpetual preference shares and such other shares will share rateably and proportionately in such return of capital.

# CITY GENERAL INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

### 9. Financial instruments

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

|  | 2015<br>\$'000 | 2014<br>\$'000 |
|--|----------------|----------------|
| <b>Financial assets</b>                              |                |                |
| <b>Measured at fair value through profit or loss</b> |                |                |
| Financial investments                                | 4,622          | 5,875          |
| <b>Measured at undiscounted amount receivable</b>    |                |                |
| Debtors  | 1,109          | 2              |
| <b>Measured at cost</b>                              |                |                |
| Cash at bank and in hand                             | 11             | 12             |
| Total financial assets                               | <u>5,742</u>   | <u>5,889</u>   |
| <b>Financial liabilities</b>                         |                |                |
| <b>Measured at undiscounted amount payable</b>       |                |                |
| Creditors  | 37             | 48             |
| Total financial liabilities                          | <u>37</u>      | <u>48</u>      |

### 10. Ultimate parent undertaking and controlling party

The company's immediate parent is Ruxley Ventures Limited.

At 31 December 2015, the company's ultimate parent undertaking was Ruxley Enterprises Limited, which is registered in England. Copies of its group financial statements, which will include the company, will be available from New Broad Street House, 35 New Broad Street, London, EC2M 1NH.

The company is controlled by John H Winter, a Director.

### 11. Related party transactions

The company is a party to a cost sharing arrangement with Ruxley Ventures Limited ('RVL'), a fellow subsidiary company of the Ruxley Enterprises Limited Group. RVL provides management and support services to the company. Charges in connection with this agreement include amounts allocated in respect of overhead and other costs incurred by RVL as well direct charges paid by RVL on behalf of the company. The company was charged \$29k (2014: \$42k) in respect of allocated expenses under this arrangement. \$1,107k was due from RVL at the year end and \$4k was due to REL (2014: \$5k due to RVL, \$Nil due to REL).

# CITY GENERAL INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

### 12. Movement in cash and portfolio investments

|                               | At 1<br>January<br>2015<br>\$'000 | Realised<br>loss<br>\$'000 | Cash flow<br>\$'000 | At 31<br>December<br>2015<br>\$'000 |
|-------------------------------|-----------------------------------|----------------------------|---------------------|-------------------------------------|
| Cash at bank and in hand      | 12                                | -                          | (1)                 | 11                                  |
| Collective investment schemes | 5,875                             | (30)                       | (1,223)             | 4,622                               |
|                               | <u>5,887</u>                      | <u>(30)</u>                | <u>(1,224)</u>      | <u>4,633</u>                        |

### 13. Explanation of transition to FRS 102

This is the first financial year that the Company has presented its financial statements in accordance with FRS 102 'The Financial Reporting Framework Applicable in the UK and Republic of Ireland' ("FRS 102") and the Financial Reporting Standard 103 'Insurance Contracts' ("FRS 103"). For financial years up to and including the year ending 31 December 2015, the Company prepared its financial statements in accordance with previously extant UK GAAP.

The date of transition to FRS 102 is therefore 1 January 2014. This note sets out the changes to accounting policies and the transitional adjustments that are required to be made for first-time transition to FRS 102 and FRS 103. The Company's opening equity position as at the 1 January 2014 and its previously published financial statements for the year ended 31 December 2014 have been restated from previously extant UK GAAP.

In carrying out the transition to FRS 102, the Company has not applied any of the exemptions as permitted by Section 35 Transition to this FRS.

There are no transitional adjustments arising upon transition to FRS 102 and FRS 103 for the Company. Total equity as at 1 January 2014, 31 December 2014, and profit for the period ended 31 December 2014 remain unchanged as from the amounts previously reported under old UK GAAP.