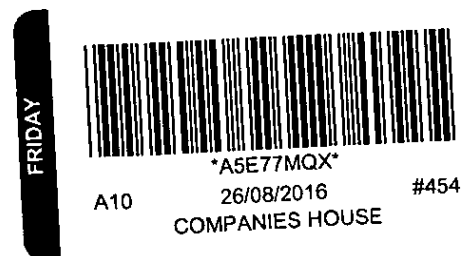


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Cooke and Partners Limited  
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**B D COOKE INVESTMENTS LIMITED**  
**ANNUAL REPORT & FINANCIAL STATEMENTS**  
**2015**



## **B D COOKE INVESTMENTS LIMITED**

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**B D COOKE INVESTMENTS LIMITED**

**CORPORATE INFORMATION**

**DIRECTORS**

Ms A Duffy	Chairperson
H Sopher	
S Janes B Sc F C A	

**SECRETARY**

R J Ower, F C I S , M.C I P.D

**AUDITORS**

Ernst & Young LLP. London

**BANKERS**

NatWest Bank London

**REGISTERED OFFICE**

2 Knoll Rise  
Orpington  
Kent  
BR6 0NX

**REGISTERED NUMBER**

Registered in England No 04322456

## **B D COOKE INVESTMENTS LIMITED**

### **STRATEGIC REPORT**

The Directors of the Group present the strategic report for the year ending 31 December 2015

#### **Principal Activities**

The main subsidiary undertaking, The Dominion Insurance Company Limited ceased to trade in December 1994 and entered into solvent run-off. Since that time the Company's main activity has been the settlement and administration of claims and the collection of reinsurance. The majority of the liabilities outstanding relate to "long-tail" North American liability business including Environmental Pollution and Asbestos related claims.

#### **Key Performance Indicators**

	2015	2014	Change
	£'000	£'000	%
Balance on technical account – general business	(383)	4,544	-108%
Profit for the financial year	(273)	3,610	-108%
Capital and reserves	9,545	9,818	-3%
Investment Income	238	6,092	-96%
Gross Paid Claims	12,290	14,873	-17%
Gross Reserves	135,282	142,783	-5%
Asbestos and Pollution Related Gross Reserves (Undiscounted)	123,263	124,444	-1%
Reinsurance Reserves	44,525	50,900	-13%
Discount Provided	19,545	18,315	7%

There is a loss in the current financial year compared to a profit in 2014. This is mainly due to the investment performance worsening significantly in 2015 in a difficult market.

The insurance business recorded a small loss of £0.7m compared to a loss of £1.7m in 2014. The loss in 2015 was the result of a mixture of savings on claims settlements made, offset by increases in reserves in existing claims.

The Groups' information systems provide the ability to analyse claims. The Group continues to seek ways to ensure that its processes and administration are performed more efficiently and this has resulted in a relatively stable level of operating expenses over the last few years.

The capital and reserves of the Group at 31 December 2015 are £9.5m (2014: £9.8m).

#### **Principal risks and uncertainties**

The principal risks and uncertainties facing the Group are broadly grouped as insurance, regulatory and financial instrument risk.

The risk management objectives and policies are driven by the need to protect the Groups regulatory capital position, to meet obligations to policyholders when they fall due and to have the financial strength to run-off in an orderly fashion.

#### **Insurance risk**

The principal risk the Group faces under insurance risk is that actual claims payments or the timing thereof differ from expectation. This is influenced by frequency of claims, severity of claims, actual benefits paid and subsequent development of claims.

There are considerable uncertainties in the provision for claims outstanding. This is in part due to the long term nature of the claims and in part the vagaries of the American legal system. The Group constantly assesses the exposures and wherever possible seeks to make favourable settlements.

## **B D COOKE INVESTMENTS LIMITED**

### **STRATEGIC REPORT (continued)**

#### **Principal risks and uncertainties (continued)**

##### **Insurance risk (continued)**

Reinsurance recoveries are reviewed on a regular basis and where it is commercially viable to do so commutations are agreed with reinsurers. Such commutations convert long term reinsurance recoveries into present day cash and investments. The Group discounts its claims liabilities relating to "long-tail" North American liability business, including the run-off provision. Future investment income is expected to at least equal the discount provided.

##### **Regulatory risk**

The Group is subject to regulation by the Prudential Regulation Authority ("PRA"). The PRA rules stipulate that sufficient margins of regulatory solvency be maintained and that customers are treated fairly. The Group did not meet the regulatory solvency margins under Solvency I at any time during the year to 31/12/2015. Additionally it also does not meet capital requirements under the Solvency II regime (see post balance sheet event note in the Directors' Report for more details).

##### **Financial instrument risk**

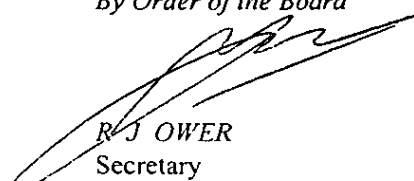
The Group has established a risk and financial management framework, the primary objective of which is the protection of the Group from potential events that may hinder its performance.

The main risks facing the Group are:

- **Price risk** Reduction in fair value of investments through market fluctuations will restrict assets available to meet policyholders' entitlements. The risk is mitigated by investments held with a maturity profile which matches the estimated claims settlement pattern by currency in order to minimise exchange and reinvestment risk.
- **Interest rate risk** Movements in interest rates will impact the value of future guarantees and the value of fixed interest securities relative to the value of the related liabilities. This risk is managed by an effective asset liability management strategy.
- **Cash flow risk** Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on a variable debt rate. The Group manages this risk by holding cash and investments with a maturity profile which matches the estimated claims settlement pattern by currency.
- **Liquidity risk** Liquidity risk is the risk that an insurance company will encounter difficulties in meeting obligations associated with financial liabilities. The Group aims to mitigate liquidity risk by monitoring cash generation from its operations. In addition, illiquidity in market trading may bring about an inability to close out a particular position resulting in less liquid assets to meet obligations. This is mitigated by investing primarily in listed investments.
- **Credit risk** Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Group policies are aimed at minimising such losses through careful selection and monitoring of third parties. The main credit risk the Group faces is from the inability of reinsurers to meet the obligations assumed under reinsurance arrangements. This is mitigated by placing reinsurance with reputable reinsurers and monitoring limits and receivables at regular intervals.

These risks are covered in substantial detail in note 21 to the financial statements.

*By Order of the Board*



R. J. OWER  
Secretary  
3 March 2016

## **B D COOKE INVESTMENTS LIMITED**

### **DIRECTORS' REPORT**

**Registered in England No.        04322456**

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

#### **DETAILS OF THE DIRECTORS**

The names of the Directors at the date of this Report appear on page 2

Ms A Duffy and Mr H Sopher each own 1 share in the Company representing in total 100% of the issued share capital

#### **RESULTS AND DIVIDENDS**

The loss for the year after taxation amounted to £273,000 (2014 £3,610,000 profit)

The Directors do not recommend the payment of a dividend

#### **FINANCIAL INSTRUMENTS**

Details of financial instruments are provided in the Strategic Report

#### **RESEARCH AND DEVELOPMENT**

The Group has not undertaken any research and development activities during the year

#### **CHARITABLE AND POLITICAL DONATIONS**

No donations were made for charitable or political purposes during the year

#### **STAFF AND PENSION SCHEME**

The retention of key employees has been achieved through flexible working conditions. The average length of service is in excess of 24 years and staff turnover is negligible

The Group operates a defined contribution scheme

#### **ENVIRONMENTAL IMPACT**

The Group considers that its impact on the environment is minimal

#### **GOING CONCERN**

The Groups' business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report

As described in Note 1.2, there exists material uncertainty which may cast significant doubt upon the Groups' ability to continue as a going concern. This uncertainty derives principally from the long term nature of the Groups' insurance liabilities and not from short-term cash flow issues. The Group has considerable financial resources. The Groups' investment strategy is to invest funds so as to match the projected settlement dates of its claims liabilities. In addition, the Group has significant reinsurance assets. The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

## **B D COOKE INVESTMENTS LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **FUTURE DEVELOPMENTS**

The Groups' long term objective is to ensure that it will continue to be able to pay all current and future valid claims as and when they fall due. The Group will continue to carry out its existing strategies of closely monitoring claims developments and minimising relevant risks as outlined above. There are no known changes to the American legal system or other outside factors that might affect the way claims are currently being assessed. There are no known new major claim types anticipated that could impact the Group.

#### **EVENTS SINCE THE REPORTING DATE**

Effective 1 January 2016, the Group is subject to the Solvency II capital regime and the Solvency I figures are no longer applicable from that date. Although the capital regime has changed, the Group does not anticipate that its internal policies for managing capital will change significantly. The Groups' new Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) are calculated using the standard formula. From 1 January 2016 the Group did not meet either the SCR or the MCR and informed the regulator. This situation was foreseen by the Board and a plan was submitted to the Regulator in August 2015 setting out how the Group intended to meet the MCR in the future.

#### **STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITORS**

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

#### **RE-APPOINTMENT OF AUDITORS**

Ernst & Young LLP are deemed to be reappointed as the Company's Auditors for the coming financial year in accordance with Section 487 (2) of the Companies Act 2006.

*By Order of the Board*



R. J. OWER

Secretary

3 March 2016

## **B D COOKE INVESTMENTS LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group 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 estimates that are reasonable and prudent, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Groups' transactions and disclose with reasonable accuracy at any time the financial position of the Company and of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **B D COOKE INVESTMENTS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF B D COOKE INVESTMENTS LIMITED**

We have audited the financial statements of B D Cooke Investments Limited for the year ended 31 December 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Statement of Cash Flow and the related notes 1 to 27. 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). 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 auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 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 (APB'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 Groups' and the Parent 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 & Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2015 and of the Group's loss 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

## **B D COOKE INVESTMENTS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF B D COOKE INVESTMENTS LIMITED (continued)**

#### **Emphasis of matter – going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 12 to the financial statements concerning the company's ability to continue as a going concern. The conditions explained in notes 13, 16 and 20 indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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

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

#### **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.

*Ernst & Young LLP*

Ed Jervis (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
10 March 2016

**B D COOKE INVESTMENTS LIMITED****CONSOLIDATED INCOME STATEMENT**

for the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
<b>TECHNICAL ACCOUNT - GENERAL BUSINESS</b>			
Gross premiums written		2	5
Outward reinsurance premiums		-	-
Earned premiums, net of reinsurance		<u>2</u>	<u>5</u>
Investment income	9	2,883	3,477
Unrealised gain / (loss) on investments	9	(2,660)	2,763
Change in market value of property	10	145	-
Investment expenses and charges	9	(130)	(148)
Negative goodwill written back	12	116	116
<b>TOTAL TECHNICAL INCOME</b>		<u>356</u>	<u>6,213</u>
<b>CLAIMS INCURRED NET OF REINSURANCE</b>			
Claims paid			
- gross amount		12,290	14,873
- reinsurer's share		<u>4,086</u>	<u>4,755</u>
- net of reinsurance	3	<u>8,204</u>	<u>10,118</u>
Change in claims outstanding			
- gross amount		(16,060)	(14,138)
- reinsurer's share		<u>(8,595)</u>	<u>(5,689)</u>
- net of reinsurance	3	<u>(7,465)</u>	<u>(8,449)</u>
Claims incurred net of reinsurance	3	739	1,669
<b>TOTAL CLAIMS AND EXPENSES</b>		<u>739</u>	<u>1,669</u>
<b>BALANCE ON TECHNICAL ACCOUNT FOR GENERAL BUSINESS</b>		<u>(383)</u>	<u>4,544</u>
<b>NON-TECHNICAL ACCOUNT</b>			
<b>BALANCE ON TECHNICAL ACCOUNT FOR GENERAL BUSINESS</b>		(383)	4,544
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>(383)</u>	<u>4,544</u>
Tax on profit on ordinary activities	5	14	(75)
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>(369)</u>	<u>4,469</u>
Minority Interests - Equity	14	96	(859)
<b>PROFIT / (LOSS) FOR THE FINANCIAL YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT</b>		<u>(273)</u>	<u>3,610</u>

All of the above is attributable to discontinued operations

The notes on pages 18 - 43 form part of these financial statements

# **B D COOKE INVESTMENTS LIMITED**

## **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**for the year ended 31 December 2015**

	Notes	2015 £'000	2014 £'000
Profit / (Loss) for the financial year attributable to members of the parent company		(273)	3,610
Total Comprehensive Income for the year		<u>(273)</u>	<u>3,610</u>

The notes on pages 18 - 43 form part of these financial statements

**B D COOKE INVESTMENTS LIMITED****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****for the year ended 31 December 2015**

	Share capital	Profit and loss account	Total
	£'000	£'000	£'000
At 1 January 2015	-	9 818	9 818
Total Comprehensive Income for the year	-	(273)	(273)
At 31 December 2015	<u>-</u>	<u>9,545</u>	<u>9 545</u>
At 1 January 2014	-	6 208	6 208
Total Comprehensive Income for the year	-	3 610	3 610
At 31 December 2014	<u>-</u>	<u>9 818</u>	<u>9,818</u>

**B D COOKE INVESTMENTS LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at 31 December 2015

COMPANY NUMBER 04322456

	Notes	2015 £'000	2014 £'000
<b>ASSETS</b>			
<b>INTANGIBLE FIXED ASSETS</b>			
Negative goodwill	12	(690)	(806)
<b>INVESTMENTS</b>			
Other financial investments	11	<u>85 428</u>	<u>89,786</u>
		<u>85,428</u>	<u>89,786</u>
<b>TECHNICAL PROVISIONS</b>			
Claims outstanding - reinsurers share	16	36 095	42,098
<b>DEBTORS</b>			
Debtors arising out of direct insurance operations			
- intermediaries		3	6
Debtors arising out of reinsurance operations		696	3,467
Other debtors		<u>2</u>	<u>2</u>
		<u>701</u>	<u>3,475</u>
<b>OTHER ASSETS</b>			
Tangible assets	13	2	6
Land and buildings	10	1,680	1,535
Cash at bank and in hand	25	<u>12 004</u>	<u>13,177</u>
		<u>13 686</u>	<u>14,718</u>
<b>PREPAYMENTS AND ACCRUED INCOME</b>			
Accrued interest and rent		648	508
Other prepayments and accrued income		<u>214</u>	<u>281</u>
		<u>862</u>	<u>789</u>
<b>TOTAL ASSETS</b>		<u><u>136,082</u></u>	<u><u>150,060</u></u>

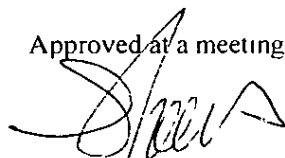
**B D COOKE INVESTMENTS LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at 31 December 2015

COMPANY NUMBER 04322456

	Notes	2015 £'000	2014 £'000
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDER'S EQUITY</b>			
Called up share capital	15	-	-
Profit and loss account		9,545	9,818
Total capital and reserves		<u>9,545</u>	<u>9,818</u>
<b>MINORITY INTERESTS - EQUITY</b>			
	14	2,514	2,610
<b>TOTAL EQUITY</b>		<u>12,059</u>	<u>12,428</u>
<b>LIABILITIES</b>			
<b>TECHNICAL PROVISIONS</b>			
Claims outstanding - gross amount	16	120,232	129,534
<b>CREDITORS</b>			
Creditors arising out of direct insurance operations	17	3,315	4,648
Creditors arising out of reinsurance operations	17	138	2,998
Corporation Tax	5	-	75
		<u>3,453</u>	<u>7,721</u>
<b>ACCRUALS AND DEFERRED INCOME</b>		338	377
<b>TOTAL LIABILITIES</b>		<u>124,023</u>	<u>137,632</u>
<b>TOTAL EQUITY and LIABILITIES</b>		<u>136,082</u>	<u>150,060</u>

Approved at a meeting of the Board of Directors on 3 March 2016 and signed on its behalf

S Janes  
Director

The notes on pages 18 - 43 form part of these financial statements

# B D COOKE INVESTMENTS LIMITED

## COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

COMPANY NUMBER 04322456

	Notes	2015 £	2014 £
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Investments in subsidiary undertakings		2	2
<b>TOTAL ASSETS</b>		<u>2</u>	<u>2</u>

## EQUITY AND LIABILITIES

### SHAREHOLDER'S EQUITY

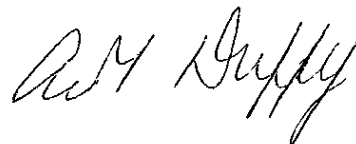
Called up share capital	15	2	2
Profit and loss account		-	-
<b>TOTAL EQUITY and LIABILITIES</b>		<u>2</u>	<u>2</u>

Approved at a meeting of the Board of Directors on 3 March 2016 and signed on its behalf



S Janes  
Director

A M Duffy  
Director



The notes on pages 18 - 43 form part of these financial statements



**B D COOKE INVESTMENTS LIMITED****CONSOLIDATED STATEMENT OF CASHFLOWS****for the year ended 31 December 2015**

	Notes	2015 £'000	2014 £'000
Profit on ordinary activities before tax		(383)	4,544
Depreciation of tangible assets	13	4	6
Movement in general insurance outstanding claims		(9,302)	(6,740)
Movement in reinsurers' share of outstanding claims		6,003	2,969
Negative goodwill		(116)	(116)
Revaluation of land and buildings		(145)	-
Realised and unrealised investment gains including foreign exchange		(2,661)	(9,084)
(Increase)/Decrease in debtors		2,701	(406)
Increase/(Decrease) in creditors		(4,307)	324
Corporation Tax relief received		14	(75)
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>		<b><u>(8,192)</u></b>	<b><u>(8,578)</u></b>
<b>INVESTING ACTIVITIES</b>			
Purchases of debt and equity instruments		(17,497)	(28,523)
Sales of debt and equity instruments		14,936	50,520
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b><u>(2,561)</u></b>	<b><u>21,997</u></b>
 Increase in cash and cash equivalents		 (10,753)	 13,419
Cash and cash equivalents at 1 January		26,318	12,513
Exchange differences on opening cash		544	386
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	25	<b><u>16,109</u></b>	<b><u>26,318</u></b>

The notes on pages 18 - 43 form part of these financial statements

## **B D COOKE INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 December 2015**

#### **1 ACCOUNTING POLICIES**

##### **1.1 Statement of compliance**

B D Cooke Investments Limited is a limited liability company incorporated in England. The Registered Office is 2 Knoll Rise, Orpington BR6 0NX. The financial statements cover those of the individual entity and are prepared as at 31 December 2015 and for the year ended 31 December 2015.

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

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

The company transitioned from previously extant UK GAAP to FRS 102 and FRS 103 as at 1 January 2014. An explanation of how transition to FRS 102 and FRS 103 has affected the reported financial position and financial performance is given in Note 27.

##### **1.2 Basis of preparation**

The group's financial statements for the year ended 31 December 2015 were approved for issue by the Board of Directors on 8 March 2016.

The financial statements, which consolidate the financial statements of the Company and its subsidiary undertakings, are prepared in sterling which is the presentation and functional currency of the Group and

The Company has taken the advantage of the exemption under Section 408 of the Companies Act 2006 and is not presenting a Company Income Statement. The profit dealt with in the financial statements of the parent company for the year is £Nil (2014: £Nil).

The Directors consider that the going concern basis of accounting is appropriate. However as described in notes 13, 16, and 20, there exists material uncertainty over the ultimate exposure to future claims and related reinsurance recoveries and run-off expenses which may cast significant doubt upon the ability of the Group to continue as a going concern. Should the adjustments to these liabilities and recoveries be substantial, the going concern basis of preparation might no longer be appropriate. If the Group were unable to continue to run-off business in an orderly way, adjustments might have to be made to reduce the value of assets to their recoverable amount and to provide for any further liabilities that might arise. These adjustments might be material.

##### **1.3 Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up at 31 December 2015.

The group financial statements consolidate the financial statements of B D Cooke Investments Limited and the entities in controls (its subsidiary undertakings) drawn up to 31 December each year.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of subsidiary undertakings are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions are eliminated.

Minority interests represent the proportion of profit and loss and net assets in subsidiaries that is not held by the Group and is presented separately from parent shareholders' equity in the consolidated balance sheet.

## **B D COOKE INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 December 2015**

#### **1 ACCOUNTING POLICIES - continued**

##### **1.4 Judgements and key sources of estimation uncertainty**

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

##### **Insurance contract technical provisions**

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and in total IBNR claims form the majority of the liability in the statement of financial position.

The group uses a combination of exposure based techniques together with standard actuaries claims projection techniques such as the chain ladder method to arrive at a best estimate of the ultimate cost of outstanding claims.

The exposure based techniques are used for long tail APH claims which represent more than 90% of the technical reserves. The Group maintains a database of historical claims paid information and current notified reserves together with policy information including lines and limits underwritten. This information is used to drive estimate a range of possible ultimate claims amounts, together with a best estimate. The Group adopts the best estimate amount as the basis for its technical claims provisions reported in the statement of financial positions. The resulting liability is discounted for the time value of money.

##### **Revaluation of mixed use property**

Mixed use property is measured at fair value, with changes in fair value being recognised in profit or loss. The Group engaged independent valuation specialists to determine fair value at 31 December 2015. The valuer used a valuation technique based on an open market basis. The determined fair value of the mixed use property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of mixed use property are further explained in Note 10.

##### **Taxation**

The Group establishes provisions based on reasonable estimates.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits. Further details are contained in Note 5.

## **B D COOKE INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **for the year ended 31 December 2015**

#### **1 ACCOUNTING POLICIES - continued**

##### **1.5 Significant accounting policies**

###### **Insurance contracts**

###### **Product classification**

Insurance contracts are those contracts when the insurer has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

###### **Claims**

Claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

###### **Claims outstanding**

The provision for claims outstanding (note 16) is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, claims incurred but not reported together with the provision for related claims handling costs. Provisions are calculated allowing for reinsurance recoveries and a separate asset is recorded for the reinsurers' share, having regard to collectability.

The claims provision includes amounts in respect of potential claims relating to environmental pollution and asbestos related claims. These claims are not expected to be settled for many years and there is considerable uncertainty as to the amounts at which they will be settled. Legislative and judicial actions to date concerning environmental pollution have failed to determine the basis of liability to indemnify losses.

The level of the provisions for these losses has been set on the basis of the information which is currently available including potential outstanding claims advices and case law. Consulting actuaries are employed to assist the Directors in setting an appropriate level of provision. The methods used, and the estimates made, are reviewed regularly. The level of related reinsurance recoveries is dependent upon both the accuracy of the estimated gross technical provisions and the ultimate ability to pay off the underlying security.

## **B D COOKE INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 December 2015**

#### **1 ACCOUNTING POLICIES - continued**

##### **Foreign Currencies**

The Group's functional currency and presentational currency is Sterling

Transactions in US dollars are translated at the average rate of exchange during the year Transactions in other foreign currencies are translated at the rate of exchange ruling at the date of the transaction

All assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the year

Exchange differences are included in the Income Statement

##### **Impairment of non-financial assets**

The Group assesses at each reporting date whether an asset may be impaired If any such indication exists the company estimates recoverable amount of the asset If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates, the recoverable amount of the cash-generating unit to which the asset belongs The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use If the recoverable amount is less than its carrying amount the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease

An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply

##### **Financial investments**

As permitted by FRS 102, the company has elected to apply the recognition and measurement provisions of IAS 39 - Financial Instruments (as adopted for use in the EU) to account for all of its financial instruments

The group classifies its financial investments as either financial assets at fair value through profit or loss, loans and receivables or available for sale The group determines the classification of its financial assets at initial recognition Financial assets are initially recognised at fair value plus, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs

The classification depends on the purpose for which the investments were acquired or originated In general, financial assets are classified as fair value through profit or loss as the Group's documented investment strategy is to manage financial investments acquired on fair value basis The available for sale category is used only in cases when the investments are passively managed

## **B D COOKE INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 December 2015**

#### **1 ACCOUNTING POLICIES - continued**

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date the group commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial assets at fair value through profit or loss has two sub categories namely financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading as are all derivatives, including embedded derivatives that are not designated as hedging instruments. For investments designated as at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the profit and loss account.

#### **Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### **Fair value of financial assets**

The Group uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the bid price.

- Level 2: when quoted prices are unavailable the instrument is valued using inputs that are observable either directly or indirectly including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs that are observable such as interest rates and yield curves observable at commonly quoted intervals, implied volatility or credit spreads and market-corroborated inputs.

- Level 3: when observable inputs are not available, unobservable inputs are used to measure fair value by use of valuation techniques. The objective of using the valuation technique is to estimate what the fair value would have been on the measurement date.

See Note 11 for details of financial instruments classified by fair value hierarchy.

## **B D COOKE INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2015

#### **1 ACCOUNTING POLICIES - continued**

##### **Impairment of financial assets**

For financial assets not held at fair value through profit or loss, the company assesses at each reporting date whether the financial asset or group of financial assets is impaired. The Group first assesses whether objective evidence of impairment exists for financial assets. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

If an available for sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from other comprehensive income in equity to the profit and loss account. Impairment losses recognised in the profit and loss account in respect of an equity instrument are not subsequently reversed through the profit and loss account. Reversals of impairment losses on debt instruments classified as available for sale are reversed through the profit and loss account, if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the profit and loss account.

For assets carried at cost, if there is objective evidence that an impairment loss on an unquoted equity investment that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset.

##### **Derecognition of financial assets**

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- The rights to the cash flows from the asset have expired, or
- The group retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay. In that case, the group also recognises an associated liability.

##### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts, and
- There is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## **B D COOKE INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2015

#### **1 ACCOUNTING POLICIES - continued**

##### **Impairment of financial assets**

For financial assets not held at fair value through profit or loss the company assesses at each reporting date whether the financial asset or group of financial assets is impaired. The Group first assesses whether objective evidence of impairment exists for financial assets. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

If an available for sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from other comprehensive income in equity to the profit and loss account. Impairment losses recognised in the profit and loss account in respect of an equity instrument are not subsequently reversed through the profit and loss account. Reversals of impairment losses on debt instruments classified as available for sale are reversed through the profit and loss account, if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the profit and loss account.

For assets carried at cost, if there is objective evidence that an impairment loss on an unquoted equity investment that is not carried at fair value, because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset.

##### **Derecognition of financial assets**

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- The rights to the cash flows from the asset have expired, or
- The group retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay. In that case, the group also recognises an associated liability.

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- There is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.



## **B D COOKE INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **for the year ended 31 December 2015**

#### **1 ACCOUNTING POLICIES - continued**

##### **Taxation**

###### ***Current tax***

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

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

###### ***Deferred tax***

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

- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised, and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

##### **Dividends**

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the shareholders. Interim dividends are deducted from equity when they are paid.

##### **Negative Goodwill**

Negative goodwill arising on consolidation has been capitalised and is amortised through the Income Statement over a period of 20 years, estimated by the Directors to be the period over which the claims outstanding will be settled.

## B D COOKE INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 3 CLAIMS INCURRED NET OF REINSURANCE

	Gross £'000	Reinsurance £'000	Net £'000
2015			
Claims paid	10,058	4,086	5,972
Claims handling expenses paid	2,232	-	2,232
	<u>12,290</u>	<u>4,086</u>	<u>8,204</u>
Outstanding claims carried forward (note 16)	120,232	36,095	84,137
Outstanding claims brought forward	129,534	42,098	87,436
Exchange	6,758	2,592	4,166
Revalued Outstanding claims brought forward	<u>136,292</u>	<u>44,690</u>	<u>91,602</u>
Decrease	<u>(16,060)</u>	<u>(8,595)</u>	<u>(7,465)</u>
Claims incurred	<u>(3,770)</u>	<u>(4,509)</u>	<u>739</u>
2014			
Claims paid	12,835	4,755	8,080
Claims handling expenses paid	2,038	-	2,038
	<u>14,873</u>	<u>4,755</u>	<u>10,118</u>
Outstanding claims carried forward	129,534	42,098	87,436
Outstanding claims brought forward	136,274	45,067	91,207
Exchange	7,398	2,720	4,678
Revalued Outstanding claims brought forward	<u>143,672</u>	<u>47,787</u>	<u>95,885</u>
Decrease	<u>(14,138)</u>	<u>(5,689)</u>	<u>(8,449)</u>
Claims incurred	<u>735</u>	<u>(934)</u>	<u>1,669</u>

Included in Claims paid - Reinsurance is cash received from reinsurers with whom the Group has commuted its protections

## B D COOKE INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

#### 4 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2015 £'000	2014 £'000
This is stated after charging/(crediting)		
Depreciation	4	6
Auditor's remuneration, including expenses	116	115
Investment expenses and charges	130	148
Rental income from land and buildings	(93)	(93)
Operating lease 3 - 5 years	151	113

#### 5 TAXATION

##### (a) Tax on profit on ordinary activities

	2015 £'000	2014 £'000
Current taxation		
UK corporation tax	-	75
Adjustments in respect of prior years	(14)	-
Tax on profit/(loss) on ordinary activities	<u>(14)</u>	<u>75</u>

##### (b) Factors affecting the current tax charge

Profit/(Loss) on ordinary activities before taxation	<u>(383)</u>	<u>4,544</u>
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Profit on ordinary activities before taxation at standard rate of corporation tax in the UK of 20.25% (2014 20.5%)

- 957

Offset against losses brought forward for which no deferred tax is provided

- (882)

Adjustments in respect of prior years

(14) -

Total tax charge for the year

(14) 75

Finance Act 2013 legislation was enacted to further reduce the UK corporation tax rate. The new tax rates are 21% for income earned from 1 April 2014 and 20% from 1 April 2015. As a result the current year corporation tax has been calculated at 20.25% (blended rate for the year ended 31 December 2015). New legislation was passed on 18 November 2015 to further reduce the UK corporation tax rate to 19% from 1

##### (c) Deferred tax

There are gross tax losses available in excess of £30m to offset against taxable profits in future periods. No deferred tax asset has been recognised in respect of these losses due to uncertainty over the quantum, source and timing of any future taxable profits.

## **B D COOKE INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 December 2015**

#### **6 STAFF COSTS**

	2015 £'000	2014 £'000
Wages and salaries	1,227	1,188
Pension contributions	226	200
Social security costs	545	131
	<u>1,998</u>	<u>1,519</u>

Staff costs include the remuneration paid to Executive Directors of the Group (see note 7)

The average weekly number of employees, including Executive Directors, during the year was comprised as follows

	2015 Number	2014 Number
Management	1	1
Administration	16	17
	<u>17</u>	<u>18</u>

#### **7 DIRECTORS' EMOLUMENTS**

	2015 £'000	2014 £'000
Emoluments	<u>389</u>	<u>309</u>

	2015 £	2014 £
Highest paid Director		
Aggregate Emoluments	<u>290,379</u>	<u>218,147</u>

#### **8 AUDITORS' REMUNERATION**

	2015 £'000	2014 £'000
Audit of financial statements of parent company and the group	13	10
Other fees to auditors		
Audit of subsidiary companies	77	75
Other services pursuant to legislation, including the audit of the regulatory return	26	30
Other services relating to taxation	-	-
	<u>116</u>	<u>115</u>

## B D COOKE INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

#### 9 INVESTMENT RETURN

	2015 £'000	2014 £'000
Income from other financial investments and cash at bank	2,287	2,558
Realised gains	596	919
Total investment income	2,883	3,477
Unrealised gains on investments	(2,515)	2,763
Investment expenses and charges	(130)	(148)
	238	6,092

All investment income is received from financial investments held at fair value

#### 10 LAND AND BUILDINGS

	Mixed Use Property £'000
<b>Fair value</b>	
At 1 January 2015	1,535
Surplus on revaluation	145
At 31 December 2015	1,680
<b>Depreciation and impairment</b>	
At 1 January 2015	-
Provided during the year	-
At 31 December 2015	-
<b>Carrying value</b>	
At 31 December 2015	1,680
At 1 January 2015	1,535

The historical cost of the properties held at fair value is £2,324,000 (2014 £2,324,000)

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

The properties were valued by an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued, King Sturge as at 31 December 2015, on the basis of fair value in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The critical assumption made relating to the valuation was a yield of 8%.

# B D COOKE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

### 11 FINANCIAL INVESTMENTS

	Carrying Value £'000	Purchase Price £'000	Listed £'000
2015			
Shares and other variable yield securities and units in unit trusts			
- Designated at fair value through profit or loss	18,076	16,350	18,076
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	53,122	53,744	53,122
Deposits with credit institutions	14,230	14,230	14,230
	<u>85,428</u>	<u>84,324</u>	<u>85,428</u>
2014			
Shares and other variable yield securities and units in unit trusts			
- Designated at fair value through profit or loss	19,496	16,790	19,496
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	41,920	41,037	36,999
Deposits with credit institutions	28,370	28,370	28,370
	<u>89,786</u>	<u>86,197</u>	<u>84,865</u>

There was no material change in fair value for financial instruments held at fair value attributable to own credit risk in the current or comparative period

They have been no day 1 profits recognised in respect of financial instruments designated at fair value through profit or loss

£11m (2014 £13m) of US Government Bonds are held by a bank as collateral for letter of credit facilities which the Group has with the bank

The following table shows financial investments recorded at fair value analysed between the three levels in the fair value hierarchy

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
2015				
Shares and other variable yield securities and units in unit trusts	18,076	-	-	18,076
Debt securities and other fixed income securities	53,122	-	-	53,122
	<u>71,198</u>	<u>-</u>	<u>-</u>	<u>71,198</u>
2014				
Shares and other variable yield securities and units in unit trusts	19,496	-	-	19,496
Debt securities and other fixed income securities	41,920	-	-	41,920
	<u>61,416</u>	<u>-</u>	<u>-</u>	<u>61,416</u>

Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

# B D COOKE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

### 12 INTANGIBLE ASSETS

Intangible assets represent negative goodwill arising on the acquisition of The Dominion Insurance Company Limited. There was no goodwill arising on the acquisition of the Trent Insurance Company Limited.

	2015 £'000	2014 £'000
Balance as at 31 December 2014	(806)	(922)
Amortisation	116	116
Balance as at 31 December 2015	<u>(690)</u>	<u>(806)</u>

Negative goodwill is being written off in equal instalments over the estimated economic life of 20 years.

### 13 TANGIBLE ASSETS

	Computer Equipment £'000	Office Equipment £'000	Furniture and Fixtures £'000	Total £'000
<b>Cost</b>				
At 1 January 2015	30	23	72	125
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 December 2015	<u>30</u>	<u>23</u>	<u>72</u>	<u>125</u>
<b>Depreciation</b>				
At 1 January 2015	24	23	72	119
Charge for the year	4	-	-	4
On disposals	-	-	-	-
At 31 December 2015	<u>28</u>	<u>23</u>	<u>72</u>	<u>123</u>
<b>Carrying value</b>				
At 31 December 2015	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
At 31 December 2014	<u>6</u>	<u>-</u>	<u>-</u>	<u>6</u>

## B D COOKE INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 14 SUBSIDIARY UNDERTAKINGS

The principal subsidiary undertakings at 31 December 2015 are set out below

Group Services -	Landel Insurance Holdings Limited
Insurance companies -	The Dominion Insurance Company Limited (Registered in Scotland Trent Insurance Company Limited (indirectly held)
Insurance underwriting and management companies -	B D Cooke & Partners Limited C F & A U Limited Underwriting Management Agency Limited B D Cooke Solutions Limited

All the above are wholly owned with the exception of The Dominion Insurance Company Limited and Trent Insurance Company Limited which are both 19.8% owned by other parties. The companies are all registered in England except as otherwise noted. Each company has issued shares of one class only.

The parent company has given a statutory guarantee of all outstanding liabilities to which subsidiary companies B D Cooke & Partners Limited and Underwriting Management Agency Limited are subject to at the end of the financial year.

The subsidiary companies B D Cooke & Partners Limited and Underwriting Management Agency Limited have made use of the audit exemption for subsidiary companies provided in The Companies and Limited Liability Partnerships (Account and Audit Exemptions and Change of Accounting Framework) Regulations 2012 and section 479a of the Companies Act 2006. Landel Insurance Holdings Limited, C F & A U Limited and B D Cooke Solutions Limited are all dormant companies.

The minority interest in the statement of financial position is represented as follows

	2015 £'000	2014 £'000
Minority interest holdings at start of the year	2,610	1,751
Minority interest share of profit or loss for the year plus prior year	(96)	859
Minority interest holdings at year-end	<u>2,514</u>	<u>2,610</u>

#### 15 AUTHORISED AND ALLOTTED SHARE CAPITAL

	2015 £'000	2014 £'000
Authorised 2 ordinary shares of £1	<u>2</u>	<u>2</u>
Allotted called up and fully paid 2 ordinary shares of £1	<u>2</u>	<u>2</u>



## B D COOKE INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 16 CLAIMS OUTSTANDING

	Gross £'000	Reinsurance £'000	Net £'000
2015			
Provision before discounting	135,282	44,525	90,757
Discounting adjustment	(27,975)	(8,430)	(19,545)
	<u>107,307</u>	<u>36,095</u>	<u>71,212</u>
Claims handling expenses (note 20)	12,925	-	12,925
	<u>120,232</u>	<u>36,095</u>	<u>84,137</u>
2014			
Provision before discounting	142,783	50,900	91,883
Discounting adjustment	(27,117)	(8,802)	(18,315)
	<u>115,666</u>	<u>42,098</u>	<u>73,568</u>
Claims handling expenses (note 20)	13,868	-	13,868
	<u>129,534</u>	<u>42,098</u>	<u>87,436</u>

Included in the provisions above for gross claims outstanding and net claims outstanding after discounting but before claims handling expenses are the following in respect of potential claims arising from environmental pollution and asbestos related claims

	2015 \$m	2014 \$m
Gross Claims	144	152
Net Claims	<u>90</u>	<u>88</u>
£ equivalent of US\$ amounts above		
Gross Claims	98	94
Net Claims	<u>61</u>	<u>53</u>

There is considerable uncertainty as to the amounts at which these claims will be ultimately settled and the amounts which may be recoverable from reinsurers because of the long-tail nature of the claims and the absence of clarity in the legal position

The provisions for outstanding claims relating to "long-tail" North American liability business including provisions for irrecoverable reinsurance on unpaid liabilities have been discounted at 3.50% (2014 3.50%)

The discounting adjustment is based upon net provisions before discounting of US\$127m (2014 US\$ 134m) with the amount of net applicable discount of US\$29m (2014 US\$ 29m). The assumed claims settlement pattern on which the discount is calculated is based upon prudent projections of past settlement patterns and other known factors considered relevant by the Directors. The average settlement period is in excess of 5 years.

The investment return on the assets supporting the liabilities being discounted was £238,000 (2014 £6,092,000)

Additionally included in the technical provisions are provisions for irrecoverable reinsurance on unpaid liabilities

## **B D COOKE INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 December 2015**

#### **17 CREDITORS**

All creditors are payable within the next financial year

#### **18 SEGMENTAL INFORMATION**

Both the insurance subsidiary undertakings have ceased underwriting and their business has been discontinued since at least 1994. In the opinion of the Directors the Company is only involved in one activity, the settlement and administration of claims and, accordingly, no Segmental Analysis has been prepared

#### **19 PENSION COMMITMENTS**

##### **Defined Contribution Scheme**

Defined contribution expenses of £226k (2014 £200k), of which £nil was outstanding at the year end, have been charged in the Profit and Loss account

#### **20 RUN-OFF PROVISION**

The Directors reassess the adequacy of the run-off provision annually. In arriving at the net cost, it has been necessary to make assumptions as to the length of the run-off period, the return on investments and the quantum of future expenses incurred. The ultimate cost of the run-off is dependent on future events and could be materially different from the amount provided

The run-off provision comprises

	2015 £'000	2014 £'000
Expenses	14,826	17,315
Income	(1,901)	(3,447)
Provision	<u>12,925</u>	<u>13,868</u>
The run-off provision is included in the balance sheet		
Claims outstanding (note 16)	<u>12,925</u>	<u>13,868</u>

## **B D COOKE INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 December 2015**

#### **21 RISK MANAGEMENT**

##### **(a) Governance**

The primary objective of the Group's risk and financial management framework is to protect the Group's policyholders from events that hinder the payment of valid claims when they fall due

With a small number of staff, the Directors are heavily involved in the running of the business

##### **(b) Capital management objectives, policies and approach**

The Group ceased issuing policies in December 1994 and entered into solvent run-off

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way with investments held with a maturity profile which matches the estimated claims settlement pattern by currency in order to minimise exchange and reinvestment risk. The Group discounts its claims liabilities relating to "long-tail" North American liability business, including the run-off provision. Future investment income is expected to at least equal the discount provided.

The Group is subject to capital requirements imposed by the Prudential Regulation Authority (PRA). Throughout the year the Group has been Companies Act compliant but not met Solvency I, which is used to calculate the Group's capital requirement, due to the inadmissibility of discounting of claims.

At 31 December 2015 the Group had a regulatory deficit of approximately £12m (2014: £11m).

On January 1, 2016 Solvency II Regulations came into force and the Group confirmed that it did not meet the Minimum Capital Requirement (MCR) under that regime.

The Group has provided a plan to the PRA setting out how it intends to meet MCR by 2019. This will be achieved by a combination of the continued natural reduction in Technical Reserves together with the forecast of modest annual profits.

##### **(c) Insurance risk**

The principal risk the Group faces under insurance contracts is that actual claims payments or the timing thereof differ from expectation. This is influenced by frequency of claims, severity of claims, actual benefits paid and subsequent development of claims.

There are considerable uncertainties in the provision for claims outstanding. This is in part due to the long term nature of the claims and in part the vagaries of the American legal system. The Group constantly assesses the exposures and wherever possible seeks to make favourable settlements.

The Group purchased reinsurance as part of its risks mitigation programme. Reinsurance ceded was placed on both a proportional and non-proportional basis. The majority of proportional reinsurance was quota-share reinsurance which was taken out to reduce the overall exposure to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Group's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

## BD COOKE INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 21 RISK MANAGEMENT - continued

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance was diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

The Group's remaining liabilities principally relate general liability policies issued to US corporations.

The most significant remaining risks arise from claims caused by latent diseases which by their nature take many years to manifest themselves. There is also a significant risk to environmental pollution claims. These are long tail claims that take some years to settle, there is also litigation risk.

The table below confirms that all remaining claim liabilities relate to General Liability contracts.

	2015			2014		
	Gross liabilities £'000	Reinsurance of liabilities £'000	Net liabilities £'000	Gross liabilities £'000	Reinsurance of liabilities £'000	Net liabilities £'000
General Liability	120,232	36,095	84,137	129,534	42,098	87,436
Total	<u>120,232</u>	<u>36,095</u>	<u>84,137</u>	<u>129,534</u>	<u>42,098</u>	<u>87,436</u>

The geographical concentration of the outstanding claim liabilities is noted below. The disclosure is based on the location of the claimants.

	2015			2014		
	Gross liabilities £'000	Reinsurance of liabilities £'000	Net liabilities £'000	Gross liabilities £'000	Reinsurance of liabilities £'000	Net liabilities £'000
United Kingdom	4,113	-	4,113	5,580	-	5,580
USA	115,080	36,095	78,985	122,596	41,918	80,678
EEA	1,039	-	1,039	1,358	-	1,358
Total	<u>120,232</u>	<u>36,095</u>	<u>84,137</u>	<u>129,534</u>	<u>41,918</u>	<u>87,616</u>

#### Sensitivities

The outstanding claim liabilities represent a best estimate of a range of possible outcomes. As disclosed elsewhere these are long tail claims subject to a significant range of possible outcomes. As a guide other possible outcomes could be 25% less than the best estimate or 70% more and a 1% increase or decrease in the discount rate would lead to a 5% increase or decrease in net liabilities.

#### Claims development table

The Group ceased issuing all new and renewal insurance contracts in 1994 more than 20 years ago. An analysis of claims development by underwriting year or accident year is not therefore meaningful and has not been prepared. Notes 3 and 16 give analysis of claims movements during the year including the effects of exchange.

## B D COOKE INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

#### 21 RISK MANAGEMENT - continued

##### d) Financial risk

##### (1) Credit risk

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

The following policies and procedures are in place to mitigate the exposure to credit risk

- The Group sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long term credit ratings
- As the Group is in claims run-off no reinsurance policies have been written for more than 20 years
- Reinsurance debtors are subject to regular reviews by the credit committee, chaired by the Managing Director, with reviews for creditworthiness and the provision for impairment is revised annually as necessary. The credit committee minutes are circulated to the Board of Directors who provide appropriate feedback

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements

	Neither past due nor impaired £'000	Past due £'000	Impaired £'000	Total £'000
2015				
Other financial investments – debt securities	53,122			53,122
Deposits with credit institutions	14,230			14,230
Reinsurers' share of claims outstanding	36,095			36,095
Debtors arising out of direct insurance operations	3			3
Debtors arising out of reinsurance operations	695	-		695
Other debtors	2			2
Cash at bank and in hand	12,004			12,004
	<u>116,151</u>	<u>-</u>	<u>-</u>	<u>116,151</u>
2014				
Other financial investments – debt securities	41,920	-	-	41,920
Deposits with credit institutions	28,370	-	-	28,370
Reinsurers' share of claims outstanding	42,098	-	-	42,098
Debtors arising out of direct insurance operations	6	-	-	6
Debtors arising out of reinsurance operations	3,431	36	-	3,467
Other debtors	2	-	-	2
Cash at bank and in hand	13,177	-	-	13,177
	<u>129,004</u>	<u>36</u>	<u>-</u>	<u>129,040</u>

## B D COOKE INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 21 RISK MANAGEMENT - continued

The table below provides information regarding the credit risk exposure of the Group at 31 December 2015 by classifying assets according to Moody's credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

	AAA £'000	AA £'000	A £'000	BBB £'000	Not rated £'000	Total £'000
2015						
Other financial investments						
– debt securities	14,817	4,725	13,969	16,248	3,363	53,122
Deposits with credit institutions	-	1,528	12,702	-	-	14,230
Reinsurers' share of claims outstanding	-	5,038	23,203	-	7,854	36,095
Debtors arising out of reinsurance	-	-	-	-	696	696
Cash at bank and in hand	-	708	11,293	-	3	12,004
	<u>14,817</u>	<u>11,999</u>	<u>61,167</u>	<u>16,248</u>	<u>11,916</u>	<u>116,147</u>
2014						
Other financial investments						
– debt securities	6,450	4,811	11,249	15,825	3,585	41,920
Deposits with credit institutions	-	-	28,370	-	-	28,370
Reinsurers' share of claims outstanding	-	4,474	25,365	-	12,259	42,098
Debtors arising out of reinsurance	-	-	-	-	3,467	3,467
Cash at bank and in hand	-	11,112	1,907	-	158	13,177
	<u>6,450</u>	<u>20,397</u>	<u>66,891</u>	<u>15,825</u>	<u>19,469</u>	<u>129,032</u>

#### (2) Liquidity risk

Liquidity risk is the risk that an insurance company will encounter difficulty in meeting obligations associated with financial instruments.

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

- Guidelines on asset allocation, portfolio limit structures and maturity profiles of assets are set, in order to ensure that sufficient funding is available to meet insurance and investment contracts obligations.

#### Maturity profiles

The table below summarises the maturity profile of the Group's financial liabilities based on remaining undiscounted contractual obligations, including interest payable, and outstanding claim liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

	Up to a year £'000	1–2 years £'000	2–5 years £'000	5–10 years £'000	Over 10 years £'000	Total and carrying amount £'000
At 31 December 2015						
Outstanding claim liabilities	14,527	11,835	30,204	36,262	42,454	135,282
Creditors	3,700	-	-	-	-	3,700
At 31 December 2014						
Outstanding claim liabilities	20,138	17,088	25,676	36,508	43,373	142,783
Creditors	7,697	-	-	-	-	7,697

## B D COOKE INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

#### 21 RISK MANAGEMENT - continued

##### (3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

- (a) currency risk,
- (b) interest rate risk, and
- (c) equity price risk

The following policies and procedures are in place to mitigate the exposure to market risk:

- The Directors have approved a range of investment holdings which they have assessed as being appropriate to meet the Group's requirements of a prudent liability driven investment policy. Compliance with the policy is monitored and exposures and breaches are reported to the Board quarterly. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- For assets backing outstanding claims provisions, market risk is managed by matching the duration and profile of assets to the technical provisions they are backing. This helps manage market risk to the extent that changes in the values of assets are matched by a corresponding movement in the values of the technical provisions.

##### (a) Currency risk

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

The Group is exposed to currency risk (US Dollar) in respect of certain liabilities under policies of insurance in the USA. The Group seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

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

	2015 USD exposure £'000	2014 USD exposure £'000
Other financial investments	60,671	53,477
Debtors	35,691	38,650
Cash at bank	10,388	23,650
	<u>106,750</u>	<u>115,777</u>
Creditors	<u>105,664</u>	<u>110,467</u>

##### (b) Interest rate risk

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

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage the interest rate risk by maintaining a portfolio of predominantly fixed rate instruments the profile and maturity of which matches that of the insurance liabilities. As the insurance liabilities are fully discounted at a rate reflecting the recent historical returns of the portfolio an increase or decrease in interest rates is unlikely to have a material impact on either profit before tax or equity.

The Group has no significant concentration of interest rate risk.

## **B D COOKE INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2015

#### **21 RISK MANAGEMENT - continued**

##### **(c) Equity price risk**

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities

The equity price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments

There is no significant concentration of equity price risk

The analysis below is performed for reasonably possible movements in market indices on financial instruments, showing the impact on profit before tax due to changes in fair value of financial assets and liabilities (whose fair values are recorded in the profit and loss account) and equity (that reflects adjustments to profit before tax and changes in fair value of available for sale financial assets that are equity instruments)

		31 December 2015		31 December 2014	
	Change in	Impact on	Impact on	Impact on	Impact on
	variables	profit	equity*	profit	equity*
	£'000	before tax	£'000	before tax	£'000
Changes in variables - market indices					
FTSE 100 / S&P 500	+10%	1,808	1,808	1,950	1,950
FTSE 100 / S&P 500	-10%	(1,808)	(1,808)	(1,950)	(1,950)

\*There is no difference on the impact on equity as the Group has significant brought forward tax losses

The method used for deriving sensitivity information and significant variable did not change from the previous period

#### **22 CONTINGENT LIABILITIES**

£11 million (2014 £13 million) of US Government Bonds are held by a bank as collateral for letter of credit facilities which the Group has with the bank

#### **23 RELATED PARTIES**

Companies treated as related parties of the Group for disclosure purposes under Financial Reporting Standard 8, together with the nature of the relationship, are listed below

Companies with common Directors  
Isis Consulting Inc



## **B D COOKE INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2015

#### **24 RELATED PARTY TRANSACTIONS**

Details of the emoluments paid to Directors can be found in note 6

Ms A Duffy and Mr H Sopher, directors of The Dominion Insurance Company Limited, and owners of the entire share capital of BD Cooke Investments Limited, are also directors of Isis Consulting Inc. During 2015 Isis provided The Dominion Insurance Company Limited with consultancy services for fees totalling US\$786,000 (2014 US\$755,600), of which US\$Nil (2014 US\$Nil) was outstanding at 31 December 2015

#### **Key management personnel**

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of these individuals is £446,000 (2014 - £352,000)

#### **25 NOTES TO THE STATEMENT OF CASH FLOWS**

Cash and cash equivalents comprise the following

	2015 £'000	2014 £'000
Cash at bank and in hand	12,004	13,177
Short-term deposits with credit institutions	4,105	13,141
	<u>16,109</u>	<u>26,318</u>

#### **26 OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS**

Future minimum rentals payable under non-cancellable operating leases are as follows

	2015 £'000	2014 £'000
Not later than one year	66	47
Later than one year and not later than five years	214	264
Later than five years	-	16
	<u>280</u>	<u>327</u>

#### **Operating lease agreements where the Group is lessor**

The Group owns one building which is a mixed use property, as disclosed in Note 10, part of which is let to third parties. These non-cancellable leases have remaining terms of between 1 and 3 years. No contingent rentals have been recognised as income.

Future minimum rentals receivable under non-cancellable operating leases for future periods are as follows:

	2015 £'000	2014 £'000
Not later than one year	85	85
Later than one year and not later than five years	44	129
	<u>129</u>	<u>214</u>

## B D COOKE INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 27 TRANSITION TO FRS 102 AND FRS 103

The company transitioned to FRS 102 and FRS 103 from previously extant UK GAAP as at 1 January 2014

The impact from the transition to FRS 102 and FRS 103 is as follows

<b>Reconciliation of equity shareholder funds at 1 January 2014</b>	£'000
Equity Shareholders funds at 1 January 2014 under previous UK GAAP	6,220
Holiday pay accrual	(12)
	<hr/>
Equity Shareholders funds at 1 January 2014 under FRS 102 and FRS 103	6,208
 <b>Reconciliation of equity shareholder funds at 31 December 2014</b>	 £'000
Equity Shareholders funds at 31 December 2014 under previous UK GAAP	9,831
Holiday pay accrual	(17)
	<hr/>
Equity Shareholders funds at 31 December 2014 under FRS 102 and FRS 103	9,814

The following were changes in accounting policies arising from the transition to FRS 102 and FRS 103

#### Holiday pay accrual

Under previous UK GAAP, the Group accrued for holiday pay where this was expected to be paid as a cash sum where the employee was entitled to carry forward holidays earned indefinitely. However, the Group did not accrue for holiday pay that was earned but the holiday entitlement was expected to be taken in the subsequent financial year. Under FRS 102, the Group is required to accrue for all short-term compensated absences as holiday entitlement earned but not taken at the date of the statement of financial position. The impact is to account for holiday pay accruals of £12,132 and £16,665 at 1 January 2014 and 31 December 2014 respectively.

#### Reconciliation of profit and loss for the year ended 31 December 2014

	£'000
Profit for the year ended 31 December 2014 under previous UK GAAP	3,531
Revaluation of Foreign Currency using Average Rate	303
Foreign currency exchange moved to Income Statement	(223)
Increase in holiday pay accrual	(5)
Restatement of Minority Interest	4
	<hr/>
Profit for the year ended 31 December 2014 under FRS 102 and FRS 103	3,610

The following were changes in accounting policies arising from the transition to FRS 102 and FRS 103

#### Holiday pay accrual

As a result of the requirement to accrue holiday that was earned but not taken at the date of the statement of financial position, there is a charge of £5,000 to the income statement for the year ended 31 December 2014, recognising the increase in the holiday pay accrual over the year.