

**XL Insurance (UK) Holdings Limited**  
**Annual Report and Financial Statements**  
**Year ended**  
**31 December 2018**



**Registered No: 04209169**

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**Directors and other information**

**Directors**

Paul R. Bradbrook  
Clynton J. Luttig  
Juliet Phillips

**Company secretary**

Marie L. Rees

**Registered office**

20 Gracechurch Street  
London  
EC3V 0BG

**Independent Auditors**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London  
SE1 2RT

## **Strategic Report for the year ended 31 December 2018**

The Directors present their strategic report on the Company for the year ended 31 December 2018.

### **Principal activities**

The principal activity of XL Insurance (UK) Holdings Limited ("the Company") remains that of a holding company.

### **Business review**

During the year, the Company received £99.0 million as contributions to its equity capital (2017: £138.5 million) and increased its investment in its subsidiaries by £99.3 million (2017: £139.0 million).

The Directors have made an impairment analysis and found that the carrying value of the Company's investments in its wholly owned subsidiary XL Insurance Company SE is not supported by the underlying net assets. Consequently, the shortage amount of £89.1 million is recorded as impairment in the income statement of the Company (2017: £35.9 million).

The results of the Company for the year as set out on page 9 show a loss on ordinary activities before taxation of £89.6 million (2017: £36.0 million). The shareholders' equity at the end of the year as disclosed on page 10 stands at £759.8 million (2017: £750.4 million).

The Company continued to act in its capacity as a holding company.

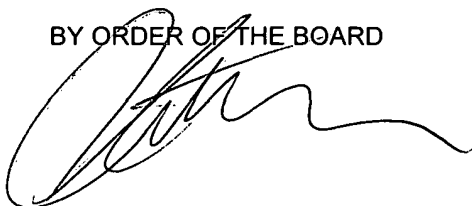
### **Key performance indicators ("KPIs")**

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

### **Principal risks and uncertainties**

Principal risks and uncertainties have been considered within financial risk management in the Directors' report.

BY ORDER OF THE BOARD



**Clynton J. Luttig**

Director  
7 June 2019

## **Directors' Report for the year ended 31 December 2018**

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2018.

### **Future developments**

As a strategic initiative, and in order to remediate the potential adverse impacts of Brexit, the wholly owned subsidiary of the Company, XL Insurance Company SE was re-domesticated to Dublin, Ireland on 18 January 2019. Likewise, XL Catlin Services SE, another wholly owned subsidiary, will also be got re-domesticated to Dublin, Ireland before the end of 2019.

### **Results and dividends**

The results of the Company for the year as set out on page 9 show a loss on ordinary activities before taxation of £89.6 million (2017: £36.0 million). No dividends were declared during the year (2017: £nil).

### **Financial risk management**

The Company is exposed to financial risk through its financial assets and financial liabilities. The most important components of financial risk are interest rate risk, currency risk, credit risk, and liquidity risk. These areas have been considered by the Company and the necessary controls have been put in place to mitigate these risks.

#### **Interest rate risk**

Interest rate risk is the risk that movements in interest rates payable or receivable would materially affect the Company's financial statements. The Company has a variable interest rate loan with an internal company. Charges incurred from variable rate loans are monitored by management at group level.

#### **Credit risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Company is exposed to a credit risk from group companies unable to honour their liabilities with the Company. The Company strives to minimise this risk by ensuring that intercompany positions are reviewed regularly and balances are settled in a timely manner.

#### **Liquidity risk**

Liquidity risk is the risk that cash might not be available to pay obligations when due at a reasonable cost. The Company manages liquidity risk by regular cash flow forecasting with the assistance of group treasury.

#### **Currency risk**

The Company is exposed to currency risk in respect of its intercompany assets and liabilities denominated in foreign currency. The Company strives to minimise this risk at group level by ensuring that settlements are made in a timely manner.

### **Directors and their interests**

The directors of the Company who were in office during the year and up to the date of the signing of the financial statements were:

Paul R. Bradbrook  
Clynton J. Luttig  
Juliet Phillips

None of the Directors, according to the register of Directors' interests, has any interest in the shares of the Company.

**Directors' Report for the year ended 31 December 2018 (continued)**

**Statement of directors' responsibilities in respect of the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

**Statement of disclosure of information to auditors**

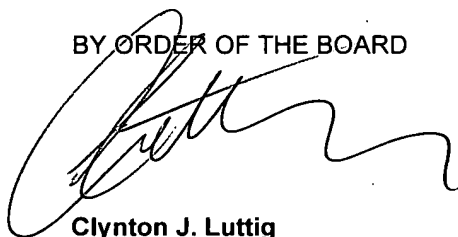
Each of the persons who is a Director at the date of this report confirms that:

- so far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December, 2018 of which the auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



**Clynton J. Luttig**

Director  
7 June 2019

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XL INSURANCE (UK) HOLDINGS LIMITED**

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

**Opinion**

In our opinion, XL Insurance (UK) Holdings Limited's financial statements:

- 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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 the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XL INSURANCE (UK) HOLDINGS LIMITED**  
**(Continued)**

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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

***Responsibilities of the directors for the financial statements***

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

***Auditors' 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 auditors' 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 auditors' report.

***Use of this report***

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

**Other required reporting**

**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



**Matthew Nichols (Senior Statutory Auditor)**  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
7 June 2019



**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2018**

|   | Note | 2018<br>£'000   | 2017<br>£'000   |
|---|------|-----------------|-----------------|
| Impairment on investment in subsidiaries                        | 7    | (89,362)        | (35,604)        |
| Impairment on other investment                                  | 7    | (25)            | (138)           |
| Administrative expenses   |      | (12)            | (59)            |
| Other operating income  | 4    | 58              | 30              |
| <b>Operating loss</b>   | 5    | <u>(89,341)</u> | <u>(35,771)</u> |
| <b>Loss on ordinary activities before interest and taxation</b> |      | <u>(89,341)</u> | <u>(35,771)</u> |
| Interest payable and similar charges                            | 3    | (289)           | (312)           |
| <b>Loss on ordinary activities before taxation</b>              |      | <u>(89,630)</u> | <u>(36,083)</u> |
| Tax credit on loss on ordinary activities                       | 6    | 46              | 65              |
| <b>Loss for the financial year</b>                              |      | <u>(89,584)</u> | <u>(36,018)</u> |
| <b>Total comprehensive loss</b>                                 |      | <u>(89,584)</u> | <u>(36,018)</u> |

The notes on pages 12 to 17 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2018**

|                               | <b>Called up<br/>share<br/>capital</b> | <b>Capital<br/>contribution<br/>reserve</b> | <b>Profit<br/>and<br/>loss<br/>account</b> | <b>2018<br/>Total<br/>shareholders'<br/>funds</b> |
|-------------------------------|--|---|--|---|
|                               | <b>£'000</b>                           | <b>£'000</b>                                | <b>£'000</b>                               | <b>£'000</b>                                      |
| As at 1 January 2018          | 121,372                                | 836,098                                     | (207,088)                                  | 750,382   |
| Total comprehensive loss      | -                                      | -   | (89,584)                                   | (89,584)  |
| Capital contribution received | -                                      | 99,050                                      | -  | 99,050  |
| <b>As at 31 December 2018</b> | <b>121,372</b>                         | <b>935,148</b>                              | <b>(296,672)</b>                           | <b>759,848</b>                                    |

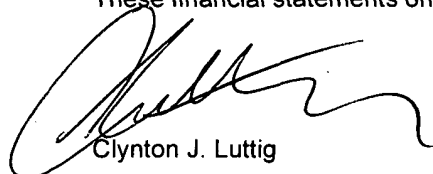
|                               | <b>Called up<br/>share<br/>capital</b> | <b>Capital<br/>contribution<br/>reserve</b> | <b>Profit<br/>and<br/>loss<br/>account</b> | <b>2017<br/>Total<br/>shareholders'<br/>funds</b> |
|-------------------------------|--|---|--|---|
|                               | <b>£'000</b>                           | <b>£'000</b>                                | <b>£'000</b>                               | <b>£'000</b>                                      |
| As at 1 January 2017          | 121,372                                | 697,638                                     | (171,070)                                  | 647,940   |
| Total comprehensive loss      | -                                      | -   | (36,018)                                   | (36,018)  |
| Capital contribution received | -                                      | 138,460                                     | -  | 138,460   |
| <b>As at 31 December 2017</b> | <b>121,372</b>                         | <b>836,098</b>                              | <b>(207,088)</b>                           | <b>750,382</b>                                    |

The notes on pages 12 to 17 form an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2018**

|   | Note | 2018<br>£'000         | 2017<br>£'000         |
|---|------|-----------------------|-----------------------|
| <b>Fixed assets</b>                                   |      |                       |                       |
| Investments - shares in group undertakings            | 7    | 787,476               | 777,526               |
| Investment - other (Blue Marble)                      | 7    | 354                   | 323                   |
|   |      | <u>787,830</u>        | <u>777,849</u>        |
| <b>Current assets</b>                                 |      |                       |                       |
| Debtors   | 8    | 111                   | 101                   |
|   |      | <u>111</u>            | <u>101</u>            |
| <b>Creditors: amounts falling due within one year</b> | 9    | (28,093)              | (27,568)              |
| <b>Net current liabilities</b>                        |      | <u>(27,982)</u>       | <u>(27,467)</u>       |
| <b>Net assets</b>                                     |      | <u><u>759,848</u></u> | <u><u>750,382</u></u> |
| <b>Capital and reserves</b>                           |      |                       |                       |
| Called up share capital                               | 10   | 121,372               | 121,372               |
| Capital contribution reserve                          |      | 935,148               | 836,098               |
| Profit and loss account                               |      | (296,672)             | (207,088)             |
| <b>Total shareholders' funds</b>                      |      | <u><u>759,848</u></u> | <u><u>750,382</u></u> |

These financial statements on pages 9 to 17 were approved by the Board of Directors and signed on its behalf by:



Clynton J. Luttig

Director  
7 June 2019

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**

### **1. Accounting policies**

#### **Basis of presentation**

The Company is a private company limited by shares and incorporated in England and Wales. The Company's financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and section 396 of the Companies Act 2006.

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 31 December 2018.

The financial statements are therefore prepared on a going concern basis. The principal accounting policies which have been applied consistently throughout the year are set out below.

#### **Exemption from preparing group consolidated financial statements**

The Company availed itself of the exemption under Section 401 of the Companies Act 2006 from preparing group financial statements on the grounds that it is a wholly-owned subsidiary of its ultimate parent company AXA SA (registered in France) which prepares group consolidated statements. The consolidated financial statements of AXA SA, within which the Company and all its underlying subsidiaries are included, can be obtained from the address given in Note 11. These financial statements present information about the Company as an individual undertaking.

#### **Exemption from preparing cash flow statement**

The Company has availed itself of the exemption under FRS 102 on the grounds that it is a wholly-owned subsidiary whose ultimate parent company is AXA SA (registered in France) which prepares group consolidated financial statements which are publicly available and include a group consolidated cash flow statement. Accordingly, no cash flow statement is presented.

#### **Exemption from disclosing related party transactions**

As the Company is a wholly-owned subsidiary whose ultimate parent company is AXA SA (registered in France), the Company has taken advantage of the exemptions contained in Financial Reporting Standard 102 ("FRS 102") from disclosing related party transactions with entities which form part of the AXA SA group (FRS 102 section 33.1A) and key management personnel compensation (FRS 102 section 1.12 (e)).

#### **Operating expenses**

These are accounted for as incurred on an accruals basis.

#### **Foreign currency**

The functional currency of the Company is UK Pounds sterling.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account for the period.

#### **Interest Payable and Interest Receivable**

Interest payable and receivable is recognised on an accruals basis.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2018**

### **1. Accounting Policies (continued)**

#### **Investments in group undertakings**

Investments in group undertakings are stated at cost less impairment. The cost includes transaction costs that are directly attributable to the acquisition of the investment. Impairment reviews are carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset investment may not be recoverable.

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

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

#### **Taxation**

Taxation expense for the period shows the current tax recognized in the reporting period. Tax is recognized in the profit and loss account. Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### **Capital Contribution**

The Capital Contribution Reserve is held in respect of amounts provided by the parent company, XL Gracechurch Limited, as capital to the Company. Contributions are made without the requirement for consideration by the Company, without condition, and not in return for any right, shares or change over the assets or surplus of the Company. The amounts can be utilised for the Company's corporate purposes at the sole discretion of the Directors.

### **2. Employees and Directors**

The Company has no direct employees (2017: nil). The directors' emoluments during the year were £nil (2017: £nil).

### **3. Interest payable and similar charges**

|                  | <b>2018</b>  | <b>2017</b>  |
|------------------|--------------|--------------|
|                  | <b>£'000</b> | <b>£'000</b> |
| Interest payable | 289          | 312          |

These charges relate to loan interest payable to XL Bermuda Ltd, details of which are disclosed in Note 9.

### **4. Other operating income**

|  | <b>2018</b>  | <b>2017</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| Income from the provision of management services | 30           | 30           |
| Foreign exchange gain                            | 28           | —            |
|  | <u>58</u>    | <u>30</u>    |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2018**

**5. Operating loss**

Operating loss is stated after charging:

|  | <b>2018</b>  | <b>2017</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| Services provided by the company's auditors – Fees payable for the audit | 12           | 11           |
| Foreign exchange losses  | —            | 46           |

**6. Income tax**

**(a) Tax expense/(gain) included in Statement of Comprehensive Income**

|   | <b>2018</b>  | <b>2017</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| <b>Current tax</b>                      |              |              |
| UK corporation tax on loss for the year | 46           | 65           |

**(b) Reconciliation of tax charge**

Tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19% (2017: 19.25%). The differences are explained below:

|  | <b>2018</b>     | <b>2017</b>     |
|--|-----------------|-----------------|
|  | <b>£'000</b>    | <b>£'000</b>    |
| (Loss) on ordinary activities before taxation  | <u>(89,630)</u> | <u>(36,083)</u> |
| (Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%) | (17,030)        | (6,946)         |
| Effects of:  |                 |                 |
| Write down of investment not deductible  | 16,984          | 6,880           |
| Expenses not deductible  | <u>—</u>        | <u>1</u>        |
| Tax charge/(credit) for the year   | <u>(46)</u>     | <u>(65)</u>     |

**(c) Tax rate changes**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2018**

### **7. Investments in group undertakings**

|                      | <b>2018</b>    | <b>2017</b>    |
|----------------------|----------------|----------------|
|                      | <b>£'000</b>   | <b>£'000</b>   |
| At 1 January         | 777,526        | 674,152        |
| Capital contribution | 99,312         | 138,978        |
| Impairment           | (89,362)       | (35,604)       |
| At 31 December       | <u>787,476</u> | <u>777,526</u> |

During 2018 the Company increased its investment in its wholly owned subsidiary XL Insurance Company SE by £99.0 million (2017: £138.5 million).

The Directors have made an impairment analysis and found that the carrying value of the Company's investments in its wholly owned subsidiary XL Insurance Company SE is not supported by the underlying net assets. Consequently an amount of £89.1 million is recorded as impairment in the income statement of the Company (2017: £35.1 million). A capital contribution of £0.3 million (2017: £0.5 million) was also made by the Company to its 90% owned subsidiary, XL Insurance Argentina S.A Compania de Seguros, during the year. The full amount of £0.3 million (2017: £0.5 million) was impaired and has been written down to zero in the financial statements.

#### **Details of the Company's subsidiaries:**

|  | <b>Country of<br/>registration of<br/>Incorporation</b> | <b>Shares Held<br/>Class</b> | <b>% Hold</b> |
|--|---|------------------------------|---------------|
| XL Insurance Company SE                        | England and Wales                                       | Ordinary                     | 100%          |
| XL Catlin Services SE                          | England and Wales                                       | Ordinary                     | 100%          |
| XL Insurance Argentina S.A Compania de Seguros | Argentina   | Ordinary                     | 90%           |

#### **Investments – Other**

On 9 October 2015 the Company subscribed to the equity, as one of 8 founder shareholders, of a new company: Blue Marble Micro Limited, incorporated under UK law for the purpose of developing and promoting the delivery of new insurance products and services to low income individuals in emerging markets. During 2018, an additional capital contribution of £0.03 million (\$0.04 million) was made to this company (2017: £0.09 million (\$0.13 million)). In order to align the Company's 12.5% share in the NAV of this company to the book value in the books of the Company, an impairment of £0.03 million (2017: £0.06 million) has been recorded in the income statement of the Company.

### **8. Debtors**

|   | <b>2018</b>  | <b>2017</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Corporation tax - group relief receivable from group entities | 111          | 101          |
|   | <u>111</u>   | <u>101</u>   |

The corporation tax group relief receivable represents losses which have been surrendered to other group companies as group relief.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 December 2018**

**9. Creditors: Amounts falling due within one year**

|                                    | <b>2018</b>   | <b>2017</b>   |
|------------------------------------|---------------|---------------|
|                                    | <b>£'000</b>  | <b>£'000</b>  |
| Amounts owed to group undertakings | 26,531        | 26,558        |
| Bank loans and overdrafts          | 1,538         | 998           |
| Accruals and deferred income       | 24            | 12            |
|                                    | <u>28,093</u> | <u>27,568</u> |

|   | <b>2018</b>   | <b>2017</b>   |
|---|---------------|---------------|
|   | <b>£'000</b>  | <b>£'000</b>  |
| <b>Amounts owed to group undertakings</b> |               |               |
| - Principal of £38,235 million            | 26,246        | 26,246        |
| - Adjustment to loan principal            | —             | —             |
| - Interest accrual                        | 285           | 312           |
| Total loans from XL Bermuda Ltd           | <u>26,531</u> | <u>26,558</u> |
| Total amount owed to group undertakings   | <u>26,531</u> | <u>26,558</u> |

The details of the loan from XL Bermuda Ltd are as follows:

£38.2 million was advanced on 17 August 2001, accrues interest at LIBOR + 1% per annum and is due for repayment on demand, or at any earlier point when the Company has sufficient funds. This loan was reduced in 2001 by £9.0 million and in 2012 by £3.0 million.

**10. Called up share capital**

|   | <b>2018</b>    | <b>2017</b>    |
|---|----------------|----------------|
|   | <b>£'000</b>   | <b>£'000</b>   |
| <b>Called up, allotted and fully paid share capital</b> |                |                |
| <b>Attributable to equity interests</b>                 |                |                |
| 70,000,000 (2017:70,000,000 Ordinary £1 shares          | 70,000         | 70,000         |
| <b>Attributable to non-equity interests</b>             |                |                |
| 51,372,003 (2017 51,372,003) Preference £1 shares       | 51,372         | 51,372         |
|   | <u>121,372</u> | <u>121,372</u> |

**11. Parent undertakings and controlling party**

The Company's immediate parent is XL Gracechurch Limited, a company registered in the United Kingdom.

The Company's ultimate parent undertaking and controlling party is AXA SA, a company incorporated in France. XL Group Ltd is the parent company of the smallest and largest group for which group financial statements are prepared and of which the Company is a member. Copies of the audited financial statements of both parent undertakings may be obtained from the Company Secretary, 20 Gracechurch Street, London, EC3V 0BG.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2018**

**12. Significant Event - AXA SA Takeover, Merger and Integration**

Legacy XL Group Ltd ("XL") has entered into a definitive agreement and plan of merger (the "Merger Agreement") with AXA SA ("AXA") dated March 5, 2018, under which AXA would acquire 100% of Legacy XL's common shares in exchange for cash proceeds of \$57.60 per common share, or approximately \$15.3 billion in the aggregate. The Merger Agreement provided that, subject to the satisfaction or waiver of certain conditions set forth therein, Legacy XL will merge with an existing AXA subsidiary in accordance with the Companies Act 1981 of Bermuda (the "Merger"), with Legacy XL becoming a wholly owned subsidiary of AXA. All preferred shares issued by subsidiaries of Legacy XL will remain issued and outstanding upon completion of the Merger.

On September 12, 2018, XL Group Ltd (the "XL") completed its previously announced merger with Camelot Holdings Ltd. ("Merger Sub"), a wholly owned subsidiary of AXA SA ("AXA"). Pursuant to the Agreement and Plan of Merger, dated as of March 5, 2018, by and among XL, Merger Sub and AXA (the "Merger Agreement"), and the statutory merger agreement required in accordance with Section 105 of the Bermuda Companies Act 1981, as amended (the "Companies Act"), by and among XL, Merger Sub and AXA, dated as of September 12, 2018, Merger Sub merged with and into XL in accordance with the Companies Act (the "Merger"), with XL continuing as the surviving corporation and as a direct wholly-owned subsidiary of AXA. Pursuant to the Merger Agreement, each issued and outstanding common share, par value \$0.01 per common share, of XL (each, a "Company Share") (other than any Company Shares that were owned (i) by XL as treasury shares, (ii) by wholly owned subsidiaries of XL or (iii) by AXA, Merger Sub or by wholly owned subsidiaries of AXA (with certain exceptions)), including each outstanding restricted Company Share (unless otherwise agreed between AXA and the holder of the award), were automatically canceled and converted into the right to receive \$57.60 in cash, without interest and subject to any applicable tax withholdings. The completion of the transaction followed the fulfillment of customary closing conditions, including approval by XL's shareholders and obtainment of all necessary regulatory approvals.