Company Number: 07588156

CANOPIUS EUROPE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Directors and Professional Advisors

Directors	Michael Watson Paul Cooper Eric Gutiérrez (resigned 19 April 2016) Stephen Manning (resigned 2 September 2016)
Company Secretary	James Greenfield (resigned 10 February 2016)
Registered Office	Gallery 9 One Lime Street London EC3M 7HA
Company Number	07588156
Independent Auditors	Ernst & Young LLP ("EY") 25 Churchill Place Canary Wharf E14 5EY

Contents

Strategic Report

The directors present their Strategic Report on Canopus Europe Limited ("the Company") for the year ended 31 December 2016.

Review of the business

The Company has reported a profit on ordinary activities before tax for the year of £4k (2015: £243k).

Future developments

The Company acted as an intermediary, supplying administrative services to Syndicate 4444 and Syndicate 958, ceasing on the 2015 Year of Account. The Company will continue to run off premium collection and claims handling activities.

Results

The results of the Company for the year ended 31 December 2016 are set out in the financial statements on page 9.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company include:

- market and economic conditions in the Company's chosen sectors
- competition from both independent and national insurance brokers
- employee retention

The directors have considered the risks and uncertainties facing the Company and have the requisite controls in place to manage and mitigate those risks and uncertainties.

Financial risk management

The Company's operations also expose it to a variety of financial risks that include the effects of credit risk and liquidity risk. The Company monitors and takes action in each of the following areas:

Credit risk
Where appropriate, credit checks are undertaken prior to acceptance of a new customer. The markets in which the Company operates means that there is limited credit risk.

Liquidity risk
The Company monitors its working capital requirements and cash flows to ensure the Company has sufficient available funds to support its operations.

Key performance indicators (KPIs)

The Board monitors the progress of the Company by reference to the following KPIs:

	2016 £'000	2015 £'000
Revenue	46	2,790
Profit for the year	4	241

Strategic Report (continued)

Employees

The average number of employees of the Company for the year ended 31 December 2016 was 1 (2015: 11).

The Strategic Report was approved by the board on 24 May 2017 and signed on their behalf by:

Paul Cooper
Director
24 May 2017

Directors' Report

Directors' Report for the year ended 31 December 2016

The directors present their Report and the audited financial statements of the Company for the year ended 31 December 2016.

Dividends

The directors did not pay a dividend in the year ended 31 December 2016 (2015: £nil). A dividend of £600,000 was proposed after the year end.

Directors

The directors set out on page 1 have held office during the whole of the period from 1 January 2016 to the date of this report, unless otherwise indicated.

None of the directors held a direct interest in the shares of the Company.

Qualifying third party indemnity provision

The Company has put in place D&O Insurance and an indemnity in the Articles of Association to indemnify directors and officers of the Company against losses or liabilities sustained in the execution of the duties of office. The indemnity is a qualifying third party indemnity provision under s.232 and s.234 of the Companies Act 2006.

Post balance sheet events

There are no material post balance sheet events that require disclosure in the annual report and financial statements.

Going concern

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

Disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- in fulfilling their duties as a director they have taken appropriate steps in order to make themselves aware of any information relevant to the audit and to establish that the auditors are aware of that information;
- so far as they are aware, there is no relevant audit information of which the auditors have not been made aware.

Independent Auditors

During the year Ernst & Young LLP were appointed as the auditors for the Company, replacing PricewaterhouseCoopers LLP.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing those 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;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Director's Report was approved by the board on 24 May 2017 and signed on their behalf by:

Paul Cooper
Director
24 May 2017

Independent Auditor's Report to the members of Canopius Europe Limited

We have audited the financial statements of Canopius Europe Limited for the year ended 31 December 2016 which comprise Income statement, Statement of financial position, Statement of changes in equity and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework" ; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditor's Report to the members of Canopius Europe Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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.

Angus Millar

Angus Millar (Senior statutory auditor)
for and on behalf of Ernst & Young LLP
London
Date: 24 May 2017

Income statement
Year ended 31 December 2016

	Note	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Revenue	4	**46**	2,790
Administrative expenses		**(47)**	(2,547)
Operating profit	5	**(1)**	243
Finance income		**6**	-
Finance costs		**(1)**	-
Profit on ordinary activities before income tax		**4**	243
Income tax expense on ordinary activities	7	**-**	(2)
Profit for the financial year		**4**	241

There are no recognised gains or losses apart from those included in the income statement above. Accordingly no statement of comprehensive income is presented.

Statement of financial position
As at 31 December 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	8	**5**	27
Current assets			
Debtors: amounts falling due within one year	9	**5,870**	5,193
Cash and cash equivalents		**1,124**	423
		6,994	5,616
Creditors amounts falling due within one year	10	**(6,215)**	(4,863)
Net current assets		**779**	753
Net assets		**784**	780
Equity			
Ordinary shares	11	-	-
Retained earnings		**784**	780
Total shareholders' funds		**784**	780

The notes on pages 12 to 18 are an integral part of these financial statements.

The financial statements on pages 9 to 18 were authorised for issue by the board of directors on 24 May 2017 and were signed on its behalf.

Paul Cooper
Director
Canopius Europe Limited
Registered no. 07588156

Statement of changes in equity

	Called up share capital	Retained earnings	Total
	£'000	£'000	£'000
Balance as at 1 January 2015	**-**	**539**	**539**
Profit for the financial year	-	241	241
Balance as at 31 December 2015	-	780	780
Balance as at 1 January 2016	**-**	**780**	**780**
Profit for the financial year	-	4	4
Balance as at 31 December 2016	**-**	**784**	**784**

Notes to the financial statements

1. General information

The principal activity of the Company was to act as an intermediary, supplying administrative services to Syndicate 4444 and Syndicate 958, which ceased on the 2015 Year of Account. The Company will continue to run off premium collection and claims handling activities.

The Company is a subsidiary of Sompo Canopius AG ("SCAG") and is incorporated and domiciled in the UK. The address of its registered office is Gallery 9, One Lime Street, London EC3M 7HA.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Authorisation of the financial statements and Basis of preparation

The financial statements of Canopius Europe Limited (the "Company") for the year ended 31 December 2016 were authorised for issue by the board of directors on 24 May 2016 and the balance sheet was signed on the board's behalf by Paul Cooper. Canopius Europe Limited is incorporated and domiciled in England and Wales.

The financial statements of the Company have been prepared in accordance with the Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historic cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit and loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows);
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 40A-D (requirements for a third statement of financial position;
  - 79(a)(iv) (outstanding shares at the beginning and end of the current period);
  - 111 (cash flow statement information);and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows';
- Paragraphs 30 and 31 of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' (impact of IFRSs that have yet to be issued);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group;
- Paragraph 118(e) of IAS 38, 'Intangible Assets' (carrying amount at the beginning and end of the current period);
- IFRS 7, 'Financial Instruments: Disclosures'; and
- Paragraphs 91 to 99 of IFRS 13, 'Fair Value Measurement' (disclosure).

2. Summary of significant accounting policies (continued)

2.1.1 *Going concern*

The Company's forecast and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current cash reserves. The directors have a reasonable expectation that the Company has adequate resources to continue in the operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

2.2 *Foreign currency translation*

(a) Functional and presentational currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

(b) Transactions and balances

Monetary assets and liabilities are translated into Pounds Sterling at the exchange rates prevailing at the balance sheet date. Income and expense transactions are translated using the rates prevailing at the date of transaction or appropriate average rates. All other foreign exchange gains and losses are presented in the income statement within 'Administrative expenses.'

2.3 Tangible assets

Tangible assets are capitalised and depreciated in equal instalments over their estimated useful lives, subject to any impairment resulting from the diminution in value, at the following annual rates:

- Fixtures and fittings 15% - 33.3% per annum

2.4 Financial assets

2.4.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Company only holds loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, are not intended to be sold in the short term and do not fall into the other categories of financial assets as described above. Loans and receivables are measured at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss account when there is objective evidence that the syndicate will not be able to collect all amounts due according to their original terms. These are reversed if the payment is received.

The Company acts as an appointed representative of Canopius Managing Agents Limited. The Company places insurable risks of its clients and generally is not liable as principal for premiums due to underwriters or for claims payable to clients. Notwithstanding the legal relationship with clients and underwriters and since in practice premium and claims monies are usually accounted for by insurance intermediaries, the Company has followed generally accepted accounting practice by showing cash, debtors and creditors relating to insurance business as assets and liabilities of the Company itself.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within interest income or expenses in the period in which they arise.

2.5 Debtors

Debtors are amounts due from trade debtors that relate to insurance business and amounts due from associated group companies. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

2. Summary of significant accounting policies (continued)

2.6 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. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.7 Share capital

Ordinary shares are classified as equity.

2.8 Creditors

Creditors are amounts due to the syndicates and associated group companies.

2.9 Current and deferred income tax

The tax expense for the period compromises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholder's funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. 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.

The Company is a fully owned subsidiary of Canopius Holdings UK Limited ("CHUKL") which is incorporated and domiciled in the UK. The Company taxable balances are ceded to CHUKL by way of group relief.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.10 Revenue recognition

Revenue represents the management charge for supply of administrative services to the Syndicate 4444 and Syndicate 958, for which it is reimbursed on a cost plus incurred basis.

2.11 Employee benefits

The costs of providing pensions for all staff are charged in the profit and loss account of the year to which they relate. Pension costs arising from staff remuneration, which is ultimately borne by group undertakings or the group's managed syndicates, are charged to those companies or syndicates as incurred.

Canopius Services Limited ("CSL"), a group service company, operates defined contribution pension schemes on behalf of the Company. The assets of the schemes are held separately from those of the Company in independently administered funds.

2. Summary of significant accounting policies (continued)

2.12 *Interest income*

Interest income is recognised using the effective interest method. When a loan or receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

3. *Critical accounting estimates and judgements*

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There have been no estimates or judgements used during the year.

4. Revenue

Revenue is derived wholly within the United Kingdom.

5. Operating profit

Operating profit is stated after charging:

	2016 £'000	2015 £'000
Wages and salaries	**28**	1,298
Social security costs	**35**	220
Other pension costs	**-**	273
Other costs	**-**	2
Staff costs	**63**	1,793
Auditor's remuneration – audit fees	**2**	4

6. Employees and directors

Employees

All the executive directors and employees of the Company are employed by CSL with the exception of Eric Gutiérrez who was employed by the Company during 2016.

Headcount

The monthly average number of staff employed by the Company, including directors, was;

	2016 Number	2015 Number
Underwriting	**1**	5
Other agency, accounting and administration	**-**	5
Insurance services	**-**	1
Total staff employed	**1**	11

6. Employees and directors (continued)

Directors

The directors' emoluments were as follows:

	2016 £'000	2015 £'000
Aggregate emoluments	-	680
Pension contributions	-	65

The number of directors participating in the Group's money purchase pension schemes at 31 December 2016 was 0 (2015: 1)

Highest paid director

The highest paid director's emoluments were as follows:

	2016 £'000	2015 £'000
Aggregate emoluments	-	680

None of the directors received any emoluments from the company for their qualifying services during the year ended 31 December 2016 (2015: £680k).

7. Income tax

Tax expense included in profit and loss

	2016 £'000	2015 £'000
Current tax:	-	-
Total current tax	-	-
Swiss Corporation tax on profits for the year	-	2
Tax on profit on ordinary activities	-	2

Current tax assessed for the year is different from the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below.

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	4	243
Profit multiplied by the standard rate of tax in the UK of 20% (2015: 20.25%)	1	49
Effects of:		
- Non-UK earnings	(1)	(49)
Total tax charge	-	-

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 21% to 20% from 1 April 2015.

8. *Tangible assets*

	Fixtures, Fittings & equipment
	£'000
Cost	
At 1 January 2016	120
Additions	-
As at 31 December 2016	**120**
Accumulated depreciation	
At 1 January 2016	(93)
Depreciation	(22)
As at 31 December 2016	**(115)**
Net book amount	
At 31 December 2015	27
As at 31 December 2016	**5**

9. *Debtors: amounts falling due within one year*

	2016 £'000	2015 Restated £'000
Amounts owed by group undertakings	-	168
Amounts due from managed syndicates	**3**	875
Other debtors	**5,867**	4,150
	5,870	5,193

10. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Amounts owed to group undertakings	**219**	302
Amounts due to managed syndicates	**5,991**	4,210
Other creditors	**1**	-
Accruals and deferred income	**4**	351
	6,215	4,863

11. Share capital

Ordinary shares of £1.00 each

Allotted, called up and fully paid	2016 Number	2016 £
At 1 January	1	1
At 31 December	1	1

12. Capital and other commitments

There were no capital commitments contracted for but not provided at 31 December 2016 (2015: £nil).

13. Controlling parties

The Company's immediate UK parent is CHUKL, which is registered in England and Wales.

Sompo Holdings Inc is the ultimate parent and controlling party. Copies of the Sompo Holdings Inc and Sompo Japan Nipponkoa Insurance Inc consolidated financial statements are available from 26-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo 160-8338, Japan.