

# Kiln Pension Guarantee Limited

**Annual Report and  
Financial Statements  
For the year ended 31 December 2015**



**Registered Office**  
20 Fenchurch Street  
London  
EC3M 3BY

Registered Number 05091865

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## **Strategic report for the year ended 31 December 2015**

The directors of Kiln Pension Guarantee Limited (the Company) present their strategic report together with the audited financial statements for the year ended 31 December 2015. Kiln Pension Guarantee Limited is a private limited company incorporated and registered in England and Wales.

With the consent of its parent, the Company adopted FRS 101 Reduced Disclosure framework from 1 January 2015. FRS 101 provides a reduced disclosure framework for qualifying subsidiaries of entities otherwise reporting under full EU endorsed IFRS.

### **Principal activities and review of the business**

The Company is a wholly-owned subsidiary of Tokio Marine Kiln Group Limited (TMKGL). The principal activity of the Company is to hold funds that may be required for fellow subsidiary Tokio Marine Kiln Syndicates Limited's (TMKSL) defined benefit (DB) pension scheme.

The Company has guaranteed that in the event of TMKS becoming insolvent, the Company will meet the pension obligations of TMKS, up to £20 million, due to the TMKS's Pension and Assurance scheme.

As the principal activity of the Company is to hold funds rather than generate income, the requirement of the business review to include analysis using key financial performance indicators is not considered relevant.

### **Summary of financial results**

The profit for the financial year was £681,000 (2014: £436,000). The net asset position as at 31 December 2015 was £21,162,000 (2014: £20,481,000).

During 2015, the funds held within the Company have been invested, which has generated investment income and contributed to the increased result in 2015.

### **Future developments**

The company will continue to hold funds that may be required for fellow subsidiary TMKS's defined benefit (DB) pension scheme.

### **Principal risks and uncertainties**

The principal risks of the Company are operational risk, credit risk and market risk.

#### **Operational Risk**

Operational risk is the risk that errors caused by people, processes or systems result in financial loss. The Company is operated as part of the Tokio Marine Kiln Group (TMK Group), which seeks to manage this risk through the use of a comprehensive risk register and a quarterly review system with departmental heads responsible for identifying, assessing, and controlling operational risks effectively.

The TMK Group has a strong risk reporting and risk governance system in place to ensure effective risk management of risk. Management receive operational risk updates on a monthly basis and the TMK Group Audit, Risk and Compliance Committee also reviews the operational risk profile bi-annually.

#### **Credit Risk**

Credit risk is the risk of loss if another party fails to settle its financial obligations, including failure to settle them in a timely manner.

The TMK Group has a framework of policies, procedures and internal controls. All policies are subject to board approval and ongoing review by management, the TMK Group Credit Control Committee and TMK

**Strategic report for the year ended 31 December 2015 (Continued)**

Group internal audit. Any changes to policies or strategies are communicated clearly via policy statements and guidelines.

**Market Risk**

Market risk is the risk that arises from fluctuations in values of, or income from, assets or interest or exchange rates. Funds managed by our investment managers are subject to TMK Group guidelines, and the on-going investment strategy and investment objectives that are agreed by the TMK Group Investment Committee. These include the requirement for the prudent person principal as outlined in the Solvency II Directive text. Additionally, meetings are held regularly with the fund managers to review performance.

By order of the Board



**F J Molloy**  
**Company Secretary**  
**22 June 2016**

**Directors' report for the year ended 31 December 2015 (Registered number 05091865)**

The directors of Kiln Pension Guarantee Limited ('the Company') present their report together with the audited financial statements for the year ended 31 December 2015.

**Future developments**

Future developments are discussed in the strategic report.

**Dividends**

The directors did not declare or pay a dividend for the year ended 31 December 2015 (2014: Nil).

**Directors and officers**

The directors and officers who served during the financial year and up to the date of signing the financial statements are as follows:

P Culham (appointed 1 April 2016)  
C A S Franks  
R C W Lewis (resigned 31 March 2016)  
F J Molloy (Company Secretary)

**Directors' and officers' liability insurance**

Directors' and officers' liability insurance has been purchased by Tokio Marine Kiln Group Limited (TMKGL) in respect of all TMK Group companies and this was in force during the year and at the date of signing the financial statements.

**Financial instruments and risk management**

It is the TMK Group's policy to confine its exposure to risk primarily to its core areas of expertise: the underwriting of specialist insurance and reinsurance risks. This approach means that we are at the cautious end of the spectrum in all areas of financial risk management, such as investment management. Therefore the Company's principal financial risk is liquidity risk.

Liquidity risk is defined as the risk of the Company being unable to meet its liabilities in a timely manner because of the lack of liquid resources. Future cash flows are managed on a daily basis and the Company ensures that there is sufficient day-to-day cash to settle immediate liabilities.

**Statement of disclosure of information to auditors**

Each of the persons who is a director at the date of this report confirms that:

- 1) so far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2015 of which the auditors are unaware; and
- 2) each director has taken all steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Directors' report for the year ended 31 December 2015 (Registered number 05091865)  
(Continued)**

**Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic Report, 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). 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 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 United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

The directors are responsible for the maintenance and integrity of the Company's corporate and financial information, which is included on the TMKGL website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Appointment of independent auditors**

The board has approved the appointment of PricewaterhouseCoopers LLP as auditors on an ongoing basis.

By order of the Board



**F J Molloy**  
**Company Secretary**  
**22 June 2016**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KILN PENSION GUARANTEE LIMITED**

**Report on the financial statements**

**Our opinion**

In our opinion, Kiln Pension Guarantee Limited's financial statements (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 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.

**What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 December 2015;
- the Income statement for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

**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.

**Other matters on which we are required to report by exception**

**Adequacy of accounting records and information and explanations received**

- Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KILN PENSION GUARANTEE LIMITED  
(continued)**

**Responsibilities for the financial statements and the audit**

**Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities set out on page 5, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**What an audit of financial statements involves**

- We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



**Deepti Vohra (Senior Statutory Auditor)**  
**for and on behalf of PricewaterhouseCoopers LLP**  
**Chartered Accountants and Statutory Auditors**  
**London**  
**22 June 2016**



**Income statement**

for the year ended 31 December 2015

|  | <b>Note</b> | <b>2015<br/>£'000</b> | <b>2014<br/>£'000</b> |
|--|-------------|-----------------------|-----------------------|
| Investment income                                    | 3           | 855                   | 764                   |
| Investment expenses and charges                      | 3           | (5)                   | (6)                   |
| Unrealised losses on investments                     | 3           | (52)                  | (82)                  |
| Interest paid  |             | -                     | (1)                   |
| Operating income and other charges                   | 4           | 56                    | (120)                 |
| <b>Profit on ordinary activities before taxation</b> |             | <b>854</b>            | <b>555</b>            |
| Tax on profit on ordinary activities                 | 8           | (173)                 | (119)                 |
| <b>Profit for the financial year</b>                 |             | <b>681</b>            | <b>436</b>            |

All activities are continuing. There is no other comprehensive income or loss attributable to the members of the Company (2014: nil). Accordingly, a separate statement of comprehensive income has not been provided for current or prior year.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above, and their historical cost equivalents.

**Statement of changes in equity**

for the year ended 31 December 2015

|                                       | <b>Called-up share capital<br/>£'000</b> | <b>Share premium<br/>£'000</b> | <b>Profit and loss account<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---------------------------------------|--|--------------------------------|--|------------------------|
| Balance as at 1 January 2014          | -  | 20,000                         | 45                                       | 20,045                 |
| Profit for the year                   | -  | -                              | 436                                      | 436                    |
| <b>Balance as at 31 December 2014</b> | <b>-</b>                                 | <b>20,000</b>                  | <b>481</b>                               | <b>20,481</b>          |
| Balance as at 1 January 2015          | -  | 20,000                         | 481                                      | 20,481                 |
| Profit for the year                   | -  | -                              | 681                                      | 681                    |
| <b>Balance as at 31 December 2015</b> | <b>-</b>                                 | <b>20,000</b>                  | <b>1,162</b>                             | <b>21,162</b>          |

The notes on pages 10 to 16 form part of these financial statements.

**Balance sheet**  
as at 31 December 2015

|  | <b>Note</b> | <b>2015</b><br><b>£'000</b> | <b>2014</b><br><b>£'000</b> |
|--|-------------|-----------------------------|-----------------------------|
| <b>Fixed Assets</b>                                    |             |                             |                             |
| Financial Investments                                  | 9           | 19,712                      | 19,877                      |
| <b>Current assets</b>                                  |             |                             |                             |
| Amount owed by group undertakings                      |             | 351                         | 104                         |
| Cash at bank and in hand                               |             | 1,569                       | 634                         |
|  |             | <b>21,632</b>               | <b>20,615</b>               |
| <b>Creditors: amounts falling due within one year</b>  |             |                             |                             |
| Other creditors including taxation and social security | 10          | (470)                       | (134)                       |
|  |             | <b>(470)</b>                | <b>(134)</b>                |
| <b>Net assets</b>                                      |             | <b>21,162</b>               | <b>20,481</b>               |
| <b>Capital and reserves</b>                            |             |                             |                             |
| Called up share capital                                | 11          | -                           | -                           |
| Share Premium account                                  |             | 20,000                      | 20,000                      |
| Profit and loss Account                                |             | 1,162                       | 481                         |
| <b>Total shareholders' funds</b>                       |             | <b>21,162</b>               | <b>20,481</b>               |

The financial statements on pages 8 to 16 were approved by the board of directors on 22 June 2016 and signed on its behalf by:



**C A S Franks**  
**Chief Executive Officer**

The notes on pages 10 to 16 form part of these financial statements.

**Notes to the financial statements (continued)****1 Accounting policies****1.1 Basis of presentation**

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). They are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

**Exemptions for qualifying entities under FRS101**

FRS 101 allows a qualifying entity certain disclosure exemptions, subject to certain conditions which have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders.

The company has taken advantage of the following exemptions:

- The preparation of cash flow statements on the basis that the parent company's consolidated statement of cash flows will include the Company's cash flows;
- The preparation of related party disclosures on the basis that the parent company's consolidated financial statements will include the Company's related party disclosures;

**New standards, amendments and IFRIC interpretations**

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2015, have had a material impact on the Company.

**1.2 Principal accounting policies**

The significant accounting policies adopted in the preparation of the financial statements are set out below. They have been applied consistently to all periods presented in these financial statements.

**a. Investment Return**

Investment return comprises interest and dividends receivable for the year together with realised and unrealised investment gains and losses from the assets held by the Company.

**b. Financial investments**

Investments in marketable securities are stated at their market value at the balance sheet date.

**2 Use of critical accounting estimates and judgements in applying accounting policies**

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following sets out the significant estimate and judgement made:

|                       |   |
|-----------------------|---|
| Financial investments | Financial investments are carried in the balance sheet at market values. Market valuations of funds are obtained from fund administrators. The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. |
|-----------------------|---|

## Notes to the financial statements (continued)

**3 Investment Return**

|  | <b>2015</b><br><b>£'000</b> | <b>2014</b><br><b>£'000</b> |
|--|-----------------------------|-----------------------------|
| Income from financial assets at fair value through profit and loss | 855                         | 764                         |
| Investment management expenses                                     | (5)                         | (6)                         |
| Net unrealised losses on investments                               | (52)                        | (82)                        |
| <b>Total investment return</b>                                     | <b>798</b>                  | <b>676</b>                  |

All investment return is derived from assets held at fair value through the profit and loss.

**4 Operating income and other charges**

|  | <b>2015</b><br><b>£'000</b> | <b>2014</b><br><b>£'000</b> |
|--|-----------------------------|-----------------------------|
| Net foreign exchange gains   | 593                         | 495                         |
| Net (losses) on translation of assets and liabilities at closing rates | (529)                       | (611)                       |
| Other charges  | (8)                         | (4)                         |
| <b>Total other charges</b>   | <b>56</b>                   | <b>(120)</b>                |

**5 Auditors' remuneration**

|   | <b>2015</b><br><b>£'000</b> | <b>2014</b><br><b>£'000</b> |
|---|-----------------------------|-----------------------------|
| Audit services:   |                             |                             |
| Fees payable to the Company's auditor for the audit of the statutory financial statements | 6                           | 4                           |

The Company has not incurred any non-audit fees during the year.

**6 Staff costs**

The Company has no employees (2014: nil). Staff engaged in the business of the Company, are employed by fellow group undertaking, Tokio Marine Kiln Insurance Services Limited.

**7 Directors' remuneration**

All directors are also directors of TMK Group and their emoluments for services to the group are reported in the TMKGL consolidated financial statements. The directors do not receive emoluments for their services provided to this Company.

## Notes to the financial statements (continued)

**8 Tax on profit on ordinary activities****a. Analysis of charge in current year**

|   | <b>2015</b>  | <b>2014</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| <b>Current Tax</b>                        |              |              |
| UK corporation tax on profit for the year | 173          | 119          |
| Total current tax                         | <u>173</u>   | <u>119</u>   |

**b. Factors affecting tax charge for year**

The tax on the Company's profit before tax is the same as (2014: same as) the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company.

|  | <b>2015</b>  | <b>2014</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| Profit on ordinary activities before taxation  | <u>854</u>   | <u>555</u>   |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.5%) | 173          | 119          |
| Tax charge for the year  | <u>173</u>   | <u>119</u>   |

The rate of UK corporation tax changed from 21% to 20% on 1 April 2015 and remained at 20% from 1 April 2016. Accordingly, the Company's profits for this accounting year are taxed at an effective rate of 20.25%.

**9 Financial Investments****Fair value estimation**

Financial instruments that are fair valued through profit and loss are classified using a fair value hierarchy that reflects the significance of the inputs used in these measurements.

- Level 1 financial instrument comprises government bonds and foreign currency derivatives. These have been valued at fair value using quoted prices in an active market.
- Level 2 financial instruments are less regularly traded government agency bonds and corporate bonds. These fair values have been derived from quoted prices.
- The fair value for level 3 financial instruments is generally derived from inputs that are not based on observable market data. Level 3 securities consist of a position in a private corporate loan fund.

## Notes to the financial statements (continued)

|   | <b>2015</b>    |                |                |               |
|---|----------------|----------------|----------------|---------------|
|   | <b>£'000</b>   |                |                |               |
|   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>  |
| Debt securities:  |                |                |                |               |
| Government securities   | 4,151          | -              | -              | <b>4,151</b>  |
| Debt securities   | -              | 2,609          | -              | <b>2,609</b>  |
| Loan fund   | -              | -              | 12,913         | <b>12,913</b> |
| Derivatives   | 39             | -              | -              | <b>39</b>     |
| Total financial investments at fair value through profit and loss - designated upon initial recognition | <b>4,190</b>   | <b>2,609</b>   | <b>12,913</b>  | <b>19,712</b> |

|   | <b>2014</b>    |                |                |               |
|---|----------------|----------------|----------------|---------------|
|   | <b>£'000</b>   |                |                |               |
|   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>  |
| Debt securities:  |                |                |                |               |
| Government securities   | 3,313          | 973            | -              | <b>4,286</b>  |
| Debt securities   | -              | 6,259          | -              | <b>6,259</b>  |
| Loan fund   | -              | -              | 9,268          | <b>9,268</b>  |
| Derivatives   | 64             | -              | -              | <b>64</b>     |
| Total financial investments at fair value through profit and loss - designated upon initial recognition | <b>3,377</b>   | <b>7,232</b>   | <b>9,268</b>   | <b>19,877</b> |

## Level 3 financial instruments

|  | <b>2015</b>   | <b>2014</b>  |
|--|---------------|--------------|
|  | <b>£'000</b>  | <b>£'000</b> |
| <b>Financial investment assets</b>     |               |              |
| Opening balance                        | 9,268         | -            |
| Purchases during the year              | 5,005         | 12,307       |
| Sales during the year                  | (1,829)       | (3,573)      |
| Gain recognised in the profit and loss | 469           | 534          |
| <b>Closing balance</b>                 | <b>12,913</b> | <b>9,268</b> |

## 10 Creditors: amounts falling due within one year

|                                    | <b>2015</b>  | <b>2014</b>  |
|------------------------------------|--------------|--------------|
|                                    | <b>£'000</b> | <b>£'000</b> |
| Amounts owed to group undertakings | 122          | 13           |
| Other creditors                    | 175          | 2            |
| UK Corporation tax payable         | 173          | 119          |
|                                    | <b>470</b>   | <b>134</b>   |

## Notes to the financial statements (continued)

## 11 Called up share capital

|   | 2015<br>£ | 2014<br>£ |
|---|-----------|-----------|
| 1,000 ordinary shares of £1 each                      | 1,000     | 1,000     |
| Allotted and fully paid: 2 ordinary shares of £1 each | 2         | 2         |

## 12 Risk Management

Details of the Company's risk management framework are given in the 'principal risks and uncertainties' section pages 2-3 of the Strategic report.

## Financial risk

The Company is exposed to a range of financial risks through its financial assets. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the pension obligations arising from an insolvency of TMKS. The most important components of this financial risk are credit risk, liquidity risk and market risk (including interest rate risk).

These risks arise from open positions in interest rate products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments are interest rate risk.

## Credit risk

For details of the management of the Company's credit risk please refer to pages 2-3.

The following table provides information regarding credit risk exposures of the Company by classifying assets according to the credit ratings of the counterparties. For financial investments, the Standard & Poor's credit rating was used. For other assets, where a rating is provided by more than one rating agent, the highest rating was assigned to that asset. Where a security has no credit rating the rating of the issuer is used. During the year there were no material breaches in exposure limits.

| 2015                              | AAA<br>£'000 | AA<br>£'000  | A<br>£'000   | <A<br>£'000 | NR<br>£'000   | Total<br>£'000 |
|-----------------------------------|--------------|--------------|--------------|-------------|---------------|----------------|
| Other financial investments       | 4,304        | 2,456        | -            | 39          | 12,913        | 19,712         |
| Cash at bank and in hand          | -            | -            | 1,569        | -           | -             | 1,569          |
| <b>Total credit risk exposure</b> | <b>4,304</b> | <b>2,456</b> | <b>1,569</b> | <b>39</b>   | <b>12,913</b> | <b>21,281</b>  |
| 2014                              | AAA<br>£'000 | AA<br>£'000  | A<br>£'000   | <A<br>£'000 | NR<br>£'000   | Total<br>£'000 |
| Other financial investments       | 6,298        | 3,720        | 591          | -           | 9,268         | 19,877         |
| Cash at bank and in hand          | -            | -            | 634          | -           | -             | 634            |
| <b>Total credit risk exposure</b> | <b>6,298</b> | <b>3,720</b> | <b>1,225</b> | <b>-</b>    | <b>9,268</b>  | <b>20,511</b>  |

**Notes to the financial statements (continued)****Liquidity risk**

For details of the management of the Company's liquidity risks please refer to page 4.

The following table analyses the significant monetary assets into their relevant maturity groups based on the remaining period at the year end date to their contractual maturities or expected settlement dates. The financial instruments can be realised at any time, but the table presents their maturity profiles should they continue to be held.

| <b>2015</b>                 | <b>Up to 1<br/>year<br/>£'000</b> | <b>1-3 years<br/>£'000</b> | <b>3-5 years<br/>£'000</b> | <b>Over 5<br/>years<br/>£'000</b> | <b>Total<br/>£'000</b> |
|-----------------------------|-----------------------------------|----------------------------|----------------------------|-----------------------------------|------------------------|
| <b>Assets</b>               |                                   |                            |                            |                                   |                        |
| Other financial investments | 4,630                             | 662                        | 1,271                      | 13,149                            | <b>19,712</b>          |
| Cash at bank and in hand    | 1,569                             | -                          | -                          | -                                 | <b>1,569</b>           |
|                             | <b>6,199</b>                      | <b>662</b>                 | <b>1,271</b>               | <b>13,149</b>                     | <b>21,281</b>          |

| <b>2014</b>                 | <b>Up to 1<br/>year<br/>£'000</b> | <b>1-3 years<br/>£'000</b> | <b>3-5 years<br/>£'000</b> | <b>Over 5<br/>years<br/>£'000</b> | <b>Total<br/>£'000</b> |
|-----------------------------|-----------------------------------|----------------------------|----------------------------|-----------------------------------|------------------------|
| <b>Assets</b>               |                                   |                            |                            |                                   |                        |
| Other Financial investments | 7,751                             | 1,268                      | 1,590                      | 9,268                             | <b>19,877</b>          |
| Cash at bank and in hand    | 634                               | -                          | -                          | -                                 | <b>634</b>             |
|                             | <b>8,385</b>                      | <b>1,268</b>               | <b>1,590</b>               | <b>9,268</b>                      | <b>20,511</b>          |

**Interest rate market risk**

The Company holds investments in its balance sheet and the performance of its investment portfolio may have an effect on profit. The income derived by the company from its investments, and the capital value of its investments, may fall as well as rise. Therefore, changes in interest rates, credit ratings and other economic variables could substantially affect the company's profitability.

**Interest rate sensitivity analysis**

The analysis below is performed for possible movements in key variables with all other variables held constant, showing the impact on profit before tax. The correlation of variables will have a significant effect in determining the ultimate impact. However, to isolate and demonstrate the impact due to changes in variables, each variable has been changed on an individual basis. It should be noted that movements in these variables are non-linear.

The table below shows the estimated impact of a 1% movement in the UK interest rates on the market value of the company's investments.

|                                      | <b>2015<br/>Impact on profit<br/>before tax<br/>£'000</b> | <b>2014<br/>Impact on profit<br/>before tax<br/>£'000</b> |
|--------------------------------------|---|---|
| 1% movement in the UK interest rates | <u>(1)</u>  | <u>(1)</u>  |



**Notes to the financial statements (continued)**

**13 Transition to FRS 101**

This is the first year that the Company has presented its financial statements under FRS 101. The last financial statements prepared under UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 101 was the 1 January 2014. The adoption of FRS 101 has not changed the Company's financial position or performance.

**14 Ultimate parent company and controlling party**

The ultimate parent company and controlling party is Tokio Marine Holdings, Inc. incorporated in Japan. Copies of the consolidated financial statements of Tokio Marine Holdings, Inc. are available from 1-2-1 Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan.

The immediate parent company is Tokio Marine Kiln Group Limited, which is incorporated in Great Britain and registered in England and Wales. Copies of the consolidated financial statements of Tokio Marine Kiln Group Limited are available from 20 Fenchurch Street, London EC3M 3BY.