

## **St. James Fleet Investments Two Limited**

### **Annual Report and Financial Statements for the Year Ended 31 December 2018**



**Registered Number: CR92459 (Registrar of Companies for Cayman Islands)**  
**Company Number: FC22079 (Registrar of Companies for England and Wales)**

## **ST. JAMES FLEET INVESTMENTS TWO LIMITED**

### **Directors' report**

**For the year ended 31 December 2018**

The directors present this annual report together with the audited financial statements and auditor's report of St James Fleet Investments Two Limited ("UK2" and the "Company") for the year ended 31 December 2018.

### **Strategic report**

The Company qualifies as a small company as defined in s382 of the Companies Act 2006 and is exempt from the preparation of a strategic report as defined by the Companies Act 2006 (Strategic Report and Directors' Report) regulations 2013 no. 1970.

### **Residence**

The Company is incorporated in the Cayman Islands and in the UK. The Company is resident in the UK for the purposes of UK taxation. As a result of this, the Company is required to prepare audited financial statements in accordance with the provisions of the Companies Act 2006 applicable to overseas companies.

### **Principal activities**

The Company was incorporated on 09 September 1999 (registration number CR92459), and is part of the MetLife, Inc. group of companies, whose head office is located in New York, USA.

The Company invests in its wholly-owned subsidiary OMI MLIC Investments Limited ("OMI"), which its principal activity is to acquire, invest, hold and sell shares, stocks, debentures, debenture stock, scrip, bonds and notes.

### **Future developments**

Possible future developments for the Group (representing the Company and its subsidiary, OMI) or the Company's operations are explained in Note 2 and Note 20.

### **Results, dividends and review of business**

During the year ended 31 December 2018 the Company had a loss on ordinary activities after taxation of £69,254k (year ended 31 December 2017: gain of £991,243k). At 31 December 2018, the Company's shareholder's funds were £568,410k (31 December 2017: £4,256,081k).

In May 2018, the Company and the Group of affiliated companies, underwent a group-wide restructuring. In connection with the restructuring, the Company completed a recapitalization transaction by transferring £2,082,264k from its share premium to its retained earnings, and then the Company issued a dividend of £1,100,656k to its parent, Metropolitan Life Insurance Company("MLIC"); and then the Company UK2 repurchased 530,572,261 shares of its outstanding ordinary shares for £2,392,358k. These transactions were settled by a transfer of investments and derivatives from OMI to MLIC.

During 2017, the Company repurchased 649,466,201 of its outstanding shares from MLIC, however, there were no dividends recommended or paid by the Company to MLIC during 2017.

### **Financial risk management, objective and policy**

The Company's primary investment is its whole ownership interest in OMI MLIC Investments Limited ("OMI"). The following describes the investment risks of OMI.

OMI's investments are exposed to five primary sources of risk: credit, interest rate, liquidity, foreign currency translation and market valuation. The financial statement risks, stemming from such investment risks, are those associated with the recognition of impairments, the recognition of income on certain investments and the determination of fair values.

## **ST. JAMES FLEET INVESTMENTS TWO LIMITED**

### **Directors' report (continued)**

**For the year ended 31 December 2018**

### **Financial risk management, objective and policy (continued)**

The determination of the amount of allowances and impairments, as applicable, are completed by investment type. The determination of such allowances and impairments is highly subjective and is based upon OMI's periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. Management updates its evaluations regularly and reflects changes in allowances and impairments in operations as such evaluations are revised.

The recognition of income on certain investments (e.g. loan-backed securities including mortgage-backed and asset-backed securities, etc.) is dependent upon market conditions, which could result in prepayments and changes in amounts to be earned.

The fair values of publicly held debt securities and publicly held equity securities are based on quoted market prices or estimates from independent pricing services. However, in cases where quoted market prices are not available, such as for private debt securities, fair values are estimated using present value or other valuation techniques. The determination of fair values is based on: (i) valuation methodologies; (ii) securities OMI deemed to be comparable; and (iii) assumptions deemed appropriate given the circumstances. The fair value estimates are made at a specific point in time, based on available market information and judgements about financial instruments, including estimates of the timing and amounts of expected future cash flows and the credit standing of the issuer or counterparty.

Factors considered in estimating fair value include: coupon rate, maturity, estimated duration, call provisions, sinking fund requirements, credit rating, industry sector of the issuer, and quoted market prices of comparable securities.

The use of different methodologies and assumptions as to the timing and amount of impairments, recognition of income and the determination of the fair value of investments may have a material effect on the amounts presented within the financial statements.

### **Financial instruments**

The Company holds financial instrument assets in the form of shares in a related company. The directors are satisfied that this does not expose the Company to undue risk.

### **Going concern**

After review of the recent historical financial results and expectations for future financial results with consideration of the current investment environment, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In May 2018, as a part of a group-wide restructuring, UK2 became the sole owner of OMI. Subsequently in December 2018, the Company's previous subsidiary Park Twenty Three Investments Company ("UK3") was voluntarily struck-off with cash, receivables and any liabilities transferred to the Company.

### **Directors**

The directors of the Company during the year, together with their dates of appointment, are as shown below:

Director:	Ruth Farrugia	Appointment Date:	11 December 2017
Director:	Ewan Macaulay	Appointment Date:	December 7, 2018
Director:	Edward Palmer	Appointment Date:	2 November 2011
Director:	David Lindstrom	Resignation Date:	December 7, 2018

The directors have no interests in the shares of the Company.

## ST. JAMES FLEET INVESTMENTS TWO LIMITED

Directors' report (continued)  
For the year ended 31 December 2018

### Registered office

C/O OGIER FIDUCIARY  
SERVICES (CAYMAN) LIMITED,  
Queensgate House  
P.O. Box 1234gt George  
Town, Grand Cayman,  
Cayman Islands

### Auditor

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

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

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

Deloitte LLP have indicated their willingness to be reappointed for another term and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the directors and signed on their behalf by:



Ruth Farrugia  
Director  
C/O OGIER FIDUCIARY  
SERVICES (CAYMAN) LIMITED,  
Queensgate House  
P.O. Box 1234gt George  
Town, Grand Cayman,  
Cayman Islands  
9 December 2019

## **ST. JAMES FLEET INVESTMENTS TWO LIMITED**

### **Statement of directors' responsibilities**

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), including Financial Reporting Standard 101 ("FRS 101") "Reduced Disclosure Framework". 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; 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 provisions of 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 ST JAMES FLEET INVESTMENTS TWO LIMITED**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of St James Fleet Investments Two Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related Notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **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 Financial Reporting Council's (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**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

#### **Responsibilities of directors**

As explained more fully in the statement of directors' responsibilities, 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.

## ST. JAMES FLEET INVESTMENTS TWO LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST JAMES FLEET INVESTMENTS TWO LIMITED (continued)

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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### Report on other legal and regulatory requirements

#### 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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.
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

#### Use of our report

This report is made solely to the company's members, as a body. 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.



Mark Taylor FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
9 December 2019

# ST. JAMES FLEET INVESTMENTS TWO LIMITED

## Statement of Comprehensive Income For the year ended 31 December 2018

	Notes	2018 £ '000	2017 £ '000
<b>Income</b>			
Net investment (loss)/income	5	(69,325)	987,378
Foreign currency translation gains		136	4,807
<b>Total (loss)/income</b>		<b>(69,189)</b>	<b>992,185</b>
<b>Expenses</b>			
Operating and administrative expenses	6	(39)	(21)
<b>Total expenses</b>		<b>(39)</b>	<b>(21)</b>
<b>(Loss)/profit before taxation</b>		<b>(69,228)</b>	<b>992,164</b>
Taxation	9	(26)	(921)
<b>Gain (Loss) for the year (100% attributable to owners of the Company)</b>		<b>(69,254)</b>	<b>991,243</b>
<b>Other comprehensive expense</b>			
Items that may be reclassified subsequently to profit or loss (not taxable):			
Investment revaluation movement	11	(30,751)	(269,672)
Currency translation movement	12	(94,652)	(854,501)
<b>Other comprehensive expense for the year (100% attributable to owners of the Company)</b>		<b>(125,403)</b>	<b>(1,124,173)</b>
<b>Total comprehensive expense for the year</b>		<b>(194,657)</b>	<b>(132,930)</b>

The accompanying notes form an integral part of the Statement of Comprehensive Income.



# ST. JAMES FLEET INVESTMENTS TWO LIMITED

Statement of Financial Position as of 31 December 2018

	Notes	2018 £ '000	2017 £ '000
<b>Assets</b>			
Non-current assets			
Investment in subsidiary	13	562,789	4,254,092
Total non-current assets		562,789	4,254,092
Current assets			
Cash and cash equivalents		6,678	3,060
Total current assets		6,678	3,060
<b>Total assets</b>		<b>569,467</b>	<b>4,257,152</b>
<b>Equity</b>			
Issued capital	14	119,047	649,619
Share premium account	15	—	3,689,202
Investment revaluation	11	(5,686)	25,065
Foreign currency translation reserve	12	(140,964)	(46,312)
Retained earnings	16	596,013	(61,493)
<b>Total equity</b>		<b>568,410</b>	<b>4,256,081</b>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	17	1,057	1,071
Total current liabilities		1,057	1,071
<b>Total liabilities</b>		<b>1,057</b>	<b>1,071</b>
<b>Total equity and liabilities</b>		<b>569,467</b>	<b>4,257,152</b>

The notes form an integral part of the Statement of Financial Position.

The financial statements were approved by the Board of Directors and authorised for issue on 9 December 2019 and were signed on its behalf by:

  
Ruth Farrugia  
Director

Registered Number: CR92459 (Registrar of Companies for Cayman Islands)  
Company Number: FC22079 (Registrar of Companies for England and Wales)

# ST. JAMES FLEET INVESTMENTS TWO LIMITED

## Statement of Changes in Equity For the year ended 31 December 2018

	Notes	Issued capital £ '000	Share premium account £ '000	Investment revaluation £ '000	Foreign currency translation £ '000	Retained earnings £ '000	Total £ '000
<b>Balance at 1 January 2017</b>		649,619	2,206,049	294,737	808,189	(1,052,736)	2,905,858
Profit for the year		—	—	—	—	991,243	991,243
Other comprehensive expense for the year	11, 12	—	—	(269,672)	(854,501)	—	(1,124,173)
Total comprehensive (expense)/ income for the year		—	—	(269,672)	(854,501)	991,243	(132,930)
Share Repurchase	14, 15	(649,466)	(2,206,049)	—	—	(41,751)	(2,897,266)
Share Issuance	14, 15	649,466	3,689,202	—	—	41,751	4,380,419
Transactions with owners of the Company, recognized directly in equity		—	1,483,153	—	—	—	1,483,153
<b>Balance at 31 December 2017</b>		649,619	3,689,202	25,065	(46,312)	(61,493)	4,256,081
Loss for the year		—	—	—	—	(69,254)	(69,254)
Other comprehensive expense for the year	11, 12	—	—	(30,751)	(94,652)	—	(125,403)
Total comprehensive expense for the year		—	—	(30,751)	(94,652)	(69,254)	(194,657)
Recapitalization	15	—	(2,082,264)	—	—	2,082,264	—
Dividend	10, 16	—	—	—	—	(1,100,656)	(1,100,656)
Share repurchase	14, 15	(530,572)	(1,606,938)	—	—	(254,848)	(2,392,358)
Transactions with owners of the Company, recognized directly in equity		(530,572)	(3,689,202)	—	—	726,760	(3,493,014)
<b>Balance at 31 December 2018</b>		119,047	—	(5,686)	(140,964)	596,013	568,410

The accompanying notes form an integral part of the Statement of Changes in Equity.

# ST. JAMES FLEET INVESTMENTS TWO LIMITED

## Notes to the Financial Statements

### 1. General information

The Company is a limited company, incorporated in the Cayman Islands. The Company has relocated its management and control to the United Kingdom ("UK") and is a resident in the UK for the purposes of UK taxation. As a result of this, the Company is required to prepare audited financial statements in accordance with the provisions of the Companies Act 2006 applicable to overseas companies.

The Company was incorporated on 09 September 1999, and is part of the MetLife, Inc. group of companies, whose head office is located in New York, USA.

### 2. Business event

On 27 December 2017, the Company and the Group of affiliated companies, (representing UK2 and its subsidiaries, Park Twenty Three Investments Company ("UK3"), Convent Station Euro Investments Four Company ("UK4") and OMI MLIC Investments Limited ("OMI")), underwent a group-wide restructuring. As part of this, two existing forward transfer agreements ("FTAs") were settled with affiliates, UK4 and UK3, pursuant to their terms. As a result, UK4 sold 4,250,000k of OMI shares to UK3 for a predetermined fixed price of £2,897,266,344; subsequently, UK3 sold the same shares it has received from UK4 for the same amount on the same date to MLIC. Subsequently, UK4 completed a reduction in capital and made a distribution of capital to UK3; and then UK3 completed a reduction in capital and made a distribution of capital to the Company; and the Company repurchased 649,466,201 shares of its outstanding ordinary shares from MLIC; and then MLIC contributed 4,250,000k of OMI shares to the Company in exchange for a new issuance of 649,466,201 ordinary shares of the Company. As a result of the group restructuring, OMI is a majority-owned subsidiary of the Company, with the minority of its shares held by UK4.

In May 2018, the Company and the Group of affiliated companies, underwent a group-wide restructuring. As part of this, the 1,000 shares of the OMI held by UK4 were distributed as a dividend to UK3; and subsequently these 1,000 shares of OMI were distributed by UK3 as a dividend to the Company. As a result of these transactions, all of the issued ordinary shares of OMI are held by the Company.

As part of this, OMI declared a dividend of \$1,544,000,000 and a return of capital of \$3,356,000,000 totaling \$4,900,000,000 to the Company accounted for as a reduction in the investment in subsidiary. Subsequently, the Company completed a recapitalization transaction by transferring £2,082,264k from its share premium to its retained earnings, and then the Company issued a dividend of £1,100,656k to MLIC; and then the Company UK2 repurchased 530,572,261 shares of its outstanding ordinary shares for £2,392,358k from MLIC. These transactions were settled by a transfer of investments and derivatives from OMI to MLIC. See also Note 20.

### 3. Significant accounting policies

#### Going concern

The going concern basis remains appropriate as the Company remains a viable entity as it can fund its minimal operating costs as a holding company with its cash position and is expected to continue operations.

#### Basis of accounting

The financial statements have been prepared in accordance with the Companies Act 2006, Financial Reporting Standard 100 ("FRS 100") - Application of Financial Reporting Requirements and Financial Reporting Standard 101 ("FRS 101") - Reduced Disclosure Framework. Where FRS 101 does not contain clear guidance governing the accounting treatment of certain transactions, FRS 100 permits reference to another comprehensive body of accounting principles that uses a similar conceptual framework.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to cash flow statement, fair value measurements and related party transactions.

The Company has taken advantage of the exemption allowed by FRS 101 therefore has not prepared consolidated financial statements. Where relevant, equivalent disclosures have been given in the group accounts of Metropolitan Life Insurance Company ("MLIC"). The group accounts of MLIC are available to the public and can be obtained as set out in note 18.

The financial statements have been prepared on a historical cost basis. The financial statements have been prepared using the accrual basis of accounting. The principal accounting policies adopted are set out below.

## ST. JAMES FLEET INVESTMENTS TWO LIMITED

### Notes to the Financial Statements (continued)

#### 3. Significant accounting policies (continued)

##### **Adoption of New Accounting Pronouncements**

###### IFRS 9

IFRS 9 Financial Instruments revises the approach to financial instruments framework replacing IAS 39 Financial Instruments: Recognition and Measurement. The Company's financials were not impacted by IFRS 9.

###### IFRS 15

IFRS 15 Revenue from Contracts with Customers revises the approach to revenue recognition from contracts with customers and replaces IAS 11 Accounting for construction contracts. The Company's financials were not impacted by IFRS 15.

##### **Foreign currency**

The functional currency of the Company and OMI, the Company's main subsidiary, is the U.S. dollar. Transactions denominated in currencies other than the functional currency are translated to U.S. dollar at the rates ruling at the dates of the transactions. Monetary assets denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

The Company's presentation currency for the financial statements is the pound sterling. For purposes of presenting financial statements, the assets and liabilities of the Company are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Any translation differences arising, if any, are recognised in the Company's foreign currency translation reserve.

##### **Investment in subsidiary**

Investment in subsidiaries is accounted for using the equity method of accounting. The Company uses the equity method when it has significant influence or at least 20% interest. Earnings of such subsidiaries are recognised in net investment (loss)/income. In addition, the Company makes adjustments to the carrying value for changes in other comprehensive income which are recognised in the Statement of Financial Position as investment revaluation.

##### **Net investment income (loss)**

In December 2017, the Company became the owner of 99.98% of OMI. After this event, the Company recognized 99.98% of OMI's earnings in net investment income (loss). In May 2018, the Company became the owner of 100% of OMI. After this event, the Company recognized 100% of OMI's earnings in net investment income (loss). The Company also recognized in net investment (loss)/income OMI's other comprehensive income realized in 2018 related to assets sales, maturities and transfers of assets to MLIC as described in note 2.

##### **Financial instruments**

Financial assets and liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. All financial instruments reported at fair value are measured based on exit price.

###### Trade and other payables

Trade and other payables comprise short-term payables which are recorded at cost and are an approximation of the fair value of these assets.

###### Cash at bank

Cash at bank comprise cash on hand and demand deposits. The carrying value of these assets approximates to fair value.

## ST. JAMES FLEET INVESTMENTS TWO LIMITED

### Notes to the Financial Statements (continued)

#### 3. Significant accounting policies (continued)

##### Taxation

##### Current tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

##### Cash flow statement

The Company has taken advantage of the exemption provided by FRS 101 paragraph (8)(h) not to prepare a cash flow statement.

#### 4. Critical accounting judgements and key sources of estimation uncertainty

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The Company does not have any critical accounting judgements and key sources of estimation and uncertainty. Its key accounting activities are derived from applying the equity method to its investment in subsidiary amount, which is based on audited financial accounts of OMI. To better understand the risks and uncertainties related to OMI's audited accounts, please refer to OMI's audited financial statements.

#### 5. Net investment (loss)/income

	Year ended 31 December 2018 £ '000	Year ended 31 December 2017 £ '000
(Loss)/income on investment in subsidiary, UK3 and OMI	(69,366)	987,378
Interest income	41	—
	<u>(69,325)</u>	<u>987,378</u>

#### 6. Operating and administrative expenses

	Year ended 31 December 2018 £ '000	Year ended 31 December 2017 £ '000
Auditor fees	29	21
Operating expenses	10	—
	<u>39</u>	<u>21</u>

#### 7. Directors' fees

The Company has no employees. The directors of the Company are employed by other entities within the MetLife, Inc., Group and receive no remuneration for their services to the Company.

# ST. JAMES FLEET INVESTMENTS TWO LIMITED

## Notes to the Financial Statements (continued)

### 8. Auditor's remuneration

	Year ended 31 December 2018 £ '000	Year ended 31 December 2017 £ '000
Auditor remuneration:		
Fees payable to the Company's auditor for the audit of the Company's financial statements	26	21
Fees payable to the Company's auditor for other audit related assurance services	3	—
	<u>29</u>	<u>21</u>

Audit fees for the audit of the Company of £26k (31 December 2017: £21k) are paid by the intermediate holding company, MLIC, a company incorporated in the United States of America.

### 9. Tax on gain (loss) from ordinary activities

Finance Act No.2 2015, which was substantively enacted on 26 October 2015, includes provisions to reduce the corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. In addition, the Finance Act 2016, which was substantively enacted on 6 September 2016, introduced a further reduction in the main rate of corporation tax from 18% to 17% from 1 April 2020. Accordingly, these rates have been applied when calculating current and deferred tax assets and liabilities as at 31 December 2018 and 2017.

	Year ended 31 December 2018 £ '000	Year ended 31 December 2017 £ '000
Current tax:		
United Kingdom taxation on income for the year	26	921
Tax charge on loss from ordinary activities	<u>26</u>	<u>921</u>
Gain (loss) on ordinary activities before taxation	(69,228)	992,164
Gain (loss) on ordinary activities at standard rate of corporation tax in the UK of 19% (2017: 19.25%)	<u>(13,153)</u>	<u>190,991</u>
Effects of:		
Non-taxable losses (gains)	13,179	(190,070)
Tax charge on income (loss) from ordinary activities	<u>26</u>	<u>921</u>

The non-taxable profits are in relation to the revaluation of the company's subsidiaries; the value of which was increased when the forward transfer agreements ("FTAs") were executed in December 2017. No current taxation was applicable to these revaluations or to the execution of the FTAs.

## ST. JAMES FLEET INVESTMENTS TWO LIMITED

### Notes to the Financial Statements (continued)

#### 10. Dividends paid

During 2018, the Company issued a dividend of £1,100,656k to MLIC. There were no dividends recommended or paid by the Company to its parent during the year ended 31 December 2017. See also Note 2 and Note 16.

#### 11. Investment revaluation

The investment revaluation consists of the Company's share of OMI's other comprehensive income.

	2018 £ '000	2017 £ '000
Opening balance 1 January	25,065	294,737
Current year movement related to investment in OMI/UK3	(30,751)	(269,672)
Closing balance 31 December	<u>(5,686)</u>	<u>25,065</u>

#### 12. Foreign currency translation reserve

	2018 £ '000	2017 £ '000
Opening balance 1 January	(46,312)	808,189
Current year movement related to foreign exchange	(94,652)	(854,501)
Closing balance 31 December	<u>(140,964)</u>	<u>(46,312)</u>

#### 13. Investment in subsidiary

The Company's investments relate entirely to its investment in OMI and UK3. OMI is incorporated in the Cayman Islands and has its principal place of business in to the United Kingdom ("UK"). UK3 was incorporated and had its principal place of business in the UK.

Investment in fellow subsidiary:	2018 £ '000	2017 £ '000
Opening balance 1 January	4,254,092	2,902,543
Gain (loss) from UK3 and OMI	(69,365)	987,378
Investment revaluation	(32,309)	25,065
Currency translation adjustment	(93,174)	(46,312)
Return of capital from OMI	(3,493,014)	—
Return of capital from UK3	(3,441)	(2,897,266)
Contribution of OMI by MLIC	—	3,282,684
Closing balance 31 December	<u>562,789</u>	<u>4,254,092</u>

## ST. JAMES FLEET INVESTMENTS TWO LIMITED

### Notes to the Financial Statements (continued)

#### 13. Investment in subsidiary (continued)

In connection with the December 2017 business event described in Note 2, UK3 made a return of capital of £2,897,266, reducing the investment in subsidiaries and MLIC made a contribution to the Company of 4,250,000k shares in OMI with a value of £3,282,684k, increasing the investment in subsidiaries.

As of December 31, 2017, the Company is the sole shareholder of UK3's ordinary share capital. At both 31 December, 2017 and 2016, the Company held 100% of the ordinary share capital and voting rights of UK3. UK3 is incorporated in the United Kingdom and registered in England and Wales. UK3 was the sole shareholder of UK4's ordinary share capital. As a result of the December 2017 business event described in Note 2, at 31 December, 2017 the Company held 99.98% of the ordinary share capital and voting rights of OMI and UK4 held 0.02% of the ordinary share capital and voting rights of OMI. OMI is incorporated in the Cayman Islands. The principal activities of OMI are to acquire, invest, hold and sell shares, stocks, debentures, debenture stock, scrip, bonds, notes and securities.

As part of the May 2018 group-wide restructuring described in Note 2, the 1,000 shares of the OMI held by UK4 were distributed as a dividend to UK3; and subsequently these 1,000 shares of OMI were distributed by UK3 as a dividend to the Company. As a result of these transactions, all of the issued ordinary shares of OMI are held by the Company.

As part of the May 2018 group-wide restructuring described in Note 2, OMI declared a dividend of \$1,544,000 thousand and a return of capital of \$3,356,000 thousand totaling \$4,900,000 thousand (£3,493,014 thousand) to the Company. Subsequently, the Company completed a recapitalization transaction by transferring £2,082,264 thousand from its share premium to its retained earnings, and then the Company issued a dividend of £1,100,656 thousand to MLIC; and then the Company UK2 repurchased 530,572,261 shares of its outstanding ordinary shares for £2,392,358 thousand from MLIC. These transactions were settled by a transfer of investments and derivatives from OMI to MLIC. See also Note 22.

Subsequently in December 2018, the Company's previous subsidiary, Park Twenty Three Investments Company ("UK3"), was voluntarily struck-off with cash, receivables and liabilities transferred to the Company. UK3 declared and paid a return of capital of £3,441 thousand to the Company.

#### 14. Called up share capital

	December 31, 2018 £ '000	December 31, 2017 £ '000
Authorised:		
119,046,756 and 649,619,017 Ordinary Shares of £1.00 each	119,047	649,619
	<u>119,047</u>	<u>649,619</u>
Allotted and fully paid:		
119,046,756 and 649,619,017 Ordinary Shares of £1.00 each	119,047	649,619
	<u>119,047</u>	<u>649,619</u>

In connection with the business event described in Note 2, during 2018 the Company repurchased and retired 530,572,261 shares of its outstanding ordinary shares from MLIC.



## ST. JAMES FLEET INVESTMENTS TWO LIMITED

### Notes to the Financial Statements (continued)

#### 15. Share premium account

	2018 £ '000	2017 £ '000
At the beginning of the year	3,689,202	2,206,049
Recapitalization	(2,082,264)	—
Share repurchase	(1,606,938)	(2,206,049)
Share issuance	—	3,689,202
At the end of the year	<u>—</u>	<u>3,689,202</u>

In connection with the business event described in Note 2, during 2018 the Company transferred £2,082,264k from its share premium to its retained earnings; and then the Company repurchased 530,572,261 shares of its outstanding ordinary shares from MLIC.

#### 16. Reconciliation of movement in equity

	2018 £ '000	2017 £ '000
Gain (loss) for the financial year	(69,254)	991,243
Retained profit (loss) for the year	<u>(69,254)</u>	<u>991,243</u>
Opening profit and loss account	(61,493)	(1,052,736)
Recapitalization	2,082,264	—
Dividend	(1,100,656)	—
Share repurchase	(254,848)	—
Closing profit and loss account	<u>596,013</u>	<u>(61,493)</u>
Retained profit (loss) for the year	(69,254)	991,243
Other comprehensive expense	(125,403)	(1,124,173)
Dividend	(1,100,656)	—
Share repurchase	(2,392,358)	(2,897,266)
Share issuance	—	4,380,419
Opening equity shareholder's funds	4,256,081	2,905,858
Closing equity shareholder's funds	<u>568,410</u>	<u>4,256,081</u>

## ST. JAMES FLEET INVESTMENTS TWO LIMITED

### Notes to the Financial Statements (concluded)

#### 17. Current Liabilities

	December 31, 2018 £ '000	December 31, 2017 £ '000
Auditor fees	26	67
Corporate taxation	1,031	1,004
Total trade and other payables	<u>1,057</u>	<u>1,071</u>

#### 18. Parent and ultimate parent company

The Company is 100% owned by MLIC, which is incorporated in the United States of America. The ultimate parent company is MetLife Inc., a company also incorporated in the United States of America. MetLife Inc.'s registered office is 200 Park Avenue, New York, NY 10166, United States of America.

The immediate parent undertaking of the smallest group that presents group financial statements is MLIC. The ultimate parent company and controlling party is MetLife, Inc., which is the parent company of the largest group that presents group financial statements. Group financial statements may be obtained at MetLife's website under Investor Relations. The Company has taken advantage of the exemption allowed by FRS 101 therefore has not prepared consolidated financial statements.

#### 19. Related party transactions

The Company has taken advantage of the exemption allowed by FRS 101 paragraph 8(k) in not reporting transactions with other wholly-owned group companies. No other related party transactions took place in the year.

#### 20. Subsequent events

In May 2019, the OMI declared a dividend of \$260,000,000 and a return of capital of \$190,000,000 totaling \$450,000,000 to UK2. Subsequently, the Company issued a dividend of \$260,000,000 to MLIC; and then Company repurchased 118,946,756 shares of its outstanding ordinary shares for \$190,000,000. These transactions were settled by a transfer of investments from OMI. After these transactions, OMI managed an investment portfolio of \$351 million at 30 June, 2019.