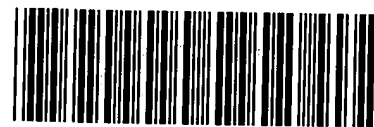


THE WEST OF ENGLAND SHIP OWNERS  
MUTUAL INSURANCE ASSOCIATION  
(LONDON) LIMITED

**ANNUAL REPORT & FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 20 FEBRUARY 2016

REGISTERED NUMBER: 22211

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THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION (LONDON)  
LIMITED  
(Limited by Guarantee) Registered number 22211

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**NOTICE OF MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members will be held in the Hotel Le Royal, 12 Boulevard Royal, 2449 Luxembourg, on Wednesday, 21 September 2016 at 12.00 hours, for the following purposes:

1. To approve the Report of the Directors and the Financial Statements for the year ended 20 February 2016.
2. To elect Directors.
3. To transact any other ordinary business of the Association.

By order of the Board



**M H Pender**  
**Secretary**

5 May 2016

NOTE: A Member entitled to attend and vote is entitled to appoint a proxy to attend and, on a poll, to vote instead of him. A proxy need not be a Member of the Association. The instrument appointing a proxy shall be left with the Secretary not later than 48 hours before the holding of the Meeting.

THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee) Registered number 22211

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**Directors**

L Tsangarides (Chairman)  
P R L Lorenz-Meyer  
M T Los

**Registered Office**

Tower Bridge Court  
226 Tower Bridge Road  
London  
SE1 2UP

Telephone: 020 7716 6000

**Registered Number: 22211**

**Independent Auditors**

Deloitte LLP  
2 New Street Square  
London  
EC4A 3BX

**STRATEGIC REPORT for the year ended 20 February 2016**

The Directors present their Strategic Report for the year ended 20 February 2016.

**Review of the business**

The principal activity of The West of England Ship Owners Mutual Insurance Association (London) Limited (the "Association") during the year was the continued run off of the risks of Class 2; Freight, Demurrage and Defence.

Pursuant to a reinsurance agreement with The West of England Ship Owners Mutual Insurance Association (Luxembourg) (the "Luxembourg Association"), the Association ceased to insure Class 2 risks after 20 February 1986 and from that date held all the assets of Class 2 as trustee for the Luxembourg Association. Under the terms of the reinsurance agreement, all Class 2 claims are subject to the approval of the Luxembourg Association. The business of Class 2 relating to risks insured prior to 20 February 1986 continued to be reinsured by The West of England Reinsurance (Hamilton) Limited on a quota-share basis with the residual result being fully reinsured by the Luxembourg Association. From 20 February 1992, the reinsurance of Class 2 by The West of England Reinsurance (Hamilton) Limited ceased.

Also pursuant to this reinsurance agreement with the Luxembourg Association, the Association ceased to insure Class 3 and Class 4 risks, Ships Officers and Crew Strikes and Port Area Strikes respectively, after 20 February 1987. The reinsurance of these Classes by The West of England Reinsurance (Hamilton) Limited ceased on 20 February 1992. The risks of Classes 3 and 4 are considered to be fully run off.

The business of Class 1, Protection and Indemnity, ceased from 20 February 1970. Special reinsurance arrangements for the relevant policy years up to and including 1969/70 have been made with the Luxembourg Association, whereby it agrees to reinsure, indemnify and hold harmless the Association. In addition, the Association may require that the Luxembourg Association shall pay or discharge directly or put the Association in sufficient funds to pay any claim. As a result, all payments are being made directly by the Luxembourg Association.

The Income & Expenditure Account which is set out on pages 9 and 10 shows transactions resulting in a net amount payable to the Luxembourg Association by way of a reinsurance reimbursement for Class 2 of \$286,181 (2015 \$77,454 reinsurance claim payable from). In addition, there was a decrease of \$24,166 in the amount forecast to be recovered from the Luxembourg Association (2015 \$114,070).

A Consolidated Policy Year Statement for Class 2 has been drawn up on the same basis as in previous years and is set out on pages 20 and 21. This incorporates the assets which were held by Class 2 of The West of England Reinsurance (Hamilton) Limited at 20 February 1992 and were transferred at that date to International Shipowners Reinsurance Company S.A., a wholly owned subsidiary of the Luxembourg Association, and the income and expenditure since attributable to those assets.

The ultimate liability for outstanding and unnotified claims has been evaluated and the relevant figures have been incorporated in the Consolidated Policy Year Statement referred to above. The Board and management closely monitor the outstanding cases. At 20 February 2016 only one case remained open (2015 two) pending payments of closing fees. It is the Directors' opinion that the remaining liabilities for claims shown in the Balance Sheet will not vary significantly and that, subject to finalising this one case, the liabilities of Class 2 may be regarded as fully run-off. The projected ultimate cumulative deficit of Class 2 is \$2.67 million (2015 \$2.98 million).

**STRATEGIC REPORT for the year ended 20 February 2016 (continued)**

**Key performance indicators**

It is a requirement under Section 417 of the Companies Act 2006 for the Directors to disclose, to the extent necessary, the key performance indicators relevant for an understanding of the position and performance of the business. Given that only one claim remains open, as referred to in the Review of the business above, the Directors consider that the key objective is to run this claim off at as little cost as possible and to operate the Association at the lowest cost possible until such time as it may be wound up, as described below. The key performance indicators are:

	2016	2015
Number of open claims	1	2
Gross claims incurred decrease	\$331,047	\$54,398
Other income and expenditure	\$(20,700)	\$(17,782)

**Principal risks and uncertainties**

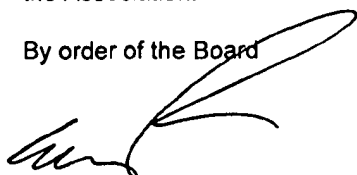
The principal risks of the Association arise from (i) inadequate reserving and the severity of claims compared to expectations and (ii) from failure of the reinsurance arrangements. In the view of the Directors neither risk is significant.

**Future developments**

In May 2015 the Directors agreed to a transfer of the business to the Luxembourg Association under the Financial Services and Markets Act 2000, subject to agreement by that Association, which was agreed in February 2016. The Association has engaged with the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) with a view to completing the transfer in the year ending 20 February 2017. On completion of the transfer it is the intention of the Directors to wind the Association up. This is discussed in more detail in the Going concern assessment section of the Report of the Directors.

Until such transfer has been completed, the Directors do not anticipate any change to the principal activity of the Association.

By order of the Board



**M H Pender**  
Secretary

5 May 2016

**REPORT OF THE DIRECTORS for the year ended 20 February 2016**

The Directors present their Report for the year ended 20 February 2016.

**Future developments and events after the balance sheet date**

Future developments are discussed in the Strategic Report. There are no post balance sheet events to report.

**Going concern assessment**

At a meeting of the Board of Directors on 6 February 2001, it was unanimously resolved that, subject to the receipt of legal advice, the Association should proceed to be wound-up. On receipt of legal advice and issues regarding the closure process no further steps were taken.

In 2015 the Association reviewed the position, including discussions with the Association's principal regulator the PRA about the on-going costs and requirements of operating the Association. As reported in the Strategic Report at a meeting of the Board on 15 May 2015, it was unanimously resolved that the Association should seek to transfer its business to the Luxembourg Association and that, subject to completion, the business should be wound up. The Luxembourg Association has agreed to accept such a transfer under the Financial Services and Markets Act 2000 and the Association has engaged with the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) with a view to completing the transfer in the year ending 20 February 2017.

On completion of the transfer it is the intention of the Directors to wind the Association up. The Directors consider that the winding up is unlikely to be completed in the year ending 20 February 2017 and as the Association has adequate resources to meet its ongoing obligations have therefore prepared this Annual Report and Financial Statements under a going concern basis (note 2.1).

**Financial risk management**

Schedule 7 of the Companies Act 2006 requires disclosure, where material, of the financial risk management objectives and policy of the Association and of its exposure to credit and liquidity risks. The Association is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from policies as they fall due, however, the Association manages its policyholder liabilities in full by reinsurance and, because of this the impact of such financial risk is low.

*Credit and cash flow risk*

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The key area where the Association is exposed to credit risk is the reinsurance with the Luxembourg Association. Because of the strong financial position of the reinsurer, this risk is regarded as low.

*Liquidity risk*

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Association maintains sufficient cash balances and liquidity to manage anticipated liabilities and unexpected demand.

**REPORT OF THE DIRECTORS for the year ended 20 February 2016 (continued)**

**Directors**

The Directors of the Association who were in office at the date of signing the financial statements are listed on page 1 all these Directors held office throughout the year under review.

All of the Directors will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

**Directors' and Officers' insurance**

Throughout the year and at the time the Report of the Directors was approved insurance cover for Directors and Officers against legal liabilities relating to the Association's activities was maintained.

**Independent auditor**

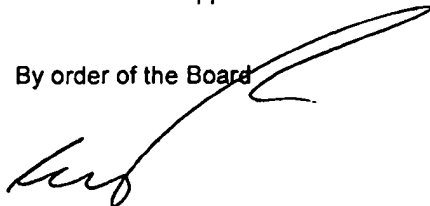
Each of the persons who is a Director at the date of approval of this report confirms that:

- (1) so far as the Director is aware, there is no relevant audit information of which the Association's auditors are unaware; and
- (2) each 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 Association's auditor are aware of that information.

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

A resolution to appoint auditors to the Association will be proposed at the Annual General Meeting.

By order of the Board



**M H Pender**  
**Secretary**

5 May 2016

**Directors' responsibilities statement**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared 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 Association and of the profit or loss of the Association for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association 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 Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



**Independent auditor's report to the Members of  
The West of England Mutual Insurance Association (London) Limited**

We have audited the financial statements of The West of England Mutual Insurance Association (London) Limited for the year ended 20 February 2016 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 18. 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 Directors' Responsibilities Statement, 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 annual 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 20 February 2016 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

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

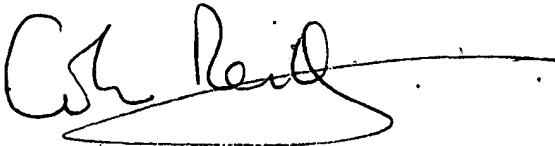
**THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION  
(LONDON) LIMITED (Limited by Guarantee) Registered number 22211**

**Independent auditor's report to the Members of  
The West of England Mutual Insurance Association (London) Limited (continued)**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Colin Rawlings FCA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

Date: 5 May 2016

THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee) Registered number 22211

**INCOME & EXPENDITURE ACCOUNT**  
for the year ended 20 February 2016

<b>TECHNICAL ACCOUNT – General Business</b>	Note	<b>2016</b> <b>Class 2</b> <b>\$</b>	<b>2015</b> <b>Class 2</b> <b>\$</b>
<b>Allocated investment return transferred from the non-technical account</b>		<b>(2,243)</b>	<b>(240)</b>
<b>Total technical charges</b>		<b>(2,243)</b>	<b>(240)</b>
<b>Claims incurred net of reinsurance</b>			
Claims paid			
Gross amount		<b>306,881</b>	<b>(59,672)</b>
Reinsurers' share		<b>(306,881)</b>	<b>59,672</b>
		<b>-</b>	<b>-</b>
Change in the provision for claims			
Gross amount		<b>24,166</b>	<b>114,070</b>
Reinsurers' share		<b>(24,166)</b>	<b>(114,070)</b>
		<b>-</b>	<b>-</b>
<b>Claims incurred net of reinsurance</b>		<b>-</b>	<b>-</b>
<b>Net operating expenses</b>	4	<b>(18,457)</b>	<b>(17,542)</b>
Reinsurers' share of other expenditure		<b>20,700</b>	<b>17,782</b>
<b>Total technical income</b>		<b>2,243</b>	<b>240</b>
<b>Balance on the technical account for general business</b>		<b>-</b>	<b>-</b>

The accompanying notes from page 13 to page 19 form an integral part of these financial statements.

THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee) Registered number 22211

**INCOME & EXPENDITURE ACCOUNT**  
for the year ended 20 February 2016

<b>NON-TECHNICAL ACCOUNT</b>	Note	<b>2016</b> <b>Class 2</b> <b>\$</b>	<b>2015</b> <b>Class 2</b> <b>\$</b>
Balance on the general business technical account		-	-
Investment income		4	1
Investment expenses and charges		<b>(2,247)</b>	<b>(241)</b>
Allocated investment return transferred to the general business technical account		<b>2,243</b>	<b>240</b>
<b>Result on ordinary activities before tax</b>		<hr style="width: 100%; border: 0.5px solid black;"/>	<hr style="width: 100%; border: 0.5px solid black;"/>
Tax on result on ordinary activities	5	-	-
<b>Result for financial year</b>		<hr style="width: 100%; border: 0.5px solid black;"/>	<hr style="width: 100%; border: 0.5px solid black;"/>

There are no Income & Expenditure Account movements for Classes 1, 3 and 4. There are no recognised gains or losses for the year other than those shown in the above Income & Expenditure Account. All of the results are in respect of discontinued operations.

**Note of historical profits and losses**

Gains and losses of an insurance company arising on the holding or disposal of investments are not required to be included in a note of historical profits and losses. There are no other differences between the result on ordinary activities before tax or the result for the financial year stated above and their historical cost equivalents.

The accompanying notes from page 13 to page 19 form an integral part of these financial statements.

THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee) Registered number 22211

**BALANCE SHEET**  
As at 20 February 2016

<b>ASSETS</b>	Note	2016 \$	2015 \$
<b>Reinsurers' share of technical provisions</b>			
Claims outstanding		10,264	34,430
<b>Other debtors</b>	7	195	193
<b>Cash at bank and in hand</b>		39,411	21,478
<b>Total Assets</b>		<u>49,870</u>	<u>56,101</u>
 <b>LIABILITIES</b>			
<b>Capital and reserves</b>			
Income & Expenditure Account		-	-
<b>Technical provisions</b>			
Claims outstanding	8	10,264	34,430
<b>Creditors</b>			
Creditors arising out of reinsurance operations	9	22,425	6,074
Other creditors including taxation and social security		17,181	15,597
		<u>39,606</u>	<u>21,671</u>
<b>Total Liabilities</b>		<u>49,870</u>	<u>56,101</u>

The Financial Statements on pages 9 to 19 were approved by the Board of Directors and authorised for issue on 5 May 2016.

They were signed on its behalf by:

  
L M Tsangarides  
Chairman

  
P R L Lorenz-Meyer  
Director

The accompanying notes from page 13 to page 19 form an integral part of these financial statements.

THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION (LONDON) LIMITED  
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**CASH FLOW STATEMENT**  
for the year ended 20 February 2016

	Note	2016 \$	2015 \$
<b>Net cash inflow / (outflow) from operating activities</b>	10	20,176	(1,621)
<b>Cash flows from investing activities</b>			
Interest received		4	1
<b>Cash flows from financing activities</b>			
Interest paid		(19)	-
<b>Net cash inflow / (outflow)</b>		<u>20,161</u>	<u>(1,620)</u>
<b>Cash at beginning of financial year</b>		21,478	23,339
Effects of foreign exchange rate changes		(2,228)	(241)
<b>Cash at end of financial year</b>		<u>39,411</u>	<u>21,478</u>

The accompanying notes from page 13 to page 19 form an integral part of these financial statements.

Notes to the financial statements for the year-ended 20 February 2016

1. General information

The West of England Ship Owners Mutual Insurance Association (London) Limited is an Association incorporated in the United Kingdom and authorised by the Prudential Regulation Authority and Financial Conduct Authority to carry out insurance business. The address of the registered office is given on page 1. The nature of the Association's operations and its principal activities are set out in the Strategic Report on pages 2 to 3.

2. Significant accounting policies

2.1 Basis of accounting

The financial statements have been prepared under the going concern basis, the historic cost convention and in accordance with Financial Reporting Standards 102 & 103 (FRS 102 & 103) issued by the Financial Reporting Council. This is the first year the Association has presented its financial statements in accordance with FRS 102 and 103 and an explanation of the transition is given in note 16. These standards use "Profit and Loss Account" as a heading, which is replaced by "Income & Expenditure Account" throughout these financial statements consistent with the mutual status of the Association.

In accordance with FRS 103, the Association has applied existing accounting policies for insurance contracts. All figures are reported in US Dollars (\$).

The Association's business activities, together with the factors likely to affect its future development, performance and position are set out in the Review of the Business which forms part of the Report of the Directors. The Report of the Directors also describes the financial position of the Association; its cash flows and liquidity position; the Association's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to credit risk and liquidity risk.

The Directors have a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future and until such a time as the business may be wound up. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.2 Reinsurance and pooling arrangements

Class 2

Reinsurance cover for Class 2, on an excess of loss basis, has been effected with the Luxembourg Association since 20 February 1982 and for new building risks since 20 February 1985.

In exchange for the Luxembourg Association agreeing on 18th October 1985 to reinsure the totality of the risks insured by Class 2 up to 20 February 1986, this Association agreed from that date to hold all the assets pertaining to Class 2 as trustee for the Luxembourg Association and to transfer them to the Luxembourg Association on demand. This right of transfer was exercised immediately upon the close of business on 20 February 1986 in respect of the Association's shareholding in the West of England Reinsurance (Hamilton) Limited. The business of Class 2 ceased on 20 February 1986 save for the purpose of winding up such business subject to the closure of the one remaining active case this business is regarded as run-off.

Class 3 and Class 4

The business of Class 3 and Class 4 ceased on 20 February 1987 save for the purpose of winding up such business, which has been reinsured with the Luxembourg Association. This business is regarded as fully run off.

**Notes to the financial statements for the year-ended 20 February 2016 – continued**

**2. Significant accounting policies – continued**

**2.2 Reinsurance and pooling arrangements - continued**

**Class 1**

The business of Class 1, Protection and Indemnity, ceased from 20 February 1970. Special reinsurance arrangements for the relevant policy years up to and including 1969/70 have been made with the Luxembourg Association, whereby the Luxembourg Association agrees to reinsure, indemnify and hold harmless the Association. In addition, the Association may require that the Luxembourg Association shall pay or discharge directly or put the Association in sufficient funds to pay any claim. As a result, all payments are being made directly by the Luxembourg Association.

**2.3 Foreign currencies**

The presentation and the functional currency of the Association is the US Dollar. Transactions in currencies other than US Dollars are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US Dollars are translated using the rate of exchange ruling at the Balance Sheet date. Exchange differences on translation are included in the Income & Expenditure Account.

**2.4 Basis of insurance**

Calls are levied on a policy year basis and claims are included in policy years by reference to the date of the incident and reinsurance recoveries are allocated accordingly.

**2.5 Revenue recognition**

**Investment return**

Investment return consists of bank and other interest and is credited to the Income & Expenditure Account as earned. For Class 2, investment return may be allocated to policy years at the discretion of the Directors.

**Allocated investment return transferred from the non-technical account**

A transfer of investment return, including foreign exchange gains and losses, expenses and charges, before tax, is made from the non-technical account to the technical account to reflect the return made on those assets directly attributable to the insurance business.

**2.6 Insurance contracts**

**Claims paid**

Claims are charged to the Income & Expenditure Account when they have been approved by the Directors. Credit is taken for reinsurance recoveries due in respect of claims accounted for at the Balance Sheet date.

**Provision for outstanding claims**

Provision for outstanding claims include estimates of notified outstanding claims together with any assessed provision for claims incurred but not reported (IBNR). Significant delays may occur before claims are settled and a substantial measure of experience and judgement is required in assessing the ultimate cost of outstanding claims, which cannot be known with certainty at the Balance Sheet date.



Notes to the financial statements for the year-ended 20 February 2016 – continued

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Association's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Valuation of liabilities of insurance contracts

Estimates are made for both the expected ultimate cost of claims reported and IBNR at the balance sheet date. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. In calculating the estimated liability, due to only one claim remaining open, the Association did not assume any IBNR. The gross carrying amount for insurance contract liabilities at the balance sheet is \$10,264 (2015: \$34,430). The net carrying amount for insurance contract liabilities at the balance sheet is \$ nil (2015: nil).

4. Net operating expenses

Auditors' remuneration

During the year the Association obtained the following services from its auditor at costs detailed below:

	2016	2015
	\$	\$
<b>Audit services</b>		
Fees payable to the Association's auditor for the audit of the Association's financial statements	9,653	8,763
<b>Non-audit services</b>		
Other services pursuant to legislation, including the audit of the regulatory return	7,527	6,834
Tax services	-	-
	<u>17,180</u>	<u>15,597</u>
<b>Other admin. expenses</b>	<u>1,277</u>	<u>1,945</u>
	<u>18,457</u>	<u>17,542</u>

THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION (LONDON) LIMITED  
 (Limited by Guarantee) Registered number 22211

Notes to the financial statements for the year-ended 20 February 2016 – continued

5. Tax on ordinary activities

On 10 July 2012 the Association received confirmation from HM Revenue & Customs that it was content to treat the Association as dormant for tax purposes. No tax payments were therefore made in the year ended 20 February 2016.

6. Directors' remuneration

There were three Directors (2015 three) employed by the Association during the year. No fees were paid to the Directors for the year ended 20 February 2016 (2015 \$ nil). No other staff were employed.

7. Other debtors

	2016 \$	2015 \$
Amounts falling due within one year:		
Prepaid expenses	195	193
Other debtors	195	193

8. Technical provisions

	2016 \$
<b>Gross amount</b>	
As at 20 February 2015	34,430
Movement in provision	(24,166)
As at 20 February 2016	10,264
<b>Reinsured amount</b>	
As at 20 February 2015	34,430
Movement in provision	(24,166)
As at 20 February 2016	10,264
<b>Net technical provision</b>	
As at 20 February 2015	0
As at 20 February 2016	0

9. Creditors arising out of reinsurance operations

The assets of this Association are held in trust for the Luxembourg Association; the net balance due to the Luxembourg Association of \$22,425 (2015 \$6,074) is included in Creditors arising out of reinsurance operations.

THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION (LONDON) LIMITED  
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Notes to the financial statements for the year-ended 20 February 2016 – continued

10. Notes to the cash flow statement

	2016	2015
	\$	\$
Result on ordinary activities before tax	-	-
Less investment income	(4)	(1)
Less investment expenses and charges	2,247	241
Operating result	<u>2,243</u>	<u>240</u>
Increase / (decrease) in creditors	17,935	(1,851)
Increase in debtors	(2)	(10)
Decrease in technical provisions	(24,166)	(114,070)
Decrease in reinsurers' share of technical provisions	24,166	114,070
Net cash inflow / (outflow) from operating activities	<u>20,176</u>	<u>(1,621)</u>

11. Capital management

For the purposes of regulatory reporting the Association is technically insolvent by reason of failing to meet its minimum guarantee fund. Despite this, the Association has met its liabilities in full through the operation of the reinsurance agreements with the Luxembourg Association.

The Association will continue not to meet its Minimum Capital Requirement since it has no sources of capital other than through the run-off reinsurance agreements it has in place. It remains the view of the Directors that the reinsurance arrangements will continue to support the payment of all liabilities of the Association and therefore the Association will continue to have sufficient financial resources to run-off all liabilities.

12. Class 1, Protection and Indemnity

Under the accounting policies the business of Class 1, Protection and Indemnity, is covered by special reinsurance arrangements for the relevant policy years up to and including 1969/70. The amounts involved are excluded from the Income & Expenditure Account and Balance Sheet. Gross claims paid in the year amount to \$132,888 (2015 \$656,826 restated) less reinsurance recoveries of nil (2015 nil) leading to a net reinsurance recovery from the Luxembourg Association of \$132,888 (2015 \$656,826 restated).

13. Guarantee

Under the Memorandum of Association, the Association is limited by guarantee not exceeding £5 per Member for every 100 tons or part of 100 tons entered.

Notes to the financial statements for the year-ended 20 February 2016 – continued

14. Financial risk management

The Association is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from policies as they fall due, however, the Association manages its policyholder liabilities in full by reinsurance and, because of this the impact of such financial risk is low.

14.1 Credit and cash flow risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The key area where the Association is exposed to credit risk is the reinsurance with the Luxembourg Association. Because of the strong financial position of the reinsurer, this risk is regarded as low.

14.2 Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Association maintains sufficient cash balances and liquidity to manage anticipated liabilities and unexpected demand.

15. Insurance risk management

The Association has passed on all of its insurance risk through its reinsurance arrangements with the Luxembourg Association.

Claims Development

The following table shows the development of claims over a period of time on a gross basis. FRS 103 requires that claims development shall go back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payment, but need not go back more than ten years. The remaining open claim relates to Policy Year 1973.

Gross Underwriting year (Policy Year)	\$ 2011/12	\$ 2012/13	\$ 2013/14	\$ 2014/15	\$ 2015/16	\$ Total
Estimate of ultimate claims:						
At end of underwriting year	-	-	-	-	-	-
One year later	-	-	-	-	-	-
Two years later	-	-	-	-	-	-
Three years later	-	-	-	-	-	-
Four years later	-	-	-	-	-	-
Current estimate of cumulative claims	-	-	-	-	-	-
Cumulative payments to date	-	-	-	-	-	-
Liability recognised in the balance sheet	-	-	-	-	-	-
Reserve in respect of prior years						10,264
Total reserve included in the balance sheet						10,264

Claims development net of reinsurance are not presented as all claims are fully reinsured and the equivalent table would present entirely nil balances.

Notes to the financial statements for the year-ended 20 February 2016 – continued

16. Explanation of transition to FRS 102 and FRS 103

This is the first year the Association has presented its financial statements under FRS 102 and 103 issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the financial year ended 20 February 2015 and the date of transition to FRS 102 was therefore 21 February 2014. As a consequence of adopting FRS 102 and 103 a number of additional disclosures are required in order to comply with these standards however neither the result for the year nor the capital and reserves of the Association have changed so the transitional disclosure requirements for a reconciliation of equity and a reconciliation of the result for the year are not presented.

17. Subsequent events

There are no subsequent events which require adjustment or disclosure in the financial statements.

The financial statements were authorised for issue by the Board of Directors on 5 May 2016.

18. Related parties

All risks insured by this Association up to the date when it ceased underwriting are reinsured with Luxembourg Association. Notwithstanding, Members of the Association retain obligations and rights and some of the Members of the Association are also Members of the Luxembourg Association.

Until 14 January 2005, the Association was managed by The West of England Ship Owners Insurance Services Limited, a management company wholly owned by the Luxembourg Association. Other than those disclosed in these financial statements there were no outstanding balances with related parties at either 20 February 2016 or 20 February 2015.

Amounts included in the income and expenditure account, for the financial years ended 20 February 2016 and 2015 in respect of the reinsurance agreement with the Luxembourg Association were as follows;

	2016 \$	2015 \$
Claims paid	(306,881)	59,672
Movement in claims provisions	(24,166)	(114,070)
Net operating expenses	18,457	17,542
Investment return	2,243	240
	<u>(310,347)</u>	<u>(36,616)</u>

Amounts included in the balance sheet, for the financial years ended 20 February 2016 and 2015 in respect of this reinsurance agreement were as follows;

	2016 \$	2015 \$
Reinsurers' share of claims outstanding	10,264	34,430
Creditors arising out of reinsurance operations	(22,425)	(6,074)

THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION (LONDON) LIMITED  
(Limited by Guarantee) Registered number 22211

APPENDIX I – Class 2 Consolidated Policy Year Statement at 20 February 2016  
for all years up to and including 1985/86 (unaudited)

\$'000	80/81 & Prior	81/82	82/83	83/84	84/85	85/86	Policy Year Reserve Account	Allocation Account	Total
Calls		5,873	6,101	5,536	4,778	4,282	12,642		
Reinsurance premiums		(375)	(418)	(424)	(452)	(348)			
<b>Net premiums</b>		<b>5,498</b>	<b>5,683</b>	<b>5,112</b>	<b>4,326</b>	<b>3,934</b>			
Investment income after taxation and exchange differences		490	395	318	(101)	-		1,524	
		<b>5,988</b>	<b>6,078</b>	<b>5,430</b>	<b>4,225</b>	<b>3,934</b>			
Management expenses (including Audit fee and Directors' fees)		(557)	(690)	(804)	(644)	(990)	(2,643)		
<b>Net income</b>		<b>5,431</b>	<b>5,388</b>	<b>4,626</b>	<b>3,581</b>	<b>2,944</b>	<b>9,999</b>	<b>1,524</b>	
<b>Net claims paid</b>		<b>(5,744)</b>	<b>(4,880)</b>	<b>(3,658)</b>	<b>(4,071)</b>	<b>(2,040)</b>			
Balance before outstanding claims	(15,758)	(313)	508	968	(490)	904	9,999	1,524	(2,658)
Projected outstanding claims	(10)	-	-	-	-	-			(10)
<b>Projected balance</b>	<b>(15,768)</b>	<b>(313)</b>	<b>508</b>	<b>968</b>	<b>(490)</b>	<b>904</b>	<b>9,999</b>	<b>1,524</b>	<b>(2,668)</b>

Notes to the Class 2 Consolidated Policy Year Statement (unaudited)

1. This appendix combines the results of Class 2 of The West of England Ship Owners Mutual Insurance Association (London) Limited with Class 2 of The West of England Reinsurance (Hamilton) Limited which was, until 20 February 1986, wholly owned by the Association and which undertook reinsurance of the Association until 20 February 1992. The projected balance shown represents the total amount projected to be recoverable for Class 2 under the reinsurance arrangements with the Luxembourg Association, described more fully in the Financial Statements of this Association.

**THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION (LONDON) LIMITED**  
**(Limited by Guarantee) Registered number 22211**

**Notes to the Class 2 Consolidated Policy Year Statement (unaudited) - continued**

2. Until 20 February 1984, all accounting records were maintained in sterling and in so far as the figures at that date are included above, they have been translated into US Dollars at the rate ruling on 20 February 1984.
3. The Allocation Account represents cumulative investment income earned and exchange differences from 20 February 1985.
4. The figures for projected outstanding claims represent the projected ultimate liabilities remaining for the policy years shown. In arriving at these figures, a number of important assumptions have been made and to the extent that time may alter the validity of those assumptions, the projected figures may vary significantly.
5. For the purpose of this Statement, claims paid exclude claims handling expenses allocated to claims. These are included in Management expenses. Appropriate provision is made in outstanding and unnotified claims for future claims handling costs.
6. All Policy Years have been closed. The 1985/86 Policy Year was closed by the Board of Directors at its meeting of 2 February 2016.