

Bimeh Iran Insurance Company (UK) Limited

Report and financial statements

31 December 2020



Bimeh Iran Insurance Company (UK) Limited

Registered No: 1223433

Directors

A Geranmayeh (Managing Director)

A M Naghibi

K B Hughes

Company Secretary

A M Naghibi

Registered Office

4/5 Fenchurch Buildings

London EC3M 5HN

Auditors

Ernst & Young LLP

25 Churchill Place

London E14 5EY

Bimeh Iran Insurance Company (UK) Limited

Strategic report

The directors present their strategic report together with the financial statements for the year ended 31 December 2020.

Principal activities

The Company is a reinsurance company, operating from its own premises situated at 4/5 Fenchurch Buildings in the insurance sector of the City of London. The Company ceased underwriting on 19 November 2002 and is now in solvent run-off.

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so had regard, amongst other matters, to;

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

Our Stakeholders

The directors understand that the operation of the Company is dependent on effective engagement with its key stakeholders. They recognise the role that each stakeholder group plays and their responsibilities towards them. The following identifies the Company's key stakeholders and sets out how the Board engages with them:

Sole Shareholder

Bimeh Iran Insurance Company (Tehran) is the sole shareholder in the Company and engagement is essential. This is important as it increases transparency and accountability to our shareholder. As at the end of the period we engage by submitting the annual reports and returns. Due to the sole shareholder being an Iranian company, there is an impact on the Company's ability to liaise with any organisations that operate in and/or trade with the USA.

Government and Regulators, including the UK Prudential Regulatory Authority (PRA) & Financial Conduct Authority (FCA)

The Company must remain compliant with the PRA solvency regulations in order to maintain its regulatory approval to continue to operate.

The company is subject to capital requirements imposed by the Prudential Regulation Authority (PRA). Throughout the year the company has complied with both the PRA's risk-based ICA methodology and Solvency, I which is used to calculate the company capital requirement. As at 31 December 2020, the Board of Directors have meetings and correspondence with Regulatory Authorities and submits Audited PRA Returns annually. As at 31 December 2020, the Company has an excess capital of £21.6m (2019: 21.5m).

Bimeh Iran Insurance Company (UK) Limited

Our People

The Board does not use any of the engagement methods suggested by the UK Corporate Governance Code, however the directors are satisfied with the engagement level of employees considering the size and nature of the workforce.

Our Customers (Brokers & Cedants)

The Company is seeking to establish contact with relevant brokers and cedants but are not able to do so due to the Iranian sanctions.

Principal decisions

We define principal decisions as both those that are material to the Company, but also those that are significant to any of our key stakeholder groups. Further details as to how we established and defined our key stakeholder groups have been set out above.

No principal decisions were made during the year, that are considered to have potential long term consequences nor any impact on the reputation and standing of the Company.

Business Review

During the year the Company made a profit after tax of £ 121,306 (2019: Profit £276,542).

During the year the Company has assessed its outstanding loss reserve by reviewing the list of outstanding claims and seeking to establish contact with relevant brokers and cedants. This has resulted in difficulties in establishing contact with relevant parties.

No provision has been made for run-off costs as future investment return is expected to cover the run-off costs.

Key Performance Indicators

The Company monitors its performance by reviewing the level of outstanding claims, rate of investment returns and the level of net operating expenses against prior years.

Management of Principal Risks

The Company manages its exposure to principal risks including credit risk, foreign currency risk investment returns and the level of net operating expenses against prior years.

- Appointing a specialist run-off manager, who performs day-to-day monitoring of its insurance liabilities;
- Regularly reviewing investments to ensure credit worthiness of counterparties and adequacy of interest earned; and
- Reviewing cash flow requirements to ensure its liquidity needs are met, and foreign currency risk is considered.

Bimeh Iran Insurance Company (UK) Limited

For and on behalf of the Board



A M Naghibi
Director and Company Secretary

Date: 26 March 2021

Bimeh Iran Insurance Company (UK) Limited

Directors' report

The directors present their report together with the financial statements for the year ended 31 December 2020.

Details of directors

The current directors of the company are listed on page one.

Political and Charitable Contributions

The Company did not make any political or charitable donations during the year ended 31 December 2020: nil (2019: nil).

Going concern

The Company has significant liquid financial resources in excess of its liabilities. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully and therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. COVID-19 Pandemic has had no significant impact on the business.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

The auditors Ernst & Young LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

For and on behalf of the Board



A M Naghibi

Director and Company Secretary

Date: 26 March 2021

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report, their 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BIMEH IRAN INSURANCE COMPANY (UK) LIMITED

Opinion

We have audited the financial statements of Bimeh Iran Insurance Company (UK) Limited for the year ended 31 December 2020 which comprise Income Statement, the Statement of comprehensive income, the Statement of changes in equity, the Balance Sheet, Cash Flow Statement and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material

inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are UK GAAP (FRS102) and Companies Act.
- We understood how Bimeh Iran Insurance Company (UK) Limited is complying with those frameworks by taking into account oversight provided by those charged with governance i.e. considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage earnings, the culture of honesty and ethical behaviour.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by inquiry of management, those charged with governance and others within the entity, as to whether they have knowledge of any actual or suspected fraud, and considering any risks of fraud that have been identified by management or brought to management's attention.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquires with management and as a result of our enquiries management is not aware of any non-compliance with laws and regulations affecting the financial statements and testing of any identified non-standard journal entries posted during the period. Based on our enquiry we are not aware of any instances of non-compliance with laws and regulations. We are not aware of any fines or penalties imposed by any regulatory bodies during the year.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Richard Page (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
1 April 2021

Bimeh Iran Insurance Company (UK) Limited

Income statement

for the year ended 31 December 2020

	Notes	2020 £	2019 £
Technical account			
Gross premiums written	14	—	—
Written premiums, net of reinsurance		—	—
Allocated investment return transferred from the non-technical account		24,000	34,000
Total technical income		24,000	34,000
Claims paid			
- Gross amount	2	—	8
- Reinsurance share	2	—	5
- Net of reinsurance	2	—	3
Change in the provision for claims			
- Gross amount	2	(130,257)	(180,748)
- Reinsurance share		—	—
- Net of reinsurance		(130,257)	(180,748)
Claims incurred, net of reinsurance	2	(130,257)	(180,745)
Net operating expenses	3	598,378	606,480
Total technical charges		468,121	425,735
Balance on the technical account		444,121	391,735

Bimeh Iran Insurance Company (UK) Limited

Income statement

for the year ended 31 December 2020

	Notes	2020 £	2019 £
Non technical account			
Balance on technical account		(444,121)	(391,735)
Investment income		313,865	412,602
Allocated investment return transferred to the general business technical account		(24,000)	(34,000)
Gain/(Loss) on foreign exchange		153,691	(80,116)
Depreciation of Building		(19,700)	(19,700)
Other Income	13	141,571	141,571
Profit on ordinary activities before tax		121,306	28,622
Tax credit for the year	6	—	247,920
Profit for the financial year	10	121,306	276,542

There were no other recognised gains or losses during the financial year.

Bimeh Iran Insurance Company (UK) Limited

Statement of comprehensive income **at 31 December 2020**

	<i>Notes</i>	2020 £	2019 £
Profit for the year		121,306	276,542
		<hr/>	<hr/>
Total comprehensive income		121,306	276,542
		<hr/>	<hr/>

Bimeh Iran Insurance Company (UK) Limited

Statement of changes in equity

at 31 December 2020

	Called up share capital £	2020 Non distributable reserve £	Profit and loss account £	Total £
At 1 January	23,600,000	915,794	(52,327)	24,463,467
Total comprehensive income for the year	—	—	121,306	121,306
At 31 December	23,600,000	915,794	68,979	24,584,773

	Called up share capital £	2019 Non distributable reserve £	Profit and loss account £	Total £
At 1 January	23,600,000	915,794	(328,869)	24,186,925
Total comprehensive income for the year	—	—	276,542	276,542
At 31 December	23,600,000	915,794	(52,327)	24,463,467

Bimeh Iran Insurance Company (UK) Limited

Balance sheet at 31 December 2020

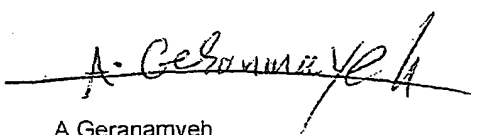
	Notes	2020 £	2019 £
Assets			
Tangible Assets	8		10,164
Investments			
Land and buildings	7	1,428,900	1,448,600
Deposits with credit institutions		25,116,899	25,603,898
		26,545,799	27,052,498
Other assets			
Cash at bank and in hand		973,149	635,671
Prepayments and accrued income			
Accrued interest		249,172	254,832
Other prepayments and accrued income		19,205	14,900
		268,377	269,732
Total assets		27,787,325	27,968,065

Bimeh Iran Insurance Company (UK) Limited

Balance sheet at 31 December 2020

	Notes	2020 £	2019 £
Equity and Liabilities			
Capital and reserves			
Ordinary share capital	9	23,600,000	23,600,000
Non distributable reserve	10	915,794	915,794
Profit and loss account	10	68,979	(52,327)
Shareholders' funds		<u>24,584,773</u>	<u>24,463,467</u>
Technical provisions			
Net claims outstanding	11	<u>1,861,476</u>	<u>2,014,614</u>
Creditors: amounts falling due within one year			
Arising out of reinsurance business		504,192	508,337
Other creditors including taxation and social security	12	<u>44,819</u>	<u>44,469</u>
		<u>549,011</u>	<u>552,806</u>
Accruals		84,207	87,749
Deferred revenue	13	<u>707,858</u>	<u>849,429</u>
Total liabilities		<u>3,202,552</u>	<u>3,504,598</u>
Total equity and liabilities		<u>27,787,325</u>	<u>27,968,065</u>

Approved at a meeting of the Board of Directors on 26 March 2021 and signed on its behalf by:


A Geranamyeh
Managing Director


A M Naghibi
Director and Company Secretary

Bimeh Iran Insurance Company (UK) Limited

Cash flow statement for the year ended 31 December 2020

	2020 £	2019 £
Operating activities		
Profit for the year before tax	121,306	28,622
Interest income	(313,865)	(412,602)
Depreciation of Building	19,700	19,700
Depreciation of Motor Vehicles	10,164	10,162
Movement in debtors and creditors	(153,213)	(396,485)
Movement in technical provisions	(153,138)	(223,406)
Taxation		247,920
Net cash outflow from operating activities	(469,046)	(726,089)
Investing Activities		
Interest received	319,525	378,485
Net cash inflow from investing activities	319,525	378,485
Net (decrease) in cash and cash equivalents	(149,521)	(347,604)
Cash and cash equivalents at the beginning of the year		
Cash at bank	635,671	737,249
Deposits with credit institutions	25,603,898	25,849,924
Cash and cash equivalents at the year end	26,090,048	26,239,569

Bimeh Iran Insurance Company (UK) Limited

Notes to the financial statements at 31 December 2020

1. Accounting policies Statement of compliance

The financial statements have been prepared in compliance with FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The financial statements are prepared under the historical cost convention except for the land and buildings and certain financial instruments which are measured at fair value.

Basis of Preparation

The financial statements for the year ended 31 December 2020 were approved for issue by the Board of Directors on 26 March 2021.

The financial statements are prepared in sterling which is the presentation and functional currency of the company.

As permitted by FRS103 the company continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that effect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are the company's key sources of estimation uncertainty:

Insurance contract technical provisions

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies. There has been no new business written over the past periods and as such there is no IBNR within the liability recorded in the balance sheet.

Investment Income

Investment income which comprises interest earned during the year on deposits held with credit institutions, is included initially within the non-technical account. An allocation of investment return from the non-technical account to the technical account is made on the basis of the relationship between average technical provisions and average shareholders' funds

Land and Buildings held for own use

Land and buildings are stated at their current values at the end of the year.

Land and building are revalued every three years at open market value, by qualified external valuers, in accordance with the guidance notes issued by the Royal Institution of Chartered Surveyors.

Buildings are depreciated at the rate of 2.5% per annum on the current value of the building occupied by the company.

Land and buildings occupied by the company are initially recognised at cost which includes costs directly attributable to making the asset capable of operating as intended. Subsequently, it is recognised at fair value less accumulated depreciation and impairment losses. Fair value movements are recognised in other comprehensive income and taken to a non-distributable reserve within equity.

Bimeh Iran Insurance Company (UK) Limited

Notes to the financial statements at 31 December 2020

1. Accounting policies (continued)

Land and buildings (continued)

Land and buildings are derecognised on disposal or when no future economic benefits are expected from its use or disposal. There is no recycling of unrealised gains to profit or loss upon disposal.

Claims

Claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

The provision for claims outstanding is made on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs.

The provision for claims outstanding is based on information available at the balance sheet date. Significant delays are experienced in the notification and settlement of certain claims, particularly in respect of marine business, and accordingly the ultimate cost of such claims cannot be known with certainty at the balance sheet date. Subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided. Any differences between provisions and subsequent settlements are dealt with in the technical account - general business of later years.

Taxation

Current tax

Current tax liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the profit and loss account.

Deferred tax

Deferred tax is recognised in respect of all timing differences, which are differences between taxable profits and total comprehensive income that arise from the income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Bimeh Iran Insurance Company (UK) Limited

Notes to the financial statements at 31 December 2020

1. Accounting policies (continued)

Tangible assets

Expenditure on computer equipment, motor vehicles, fixtures, fittings and office equipment is capitalised and depreciated over the estimated useful economic lives of the assets on a straight line basis.

Depreciation is provided at the rate of 25% per annum on the cost value of all tangible assets.

Depreciation is charged to the technical account and is included in administrative expenses.

Provision for run-off costs

No provision has been made for run-off costs as future investment return is expected to exceed run-off costs.

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. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial liabilities

The company's financial liabilities include trade and other payables.

All financial liabilities are recognised initially at fair trade value.

Trade and other payables are subsequently measured at amortised cost using the effective interest method. Gains and losses in profit and loss when the liabilities are derecognised as well as through the effective interest rate (EIR) method amortisation process.

A financial liability is derecognised when the obligation under the liability is discharged or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective amounts is recognised in profit or loss.

Deferred Income

The income received in the previous year as a result of the compensation for disruption is released in the income statement in line with the completion of the development project which is expected to be completed within 7 years from year 2019.

Bimeh Iran Insurance Company (UK) Limited

Notes to the financial statements

at 31 December 2020

2. Claims incurred net of reinsurance

	Gross £	Reinsurance £	Net £
2020			
Claims paid	—	—	—
Outstanding claims brought forward	2,014,614	—	2,014,614
Exchange movements	(22,881)	—	(22,881)
Outstanding claims carried forward	1,861,476	—	1,861,476
Decrease	(130,257)	—	(130,257)
Claims incurred	(130,257)	—	(130,257)
2019			
Claims paid	8	5	3
Outstanding claims brought forward	2,238,020	—	2,238,020
Exchange movements	42,658	—	42,658
Outstanding claims carried forward	2,014,614	—	2,014,614
Decrease	(180,748)	5	(180,748)
Claims incurred	(180,740)	5	(180,745)

3. Net operating expenses

	2020 £	2019 £
Administrative expenses	598,378	606,480

Bimeh Iran Insurance Company (UK) Limited

Notes to the financial statements

at 31 December 2020

4. Administrative expenses

(a) Administrative expenses include:

	2020 £	2019 £
Wages and salaries (including directors)	284,635	278,037
Social security costs	39,296	38,054
	<u>323,931</u>	<u>316,091</u>

The average number of employees, including executive directors, during the year was 4 (2019: 4).

(b) Auditors' remuneration

The remuneration of the auditors is analysed as follows:

	2020 £	2019 £
Audit of the financial statements	45,430	45,430
Other fees: Taxation services	13,755	10,750
Other services pursuant to legislation	15,000	15,000
	<u>74,185</u>	<u>71,180</u>

5. Directors' emoluments

The emoluments of the directors of the company were:

	2020 £	2019 £
Emoluments	221,357	215,588
	<u>221,357</u>	<u>215,588</u>
The highest paid Director	123,123	123,300
	<u>123,123</u>	<u>123,300</u>

6. Taxation

	2020 £	2019 £
(a) Total current tax	—	(247,920)
(b) Factors affecting tax (change)/credit for the year		
Profit/(Loss) on ordinary activities before tax	121,306	28,622
	<u>121,306</u>	<u>28,622</u>

Profit/(Loss) on ordinary activities before tax at the standard rate of corporation tax in the UK of 19% (2019: 19%)

Expenses not deductible	23,048	5,438
Utilisation of brought-forward losses	6,343	2,030
Prior year adjustment	(29,391)	(7,468)
Total current tax	<u>(1,000)</u>	<u>(247,920)</u>

Bimeh Iran Insurance Company (UK) Limited

Notes to the financial statements

at 31 December 2020

6. Taxation (continued)

The standard rate of corporation tax applicable for the year ended 31 December 2020 is 19% (2019: 19%).

During the period, it was announced in the UK Government's Budget on 11 March 2020 that the reduction in the main UK corporation tax rate from 1 April 2020 will not proceed. This change was substantively enacted on 17 March 2020 and the UK corporation tax rate remained at 19% for the entire period.

Since the balance sheet date, it was announced in the UK Government's Budget on 3 March 2021 that the main UK corporation tax rate will increase from 19% to 25% from 1 April 2023. This change has not yet been substantively enacted, and the closing unrecognised deferred tax asset is measured at 19%.

(c) Deferred Tax

There is a deferred tax asset of approximately £92,497 (2019:£113,389) which has not been recognised as the recognition criteria under FRS 102 has not been met.

7. Land and buildings

	Held for Own use £
Fair value:	
At 1 January 2020	<u>1,488,000</u>
Depreciation	
At 1 January 2020	(39,400)
Provided during the year	<u>(19,700)</u>
At 31 December 2020	<u>(59,100)</u>
Carrying amount at 31 December 2020	<u>1,428,900</u>
Carrying amount at 1 January 2020	<u>1,448,600</u>

Land and buildings were valued on 31 December 2018 by JPW, an independent valuer, on an open market value basis in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The historical cost of the properties is £686,544 (2019: £686,544)

No land and buildings have a restricted title or are pledged for liabilities.

Bimeh Iran Insurance Company (UK) Limited

Notes to the financial statements

at 31 December 2020

	Motor Vehicles	Furniture and equipment	Total
	£	£	£
8. Tangible assets			
Cost:			
At 1 January 2020	40,650	167,592	208,242
Depreciation:			
At 1 January 2020	30,486	167,592	198,078
Provided during the year	10,164		10,164
At 31 December 2020	40,650	167,592	208,242
Net book amounts:			
At 31 December 2020			
At 31 December 2019	10,164		10,164
		2020	2019
		£	£
9. Share Capital			
Allotted, called up and fully paid:		23,600,000	23,600,000
Ordinary shares of £1 each			
		2020	2019
		£	£
10. Shareholder's fund			
Share Capital		23,600,000	23,600,000
Retained (loss) at beginning of year		(52,327)	(328,869)
Profit for the year		121,306	276,542
Retained profit/(loss) at year end		68,979	(52,327)
Non distributable reserves		915,794	915,794
Shareholders' Funds at year end		24,584,773	24,463,467

Bimeh Iran Insurance Company (UK) Limited

Notes to the financial statements

at 31 December 2020

11. Claims outstanding

	Gross £	Reinsurance £	Net £
2020			
Notified outstanding claims	1,824,976	—	1,824,976
Provision for claims handling	36,500	—	36,500
	<u>1,861,476</u>	<u>—</u>	<u>1,861,476</u>
2019			
Notified outstanding claims	1,975,112	—	1,975,112
Provision for claims handling	39,502	—	39,502
	<u>2,014,614</u>	<u>—</u>	<u>2,014,614</u>

12. Other creditors including taxation and social security

	2020 £	2019 £
Other creditors including taxation and social security costs	12,745	11,804
Amounts due to ultimate parent undertaking	32,074	32,665
	<u>44,819</u>	<u>44,469</u>

All creditors are payable within one year

13. Deferred income

The compensation amount received is deferred over 7 years from the year 2019 and £141,571 has been recognised in the Income statement in the current year, with the remaining balance being deferred for the next 6 years.

	£
Deferred as at 1 January 2019	849,429
Recognised during the year	141,571
As at 31 December 2020	<u>707,858</u>

14. Segmental reporting

	Direct £	Reinsurance Accepted £	Total £
2020			
Gross Premiums Written	—	—	—
- risks located in Asia	—	—	—
Gross Premiums Written	—	—	—
Gross Claims Incurred	—	130,257	130,257
Gross Operating Expenses	—	(598,378)	(598,378)
Gross Technical Result	—	(468,121)	(468,121)
Reinsurance Balance	—	—	—
	<u>—</u>	<u>(468,121)</u>	<u>(468,121)</u>
Allocated Investment Income			24,000
Balance on Technical Account			<u>(444,121)</u>
Net Technical Provisions			<u>1,861,476</u>

Bimeh Iran Insurance Company (UK) Limited

Notes to the financial statements

at 31 December 2020

14. Segmental reporting (continued)

	Direct £	Reinsurance Accepted £	Total £
2019			
Gross Premiums Written - risks located in Asia	—	—	—
Gross Premium Written	—	—	—
Gross Claims Incurred	—	180,740	180,740
Gross Operating Expenses	—	(606,480)	(606,480)
Gross Technical Result	—	(425,740)	(425,740)
Reinsurance Balance	—	5	5
	—	(425,735)	(425,735)
Allocated Investment Income			34,000
Balance on Technical Account			(391,735)
Net Technical Provisions			2,014,614

All premiums resulted from contracts of reinsurance concluded in the United Kingdom.

15. Non-distributable reserves

This reserve is used to record revaluation movements in the fair value of land and buildings held for own use but only includes decreases to the extent that such decrease relates to a previous increase.

16. Related Party Transactions

The related party of the Company is Bimeh Iran Insurance Company (Tehran), the ultimate parent undertaking (note 17).

The company has a current account balance with Bimeh Iran Insurance Company (Tehran). The balance on this account at 31 December 2020 was £32,074 (2019: £32,665) due to Bimeh Iran Insurance Company (Tehran). The value of transactions in the year 2020 was Nil (2019: Nil) except for the exchange rate movement.

17. Parent undertaking

The immediate and ultimate parent company is Bimeh Iran Insurance Company (Tehran), incorporated in Iran and wholly owned by the Iranian government. The parent company's registered office is 51 West Brazil Street, South Shiraz Avenue, Vanak, Tehran, 14155-6363, Iran.

Notes to the financial statements

at 31 December 2020

18. Risk Management

a) Capital management objectives, policies and approach

The company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital on a regular basis and taking appropriate actions to influence the capital position of the company in the light of changes in economic conditions and risk characteristics.

The company's preferred measure of capital sufficiency is economic capital. This is the company's own assessment of the amount of capital it needs to meet its obligations given the risk appetite.

The company is subject to capital requirements imposed by the Prudential Regulation Authority (PRA). Throughout the year the company has complied with both the PRA's risk based ICA methodology and Solvency I, which is used to calculate the company's capital requirement.

b) Insurance risk

The principal risk the company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the company is to ensure that sufficient reserves are available to cover these liabilities.

Sensitivities

Based on the age of the claims, there is very little uncertainty within the carrying amount. There is no expected increase in the average number and cost of claims.

Claims development

There have been no new claims lodged or paid in the last 10 years apart from one notified by the parent company in 2016 relating to 1997 year of account.

c) Financial risk

i. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The risk is mitigated as the company is not trading.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position.

31 December 2020	Neither past due nor Past due Impaired			Total
	due nor impaired	Past due	Impaired	
	£	£	£	£
Deposits with credit institutions	25,116,899	—	—	25,116,899
Accrued interest	249,172	—	—	249,172
Cash at bank and in hand	973,149	—	—	973,149
	<u>26,339,220</u>	<u>—</u>	<u>—</u>	<u>26,339,220</u>

Bimeh Iran Insurance Company (UK) Limited

Notes to the financial statements

at 31 December 2020

18.

Risk Management (continued) Financial risk (continued)

31 December 2019	Neither past due nor impaired	Past due	Impaired	Total
	£	£	£	£
Deposits with credit institutions	25,603,898	—	—	25,603,898
Accrued interest	254,832	—	—	254,832
Cash at bank and in hand	635,671	—	—	635,671
	<u>26,494,401</u>	<u>—</u>	<u>—</u>	<u>26,494,401</u>

All financial assets with the credit institutions are rated as Baa3.

ii.

Liquidity risk

Liquidity risk is the risk that an insurance company will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

iii.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk faced by the business are as follows;

- currency risk
- interest rate risk

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The table below summarises the exposure of the financial assets and liabilities to foreign currency exchange risk at the reporting date, as follows:

	2020 US Dollar	2019 US Dollar
Creditors:		
Technical Provisions	<u>1,572,863</u>	<u>1,679,305</u>

At 31 December 2019, if the exchange rate of the US Dollar had varied by 5% against Sterling with all other variables held constant, the loss for the year and equity would have been higher and lower by £55k (2019: £60k) and £61k (2019: £67k) respectively.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates

The company has no significant concentration of interest rate risk.

Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

The company earned £314k investment income from its deposits with credit institution with an effective interest rate of 1.24% (2019: 1.60%). If the offered rate is decreased to 1%, this would equate to an adverse movement in pre-tax losses of 209% (2019: 540%). The company cannot take active steps to mitigate this exposure due to reduced options available due to sanctions.