

ReAssure FSH UK Limited
Annual report and financial statements 2018

Company Registration Number 07717278



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Directors and officers

Board of Directors

Matthew Cuhls
Ian Patrick
Michael Woodcock

Company Secretary

Paul Shakespeare

Registered office

Windsor House
Telford Centre
Telford
Shropshire
TF3 4NB

Company registration number

07717278

Strategic report for the year ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

These financial statements, for the year ended 31 December 2018, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

Business review and principal activities

ReAssure FSH UK Limited ("the Company") is incorporated and domiciled in England and Wales, part of the United Kingdom. It is a private Company which is limited by shares. During the year ended 31 December 2018, the Company was an intermediate holding company of the ReAssure group. The main objective for the Company is the control of expenses relating to the provision of management services to its fellow entities within the ReAssure group such that those entities are able to generate profit and cash flows. No changes to the principal activities are expected in the foreseeable future.

The Company made a profit for the year of £2.7m (2017: £0.7m loss). Revenue of £4.0m (2017: £0.2m) was higher than in 2017 due to dividends received from subsidiaries and the grossing-up of operational activities which were transferring to ReAssure UK Services Limited. Administrative expenses for the year of £1.3m (2017: £0.9m) were higher than the prior year due a loss on disposal of an investment in a subsidiary. Net assets of the company at the end of the year were £57.8m (2017: £55.1m).

Capital Management

The Company and each regulated company within the group will hold sufficient capital on an ongoing basis to meet regulatory and internal requirements in a number of asset and liability stress conditions.

Principal risks and uncertainties

The Company's objective in managing its capital is to ensure that there are adequate resources to meet its external liabilities as they fall due, and to allocate capital efficiently to support growth and repatriate excess capital where appropriate. The Company's capital is managed in conjunction with that of other companies in the Group. The Company manages its capital by measuring its resources and cash available on a regular basis. The Company's capital position and the movement in this from the prior year are disclosed within the Statement of Changes in Equity. The Company has no externally imposed capital requirements.

Credit risk is significantly reduced as assets are primarily intercompany receivables due from other companies within the Group, all of which were deemed to have access to sufficient liquidity to be able to repay their liabilities as they fall due. The Company also holds cash and short term deposits, which were placed with high credit-rated banks.

Liquidity risk is the risk that the Company may have insufficient liquid assets to meet its liabilities as they become due. This risk is mitigated through management of cash and receivables within the Group to ensure that sufficient resources are available to meet the liabilities of the Company.

Operational risk is the risk of loss that arises from people, processes and procedures within the organisation. The Company mitigates its operational risk by the use of a wide range of techniques including scenario planning, training, formal risk assessments and policy and procedure documentation. The Company monitors operational risk through routine management information and auditing.

The Company's internal audit function advises management on the effectiveness of its internal control systems and the adequacy of these systems to manage business risk and to safeguard the Company's assets and resources. The effectiveness of the Company's internal audit function is currently reviewed by the ReAssure Midco Limited (formerly ReAssure Group Limited) audit and risk committee.

Interest rate risk arises from the variable rate interest payments due on the intercompany loans due to subsidiary undertakings. This risk was monitored through review of forecast interest rates and their potential impact on the results of the Company.

Strategic report for the year ended 31 December 2018 (continued)

Business environment

With continued uncertainty surrounding the trade agreement between the UK and the EU, this is an emerging risk which has crystallised and, until terms are finally agreed, continues to influence the financial markets. The Company's Risk Management function continues to model the economic volatility effecting the Balance sheet in order to assess the impact of uncertainty arising from the Brexit process. There is no operational impact upon the company.

Approval

This report was approved by the Board of Directors on 22 August 2019 and signed by order of the Board



Michael Woodcock

Director

22 August 2019

Directors' report for the year ended 31 December 2018

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2018.

Principal activity

During the year ended 31 December 2018, the Company was an intermediate holding Company of the Group. The Company is domiciled and incorporated in England & Wales.

Financial risk management

Principal risks and uncertainties affecting the Company, including financial risks, are explained in the strategic report.

Dividends

The directors do not recommend the payment of a dividend (2017: £nil).

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements are shown on page 4.

Qualifying third party indemnity provisions

The Company's directors are covered by the Swiss Re Limited indemnity provision policy, which was in force during the financial year and at the date of signing the financial statements. This indemnifies directors in respect of payments, as well as any costs associated with legal proceedings brought by third parties. Any director who serves or served for the Company is covered to the fullest extent permitted by law and stated in the certificate of incorporation, articles of association, by-laws and other similar constituent documents of the Company. Swiss Re Limited unconditionally guarantees payment of such sums by the Company.

Directors' responsibilities statement

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 IFRSs as adopted by the European Union 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 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.

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

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.

Employee involvement

The Company's policy is to seek to inform and involve employees on matters which concern them and in the achievement of its business goals. The Company has a comprehensive system for consultation and communication involving regular meetings between management and employees, team briefings and the issue of various bulletins and a staff handbook.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Independent auditors

The directors confirm that the financial statements comply with the above requirements and also confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

PricewaterhouseCoopers LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

By order of the Board of Directors



Michael Woodcock

Director

22 August 2019

Independent auditors' report to the members of ReAssure FSH UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Reassure FSH UK 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 and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic report, Directors' report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the income statement, the statement of cash flows and the statement of changes in equity for the year ended 31 December 2018; 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.

Independent auditors' report to the members of ReAssure FSH UK Limited (continued)

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.

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 Directors' Responsibilities Statement set out on page 7, 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.

Independent auditors' report to the members of ReAssure FSH UK Limited (continued)

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. 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.



Philip Watson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

22 August 2019

Income Statement

For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Revenue	3	4,000	188
Administrative expenses	4	(1,292)	(893)
Operating Profit/(loss)		2,708	(705)
Interest income	8	56	4
Finance costs	8	(163)	(125)
Profit/(loss) on ordinary activities before taxation		2,601	(826)
Tax credit on profit / (loss)	9	110	112
Profit/(loss) for the financial year		2,711	(714)

Notes on pages 16 to 27 form an integral part of these financial statements.

The Company has no other income and expenses other than those included in the results above; a statement of comprehensive income has not been presented as there are no items of comprehensive income not already reflected within the profit for the year.

All results derive from continuing operations.

Balance Sheet

As at 31 December 2018

	Note	2018 £000	2017 £000
Investments in subsidiary undertakings	10	-	4,000
Other receivables	11	74,991	75,649
Cash and cash equivalents	12	638	3,611
Total Assets		75,629	83,260
Trade and other payables	13	461	3,666
Borrowings	14	17,350	24,487
Total Liabilities		17,811	28,153
Net Assets		57,818	55,107
Equity			
Share Capital	15	710,031	710,031
Accumulated losses		(652,213)	(654,924)
Total Equity		57,818	55,107

Notes on pages 16 to 27 form an integral part of these financial statements.

The financial statements of ReAssure FSH UK Limited (registered number 07717278) presented on pages 12 to 27 were approved by the director and authorised for issue on 22 August 2019 and signed on its behalf by:



Michael Woodcock
Director
22 August 2019

Statement of Changes to Equity

For the year ended 31 December 2018

	Attributable to owners of the Company		
	Share capital £000	Accumulated losses £000	Total equity £000
1 January 2018	710,031	(654,924)	55,107
Profit for the financial year	-	2,711	2,711
At 31 December 2018	710,031	(652,213)	57,818

For year ended 31 December 2017

	Attributable to owners of the Company		
	Share capital £000	Accumulated losses £000	Total equity £000
1 January 2017	710,031	(654,210)	55,821
Loss for the financial year	-	(714)	(714)
At 31 December 2017	710,031	(654,924)	55,107

Notes on pages 16 to 27 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Cash generated used in operating activities	16	(2,839)	(2,440)
Taxation received		110	1,576
Net cash generated used in operating activities		(2,729)	(864)
Cash flows from investing activities			
Interest income	8	56	4
Dividends received		4,000	-
Disposal proceeds of Investment in subsidiary	10	3,000	-
Net cash flows from investing activities		7,056	4
Cash flows from financing activities			
Loan repayment		(7,300)	(1,577)
Net cash used in financing activities		(7,300)	(1,577)
Net decrease in cash and cash equivalents		(2,973)	(2,437)
Cash and cash equivalents at the beginning of the year		3,611	6,048
Cash and cash equivalents at the end of the year	12	638	3,611

Notes on pages 16 to 27 form an integral part of these financial statements.

Notes to the financial statements

1. Accounting Policies

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the year and preceding years.

1.1 Basis of preparation

The financial statements have been prepared under the historical cost convention on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union (EU) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company is included in the consolidated financial statements of Swiss Re Limited which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006 and IFRS 10 Consolidated Financial Statements, paragraph 4(a).

In assessing whether the Company is a going concern, the Directors have taken into account the guidance issued by the Financial Reporting Council in October 2016.

The Directors have made enquiries, which include considering the liquidity of the Company's assets and based on this assessment, the Directors had a reasonable expectation that the Company had adequate resources to continue in operational existence for the foreseeable future (being 12 months from the date of this report). Accordingly, they continued to adopt the going concern basis in preparing the financial statements.

1.2 New standards, amendments and policies not yet adopted by the Company

IFRS 16 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and is not expected to have a material impact to the financial statements of the Company.

1.3 New and amended standards and interpretations

The Group has applied the following new and revised IFRSs:

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers

1.3.1 *IFRS 9 Financial Instruments*

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting. The Company did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. There are no differences arising from the adoption of IFRS 9 which affect retained earnings as of 1 January 2018.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Notes to the financial statements (continued)

1. Accounting Policies (continued)

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Company. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in note 1.3.1a below.

a) Classification of Financial Assets and Financial Liabilities

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

IAS 39			IFRS 9	
	Classification	Carrying amount	Classification	Carrying amount
Financial assets		£'000		£'000
Other assets and receivables	Loans and receivables	74,772	Amortised cost	74,772
Cash and cash equivalents	Loans and receivables	3,611	Amortised cost	3,611
Total financial assets		78,383		78,383
Financial liabilities				
Trade and other payables	Amortised cost	3,666	Amortised cost	3,666
Borrowings	Amortised cost	24,487	Amortised cost	25,939
Total financial liabilities		28,153		28,153

The application of the accounting policies on the classification of financial instruments under IFRS 9 did not result in any reclassifications.

Other assets and receivables

The IAS 39 category, Loans and receivables, required assets to be measured at amortised cost and therefore the change in category in the adoption of IFRS 9 does not in fact result in a change of measurement.

b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Company performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. Please refer to note 1.8 for more detailed information regarding the new classification requirements of IFRS 9.

There were no changes to the measurement category and therefore no changes to the carrying amounts of financial assets upon transition to IFRS 9 on 1 January 2018.

Under the IAS 39 incurred loss model the prior period closing impairment allowance was £nil. The new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018 is also £nil.

1.3.2 IFRS 15 'Revenue from contracts with customers'

IFRS 15 Revenue from Contracts with Customers supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 requires entities to take all relevant facts and circumstances into consideration when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly

Notes to the financial statements (continued)

related to fulfilling a contract. The adoption of IFRS 15 did not result in a material change on the current or prior year reported results and position of the Company, as no changes were required to be made to the Company's existing accounting policies.

1.4 Revenue

Revenue relates to income received from group undertakings as a result of the management service agreement and third party income principally in relation to third party administration. Revenue generated from these agreements is recognised over time as the services are performed and the contract obligations are fulfilled. Invoices are prepared based on rate tables specified in the contracts.

1.5 Investment and interest income

Investments in subsidiary undertakings are valued at the cost of investment and the directors review the valuation annually to ensure this is not less than the net assets held.

1.5.1 Investment income

Investment income relates to dividends which are recorded on the date on which the shares are quoted ex-dividend.

1.5.2 Interest

For interest-bearing assets, interest is recognised as it accrues and is calculated using the effective interest rate method. The effective interest rate is defined as the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the net carrying amount of the financial asset or financial liability. Fees and commissions that are an integral part of the effective yield of the financial assets or liabilities are recognised as an adjustment to the effective interest rate of the instrument.

1.6 Current income tax

Current tax comprises tax payable on current period profits, adjusted for non-tax deductible or non-taxable items, and any adjustments to tax payable in respect of previous periods.

Current tax is recognised in the income statement unless it relates to items which are recognised in other comprehensive income.

1.7 Deferred income tax

Deferred tax is calculated on differences between the accounting value of assets and liabilities and their respective tax values. Deferred tax is also recognised in respect of unused tax losses to the extent that it is probable that future taxable profits will arise against which the profits can be utilised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and laws) that have been enacted or are substantively enacted at the end of the reporting period.

1.8 Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised on the trade date when the Company becomes a party to the contractual provisions of the instrument and are classified for accounting purposes depending on the characteristics of the instruments and the purpose for which they were purchased.

Notes to the financial statements (continued)

1.8 Financial Instruments (continued)

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability-not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, as described in note 17 which results in an accounting loss being recognised in profit or loss.

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that-initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. When the Company revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

1.8.1 Financial Assets

a) Classification

From 1 January 2018, the Company has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

At 31 December 2018 the Company did not hold any assets measured at Fair value through profit or loss or at fair value through other comprehensive income.

b) Subsequent measurement and gains and losses

Financial assets are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in profit or loss

c) Impairment

IFRS 9 introduces a new impairment model based on expected credit losses (ECL) that are estimated by considering current conditions and available forward-looking information. IFRS 9 sets out a general approach to impairment, however, for simple, short-term financial assets this general approach is overly complicated and so a simplified approach was also introduced.

Notes to the financial statements (continued)

The Company has chosen to adopt the simplified approach for short-term receivables measured at amortised cost. Note 17 provides more detail of how the expected credit loss is measured.

1.8.2 Financial Liabilities

a) Classification

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost.

b) Measurement

Subsequent measurement

Financial liabilities are measured at amortised cost using the effective interest method. Interest expenses and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

1.9 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short-term deposits with an original maturity term of three months or less at the date of placement. The carrying amount of these assets approximates to their fair values.

1.10 Borrowings

Borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of funds received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. The liability is derecognised when the Company's obligation under the contract expires, is discharged or is cancelled.

1.11 Events after the balance sheet date

Events that are indicative of conditions that arose after the balance sheet date are disclosed where significant, but do not result in an adjustment of the financial statements themselves.

2. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and underlying assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2.1 Estimates

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used. Refer to Note 17 for more detail on measurement of the ECL.

ReAssure FSH UK Limited

Notes to the financial statements (continued)

3. Revenue

	2018	2017
	£000	£000
Dividend received from subsidiary	4,000	-
Intragroup revenue	-	188
	4,000	188

Intragroup revenue represents charges receivable from other Group companies in respect of the provision of administrative services by the Company.

4. Administrative expenses

	2018	2017
	£000	£000
Employment costs (note 6)	116	1,071
Other administrative (income)/expenses	176	(178)
Loss on disposal of Investment in subsidiary undertaking (note 10)	1,000	-
	1,292	893

Administrative costs and other expenses incurred are recharged to related subsidiary companies, ReAssure Limited and ReAssure UK Services Limited ("RUKSL").

5. Auditors' remuneration

	2018	2017
	£000	£000
Audit Services:		
Fees payable for the audit of the Company's annual financial statements	5	5

6. Staff costs

All staff are employed by RUKSL, ReAssure Companies Services Limited or ReAssure FSH UK Limited.

	2018	2017
	£000	£000
Wages and salaries	103	873
Social security costs	13	125
Other pension costs	-	73
	116	1,071

Other pension costs relate to the defined contribution scheme. There were outstanding contributions of £nil (2017: £nil) at the balance sheet date.

The monthly average number of employees (including executive directors) was 3 (2017: 4).

Notes to the financial statements (continued)

7. Key Management remuneration

The key management of the Company consists of the Board of Directors and members of the senior management team. Some members of key management of the Company are also key management of other group undertakings. The key management personnel, including directors, did not receive any remuneration for their services to the Company (2017: £nil).

8. Finance costs

	2018 £000	2017 £000
Interest revenue		
Bank interest income	56	4
	<hr/>	<hr/>
	2018 £000	2017 £000
Interest expense		
Interest on intercompany borrowings	163	125
	<hr/>	<hr/>

9. Tax credit on profit/(loss) on ordinary activities

a) Analysis of credit in year

	2018 £000	2017 £000
Current taxation		
UK corporation tax (charge)/credit	(76)	159
Adjustments in respect of prior periods and non- taxable income	34	(30)
	<hr/>	<hr/>
	110	129
Deferred taxation		
Origination and reversal of timing differences	-	(17)
Total deferred tax charge for the year	<hr/>	<hr/>
	-	(17)
	<hr/>	<hr/>
Tax credit on profit / (loss) on ordinary activities	<hr/>	<hr/>
	110	112

b) Reconciliation of tax charge on profit attributable to shareholders

The tax assessed for the year is lower (2017: higher) than the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit/(loss) on ordinary activities before tax	2,601	(826)
	<hr/>	<hr/>
Tax (charge)/credit on profit/(loss) on ordinary activities at 19.00% (2017: 19.25%)	(494)	159
	<hr/>	<hr/>
Difference due to effects of:		
Deferred tax write off	-	(17)
Income not taxable	570	-
Adjustments in respect of prior years	34	(30)
	<hr/>	<hr/>
Total credit for the year	<hr/>	<hr/>
	110	112

ReAssure FSH UK Limited

Notes to the financial statements (continued)

9. Tax credit on loss on ordinary activities (continued)

c) Factors affecting the current and future tax charges

A reduction of 1% to the corporation tax rate (reducing the rate to 19%) for the year commencing 1 April 2017, was enacted by Royal Assent on 26 October 2015. A further reduction of 2% to the corporation tax rate (reducing the rate to 17%) for the year commencing 1 April 2020, was enacted by Royal Assent on that date. Accordingly, the relevant deferred tax balances have been measured at 17%.

10. Investment in subsidiary undertakings

The interest held by the Company in the ordinary share capital of its subsidiary undertakings is as follows:

	Place of incorporation (or registration) and operation	Proportion of ownership interest (%)	Proportion of voting power held (%)
ReAssure Companies Services Limited	United Kingdom	100	100
ReAssure Nominees Limited*	United Kingdom	100	100
ReAssure FS Limited*	United Kingdom	100	100

*Dormant

All these subsidiaries have the same registered address as the Company. During the year, the Company disposed of one of its subsidiaries, Guardian Assurance Limited. At the time of disposal, the value of the Company's investment in its subsidiary was £4,000,000 and the subsidiary was sold for £3,000,000 therefore, resulting a loss on disposal of £1,000,000.

	2018 £000	2017 £000
Cost		
At 1 January	752,818	752,818
Disposal of Investment in subsidiary undertakings	(722,297)	-
At 31 December	30,521	752,818
Carrying Amount		
At 1 January	4,000	4,000
Disposal of Investment in subsidiary undertakings	(4,000)	-
At 31 December	-	4,000

The investment in subsidiary is stated at cost less impairment.

11. Other receivables

	2018 £000	2017 £000
Trade receivables	-	15
Amounts owed by group undertakings	74,918	74,757
Prepayments and accrued income	(2)	87
Tax credit receivable	75	790
	74,991	75,649

These balances are receivable within one year from the balance sheet date.

ReAssure FSH UK Limited

Notes to the financial statements (continued)

12. Cash and cash equivalents

	2018	2017
	£000	£000
Cash at bank	638	3,611
	638	3,611

There are no amounts included in the cash and cash equivalents balances that are not readily available.

13. Trade and other payables

	2018	2017
	£000	£000
Other creditors	52	3,095
Amounts owed to group undertakings	409	571
	461	3,666

14. Borrowings

	2018	2017
	£000	£000
Payable to fellow group undertakings	17,350	24,487

The Company has intercompany borrowings due to ReAssure Limited. These borrowings are unsecured and carry an interest rate of 6 month LIBOR.

15. Share capital

	2018	2017
	£000	£000
Issued and fully paid		
710,031,405 Ordinary shares of £1 each (2017: 710,031,405)	710,031	710,031

All ordinary shares issued are fully paid and carry one vote per share and carry a right to dividends. ReAssure Midco Limited (formerly ReAssure Group Limited), the immediate parent undertaking of the Company, holds all the ordinary shares.

16. Cash flows used in operating activities

	2018	2017
	£000	£000
Operating profit/(loss)	2,708	(705)
Adjustments for:		
Dividends received	(4,000)	-
Loss on disposal of Investment in subsidiary	1,000	-
Decrease/(Increase) in receivables	658	(2,793)
(Decrease)/Increase in payables	(3,205)	1,058
Net cash used in operating activities	(2,839)	(2,440)

Notes to the financial statements (continued)

17. Management of financial risk

The Company's activities are limited to provision of management services. The Company is exposed to credit risk and liquidity risk. The risk management approach of the Company is to seek to minimise the potential adverse impact of these risks on the financial performance.

The following section discusses the Company's risk management policies. The measurement of ECL under IFRS 9 uses the information and approaches that the Company uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9. The approach taken for IFRS 9 measurement purposes is discussed separately in note 1.3.1.

Credit risk

Credit risk is the risk that the Company will suffer loss from the failure of a third party to discharge its obligations to the Company. In addition, the solvency of the Company may be impacted by a widening in credit spreads or by credit downgrades under its portfolio of fixed-interest securities and deposits.

The board determines the risk appetite for the business. The risk is controlled by setting appropriate limits for counterparty exposures and communicating them to those who are responsible for complying with them.

The Company was most exposed to credit risk on other receivables and cash and cash equivalents. The credit risk associated with these counterparties is not deemed to be high.

i) Credit risk measurement

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for short-term receivables which are receivable on demand with no significant financing component. In accordance with paragraph 5.5.15 of IFRS 9, the loss allowance for such trade receivables is always measured at an amount equal to lifetime ECLs.

To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics. For each group, historical loss rates have been considered and applied using forward-looking information.

At 31 December 2018 the Company held trade receivables, intercompany receivables and prepayments which were subject to the above impairment review. The loss allowance provision for these receivables at this date was £nil (2017: £nil).

The key judgements and assumptions adopted by the Company in addressing the requirements of the standard are discussed below.

ii) Definition of default and change in the risk of default

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its debt obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- The financial asset is more than 90 days past due.

In assessing whether a borrower is in default, the Company considers indicators that are:

- Qualitative: e.g. breaches of covenant and other indicators of financial distress;
- Quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Company; and
- Based on data developed internally and obtained from external sources.

Notes to the financial statements (continued)

17. Management of financial risk

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Company determines the expected credit losses on intercompany receivables by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

Maximum exposure to credit risk – Financial instruments subject to impairment

The gross carrying amount of other receivables, reflecting the maximum exposure to credit risk, is £74,916,000 (2017: £74,859,000).

Loss allowance

The loss allowance recognized in the year could be impacted by a variety of factors, as described below:

- Additional allowances for new financial instruments recognized during the year, as well as releases for financial instruments de-recognised in the year;
- Impact on the measurement of ECL due to changes in historical loss rates and forward-looking estimates;
- Foreign exchange translations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognized during the year and write-offs of allowances related to assets that were written off during the year.

Liquidity risk

Liquidity risk is the risk of not being able to make payments as they become due. The Company monitors cash flow and performs variance analysis against actual cash held. The Company also carries out capital planning with quarterly re-forecasts for revised income and expense projections.

Notes to the financial statements (continued)

18. Related parties

a) Immediate and ultimate parent undertaking

The company is incorporated and domiciled in England and Wales, part of the United Kingdom. It is a private company which is limited by shares. The entire issued share capital of the Company at the year-end is held by ReAssure Midco Limited (formerly ReAssure Group Limited), which is domiciled and incorporated in England and Wales.

The parent company of the largest group in which the results of the company are consolidated is that of Swiss Re Limited, the ultimate and controlling parent undertaking. The consolidated financial statements of Swiss Re Limited may be obtained on www.swissre.com or from its registered office at Mythenquai 50/60, PO Box 8022, Zurich, Switzerland.

b) Income from related parties

	2018	2017
	£000	£000
Income from services rendered to other subsidiary undertakings of Swiss Re Limited	-	188
Dividends received from subsidiary undertakings	4,000	-
Total	4,000	188

c) Year-end balances with related parties

	2018	2017
	£000	£000
Other subsidiary undertakings of Swiss Re Limited	57,159	49,699

d) Remuneration of key management personnel

There were no transactions between the Company and any key management personnel during the year and there are no balances outstanding at the year end.

Remunerations of key management personnel of the Company are included under Note 7.

19. Post Balance Sheet Events

The Directors are not aware of any significant post balance sheet events that require disclosure in the financial statements.