

NEPHILA ADVISORS (UK) Limited
Annual report and financial statements

For the year ended 31 December 2016

Registered number: 08812429

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NEPHILA ADVISORS (UK) Limited

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NEPHILA ADVISORS (UK) Limited

Company Information

Directors

S M Glassman
L A K Taylor

Registered Office

c/o Willkie Farr & Gallagher (UK) LLP
City Point (27th Floor)
1 Ropemaker Street
London
EC2Y 9AW
United Kingdom

Auditor

Deloitte LLP
London

NEPHILA ADVISORS (UK) Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2016.

Review of the business

Nephila Advisors (UK) Limited (the "Company") was incorporated on 12 December 2013. The Company was formed to provide certain investor relations and business development services to Nephila Capital Limited ("NCL"), a Bermuda based investment manager. The Company and NCL are wholly owned subsidiaries of Nephila Holdings Ltd. (the "Parent"), a Bermuda based company. The Company currently employs twenty six individuals and aims to continue to increase depth and breadth for the Nephila group's investor relations, information technology, client services and risk sourcing in the UK and throughout Europe. The net asset value for the years ended December 31, 2016 and 2015 were \$1,111,806, and \$463,886 respectively.

The Company will continue to provide these services.

Results and dividends

The profit for the years ended December 31, 2016 and 2015 were \$647,920, and \$365,441. No dividends were paid or declared.

Directors

The directors, who served throughout the year and up to the date of signing this report, were as follows:

S M Glassman
L A K Taylor

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in Note 1.

Directors and their interests

The names of the persons who were Directors at any time during the year ended 31 December 2016 are set out on page 2 of the financial statements. Unless indicated the Directors served for the entire year. In accordance with the Articles of Association the existing Directors shall continue in office until resignation or removal.

No Director had any interest in the share capital of the Company at any time during the year. Directors' interests in the share capital of the ultimate holding company, Nephila Holdings Limited at 31 December 2016 are not disclosed in accordance with S1 1985/802 - Companies (Disclosure of Directors' Interests) (Exceptions) regulations 1985.

NEPHILA ADVISORS (UK) Limited

Directors' report (continued)

Directors Indemnity

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Auditor

Deloitte LLP were previously appointed and have expressed their willingness to continue in office as auditor and therefore in accordance with the Companies Act 2006, are deemed re-appointed.

Information provided to the Auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

Approved by the Board and signed on its behalf by:



S M Glassman
Director
27 April 2017

NEPHILA ADVISORS (UK) Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; 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 corporate and financial information published by the Company. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

NEPHILA ADVISORS (UK) Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEPHILA ADVISORS (UK) LIMITED

We have audited the financial statements of Nephila Advisors (UK) Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related Notes 1 to 15. 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

Opinion 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report have been prepared in accordance with applicable legal requirements.

NEPHILA ADVISORS (UK) Limited

Auditor's report (continued)

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 any material misstatements in the Directors' Report

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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from preparing a Strategic Report or in preparing the Directors' Report.



Alex Arterton, BSc, ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
27 April 2017

NEPHILA ADVISORS (UK) LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2016

	Note	2016 \$	2015 \$
TURNOVER		8,845,641	5,006,266
ADMINISTRATIVE EXPENSES		<u>(8,041,491)</u>	<u>(4,551,151)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		804,150	455,115
Tax on profit on ordinary operations	6	<u>(156,230)</u>	<u>(89,674)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>647,920</u>	<u>365,441</u>

There were no recognised gains or losses other than those included in the profit and loss account and accordingly no statement of comprehensive income has been prepared.


All results are from continuing operations. The accompanying notes on pages 11 to 18 form an integral part of the financial statements.

NEPHILA ADVISORS (UK) LIMITED
BALANCE SHEET
As at 31 December 2016

	Note	2016	2015
		\$	\$
NON CURRENT ASSETS			
Tangible Assets	4	619,084	696,813
Debtors: amounts falling due after one year	10	363,253	-
		<u>982,337</u>	<u>696,813</u>
CURRENT ASSETS			
Called up share capital not paid		3	3
Cash		1,110,684	287,394
Debtors: amounts falling due within one year	10	1,198,057	979,759
		<u>2,308,744</u>	<u>1,267,156</u>
TOTAL ASSETS		<u>3,291,081</u>	<u>1,963,969</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	7	2,179,275	1,500,083
NET ASSETS		<u>1,111,806</u>	<u>463,886</u>
SHAREHOLDER'S FUNDS			
Called up share capital	8	3	3
Profit and loss account	9	1,111,803	463,883
TOTAL SHAREHOLDERS' FUNDS		<u>1,111,806</u>	<u>463,886</u>

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

The financial statements of Nephila Advisors (UK) Limited, company number 08812429 were approved by the board of directors and authorised for issue on 27 April 2017. They were signed on its behalf by:


S M Glassman
Director
27 April 2017

NEPHILA ADVISORS (UK) LIMITED
STATEMENT OF CHANGES IN EQUITY
As at 31 December 2016

	Called-up share capital \$	Profit and loss account \$	Total \$
At 1 January 2015	3	98,442	98,445
Profit for the financial year		365,441	365,441
At 31 December 2015	3	463,883	463,886
Profit for the financial year		647,920	647,920
At 31 December 2016	3	1,111,803	1,111,806

NEPHILA ADVISORS (UK) LIMITED
STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit	\$ 647,920	\$ 365,441
Adjustments for:		
Depreciation	93,943	7,773
Changes in debtors and creditors:		
Debtors	(581,551)	(412,679)
Creditors	679,192	1,031,445
	<u>839,504</u>	<u>991,980</u>
CASH GENERATED BY OPERATIONS		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible assets	(16,214)	(704,586)
	<u>(16,214)</u>	<u>(704,586)</u>
Net cash used in investing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	823,290	287,394
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	287,394	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,110,684</u>	<u>\$ 287,394</u>

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

**NEPHILA ADVISORS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS**

1. STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the previous year.

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) and applicable law of England and Wales. The particular accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

Going concern

The Company's business activities, performance and position along with the objectives, policies and processes for managing its principal risks and uncertainties are set out in the Directors' report. The Directors have not projected any significant changes to the Company and there is no material uncertainty regarding the Company's ability to meet its liabilities as they fall due. As such, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Advisory fees are recognised as income on an accruals basis and in accordance with the Company's agreement with Nephila Capital Limited ("NCL").

Expenses

All expenses including salaries and benefits, payroll taxes, professional fees, travel and entertainment and communications are recognised on an accrual basis.

Foreign currency

The presentational currency is in US Dollars. Income and expenditure in other currencies is translated at the average rate of exchange for the year. The Company translates monetary assets and liabilities denominated in foreign currencies at the rate of exchange at the balance sheet date.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized 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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognized in the financial statements.

NEPHILA ADVISORS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

A net deferred tax asset is regarded as recoverable and therefore recognized only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. AUDITOR'S REMUNERATION

Fees payable to Deloitte LLP for the audit of the Company's financial statements the years ended 31 December 2016 and 2015 were \$19,200, and \$8,000 respectively. No other fees were paid to the auditor in respect of the Company.

3. DIRECTORS' REMUNERATION

The Directors are executives of the related group company, Nephila Capital Ltd., and are also directors of the Company. The Directors received no remuneration from Nephila Advisors (UK) Limited during the year (2015: Nil).

4. TANGIBLE ASSETS

Tangible fixed assets	Leasehold improvement	Fixtures, fittings & equipment	Computer equipment	Total
	\$0	\$0	\$0	\$0
Cost				
At 1 January 2016		308	97,617	704,586
At 31 December 2016	<u>622,875</u>	<u>308</u>	<u>97,617</u>	<u>720,800</u>
Depreciation				
At 1 January 2016	5,056	5	2,712	7,773
Charge for year	<u>61,342</u>	<u>62</u>	<u>32,539</u>	<u>93,943</u>
At 31 December 2016	<u>66,398</u>	<u>67</u>	<u>35,251</u>	<u>101,716</u>
Net book value				
31-Dec-16	<u>556,477</u>	<u>241</u>	<u>62,366</u>	<u>619,084</u>
1-Jan-16	<u>601,605</u>	<u>303</u>	<u>94,905</u>	<u>696,813</u>

NEPHILA ADVISORS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. EMPLOYEES AND STAFF COSTS

The average monthly number of employees was:

Staff costs	2016 Number	2015 Number
Sales	1	1
IT/Technology	22	15
Underwriting	1	1
Admin	1	1
Finance	1	-
	<u>26</u>	<u>18</u>

Aggregate remuneration comprised:

	2016 \$	2015 \$
Wages and salaries	4,989,413	2,650,321
Social Security	711,039	381,619
Other Employee benefits	<u>364,774</u>	<u>176,570</u>
	<u>6,065,226</u>	<u>3,208,510</u>

6. TAXATION

The tax charge comprises:

	2016 \$	2015 \$
Corporation tax	158,969	89,674
Deferred tax	<u>(2,739)</u>	<u>-</u>
UK corporation tax	<u>156,230</u>	<u>89,674</u>

The Finance Act 2013 enacted a reduction to the UK corporation tax rate to 21% with effect from 1 April 2014 and 20% from 1 April 2015. The reduction in the rate impacted the current tax charge in 2015 and 2016.

The main UK Corporation Tax rate was reduced to 19% for accounting periods commencing on or after 1 April 2017 and 17% for accounting periods commencing on or after 1 April 2020. Hence this will reduce the Company's future current and deferred tax charge.

NEPHILA ADVISORS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. TAXATION (cont'd)

	2016	2015
	\$	\$
Current tax on profit		
UK corporation tax	174,789	-
Double tax relief	-	-
Foreign tax	-	-
Adjustments in respect of prior years		
UK corporation tax	(15,820)	-
Foreign tax	-	-
Total current tax	<u>158,969</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(10,397)	89,674
Effect of increase in tax rate on opening liability	(5,726)	-
Effect of a change in the tax status of the entity or its shareholders	-	-
Decrease in estimate of recoverable deferred tax asset	-	-
Adjustments in respect of prior years	13,384	-
Total deferred tax	<u>(2,739)</u>	<u>89,674</u>
Total tax on profit	<u>156,230</u>	<u>89,674</u>

Tax on profit (continued)

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

NEPHILA ADVISORS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. TAXATION (cont'd)

	2016 \$	2015 \$
Profit before tax	<u>804,308</u>	<u>455,114</u>
Tax on profit at standard UK corporation tax rate of 20 per cent (2015: 20 per cent)	160,862	92,145
Effects of:		
- Expenses not deductible for tax purposes	1,738	8,721
- Income not taxable in determining taxable profit	-	-
Adjustments to tax charge in respect of previous-deferred tax	13,384	-
- Utilisation of tax losses not previously recognised	-	-
- Change in unrecognised deferred tax assets	-	-
- Higher tax rates on overseas earnings	-	-
Adjust closing deferred tax to average rate of 20.00%	(15,341)	(11,192)
Adjust opening deferred tax to average rate of 20.00%	11,450	-
Current tax (current year) exchange difference arising on movement between opening and closing spot rates	(43)	-
- Adjustments to tax charge in respect of previous periods	<u>(15,820)</u>	<u>-</u>
Total tax charge for period	<u>156,230</u>	<u>89,674</u>

NEPHILA ADVISORS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. TAXATION (cont'd)

Deferred tax is provided as follows:	2016	2015
	\$	\$
Company		
Accelerated capital allowances	92,678	97,779
Deferred tax arising in relation to retirement benefit obligations	(5,743)	(6,081)
Tax losses available	-	(2,024)
Other timing differences	-	-
Provision for deferred tax	<u>86,935</u>	<u>89,674</u>

7. CREDITORS

	2016	2015
	\$	\$
Other creditors	342,821	161,635
Bonus accruals	1,558,950	1,164,874
Corporation tax payable	158,969	15,820
Deferred tax payable	86,935	89,674
Accruals	31,600	66,351
	<u>2,179,275</u>	<u>1,498,354</u>

8. CALLED UP SHARE CAPITAL

	2016	2015
	\$	\$
Allotted, called up and not paid		
Ordinary shares of \$1.5 each	3	3

9. SHAREHOLDER'S FUNDS

	2016	2015
	\$	\$
At 31 December	463,886	98,445
Profit for the year	647,920	365,441
At 31 December	<u>1,111,806</u>	<u>463,886</u>

NEPHILA ADVISORS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Debtor: amount falling due within one year

	2016	2015
	\$	\$
Amounts owed by group undertakings	1,074,089	237,506
Prepayments and accrued income	44,157	479,312
Other debtors	78,811	262,941
	<u>1,198,057</u>	<u>979,759</u>

Debtor: amount falling due after one year

	2016	2015
	\$	\$
Prepayment and accrued income	363,253	-
	<u>363,253</u>	<u>-</u>

11. FINANCIAL COMMITMENTS

The Company had no operating lease commitments or other relevant financial commitments as at 31 December 2016 (2015: nil).

12. LEASE COMMITMENT

NUK entered into a lease for its corporate premises on October 28, 2015 which has an expiration date of October 27, 2025. The future minimum lease payments under the lease agreement are in the amount of \$2,084,910:

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
	\$	\$
Land and buildings		
Expiring:		
Between one and five years	1,165,978	1,435,449
In excess of five years	<u>918,932</u>	<u>1,435,449</u>
	<u>2,084,910</u>	<u>2,870,899</u>

NEPHILA ADVISORS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the financial year end.

14. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the disclosure exemption available in FRS 102 Section 33. All related party transactions are with entities that are wholly owned by the ultimate parent.

15. IMMEDIATE AND ULTIMATE PARENT COMPANY

The Directors regard Nephila Holdings Limited, a company incorporated in Bermuda, as the ultimate parent company. The smallest and largest group into which the financial statements of Nephila Advisors (UK) Limited are consolidated into is Nephila Holdings Limited. Copies of the group financial statements may be obtained from Nephila Holdings Ltd at 31 Victoria Street, City of Hamilton HM10 in the Islands of Bermuda.