

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

ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 20 FEBRUARY 2017

REGISTERED NUMBER: 22211

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

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 2017

The Directors present their Strategic Report for the year ended 20 February 2017.

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 the Association.

Pursuant to a reinsurance agreement with The West of England Ship Owners Mutual Insurance Association (Luxembourg) (the "Luxembourg Association") dated 18 October 1985, 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. Following the closure of the one remaining active case during the year under review, Class 2 is regarded as fully run-off.

Also pursuant to this reinsurance agreement, 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 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 under an Agreement dated 19 February 1970, 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.

In May 2015 the Directors agreed to a transfer of the whole of the Association's business to the Luxembourg Association under Part VII of The Financial Services and Markets Act 2000 ("FSMA"), subject to agreement by that Association, which was agreed in February 2016.

Such a transfer of the Association's business under Part VII of FSMA was successfully completed by sanction of the High Court of Justice on 17 February 2017, to be effective mid-day on 20 February 2017. It is now the intention of the Directors to wind the Association up. Further to that, application has been made to the Association's regulatory authorities to de-authorise it as an insurance company. On receipt of de-authorisation, the reinsurance agreements of 19 February 1970 and 18 October 1985 shall be terminated and, then, approval be sought from the Association's Membership for the Association be wound up. For this reason, the Annual Report and Financial Statements of the Association at 20 February 2017 are not prepared on a going concern basis.

The Income & Expenditure Account which is set out on pages 8 and 9 shows transactions resulting in a net recovery from the Luxembourg Association for Class 2 of \$3,892 (2016 \$286,181 reinsurance reimbursement to). In addition, there was a decrease of \$10,264 in the amount forecast to be recovered from the Luxembourg Association (2016 \$24,166) to nil.

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 19 and 20. 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. At 20 February 2017 no claims remain open (2016 one) with the Class 2 liabilities now regarded as fully run-off. The ultimate cumulative deficit of Class 2 is \$ 2.67 million (2016 \$2.67 million), which with the finalisation of the run-off represents the final ultimate result of the run-off of this Class of business.

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. The Directors considered that the key objective was to run off the business, which for the year under review represented only one remaining claim, at as little cost as possible and to operate the Association at the lowest cost possible until such a time as it may be wound up. With the final claim now closed and the transfer of business to the Luxembourg Association complete the key performance indicators are:

	2017	2016
Number of open claims	0	1
Gross claims incurred decrease	\$8,389	\$331,047
Other income and expenditure	\$(2,017)	\$(20,700)

Principal risks and uncertainties

In view of the transfer of the totality of the Association's business to the Luxembourg Association, there are not regarded as being any material risks and uncertainties.

Future developments

As described above, it is now the intention of the Directors to wind the Association up.

By order of the Board



M H Pender
Secretary

11 May 2017

REPORT OF THE DIRECTORS for the year ended 20 February 2017

The Directors present their Report for the year ended 20 February 2017.

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

A transfer of the Association's business under Part VII of FSMA was successfully completed by sanction of the High Court of Justice on 17 February 2017, to be effective mid-day on 20 February 2017. The Association now has no assets nor liabilities. It is now the intention of the Directors to wind the Association up. The Directors have therefore prepared this Annual Report and Financial Statements under a basis other than going concern (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. As the business of the Association was transferred to the Luxembourg Association on 20 February 2017 the Association is not deemed to be exposed to any material financial risks.

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.

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.

By order of the Board



M H Pender
Secretary

11 May 2017

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 auditors' 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 2017 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 17. 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 2017 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.

Emphasis of matter – Financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

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

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

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: 11 MAY 2017

INCOME & EXPENDITURE ACCOUNT
for the year ended 20 February 2017

TECHNICAL ACCOUNT – General Business	Note	2017 Class 2 \$	2016 Class 2 \$
Allocated investment return transferred from the non-technical account		(1,826)	(2,243)
Total technical charges		<u>(1,826)</u>	<u>(2,243)</u>
Claims incurred net of reinsurance			
Claims paid			
Gross amount		(1,875)	306,881
Reinsurers' share		<u>1,875</u>	<u>(306,881)</u>
		<u>-</u>	<u>-</u>
Change in the provision for claims			
Gross amount		10,264	24,166
Reinsurers' share		<u>(10,264)</u>	<u>(24,166)</u>
		<u>-</u>	<u>-</u>
Claims incurred net of reinsurance		<u>-</u>	<u>-</u>
Net operating expenses	4	(191)	(18,457)
Reinsurers' share of other expenditure		<u>2,017</u>	<u>20,700</u>
Total technical income		<u>1,826</u>	<u>2,243</u>
Balance on the technical account for general business		<u><u>-</u></u>	<u><u>-</u></u>

The accompanying notes from page 12 to page 18 form an integral part of these financial statements.

**INCOME & EXPENDITURE ACCOUNT
for the year ended 20 February 2017**

NON-TECHNICAL ACCOUNT	Note	2017 Class 2 \$	2016 Class 2 \$
Balance on the general business technical account		-	-
Investment income		6	4
Investment expenses and charges		(1,832)	(2,247)
Allocated investment return transferred to the general business technical account		1,826	2,243
Result on ordinary activities before tax		-	-
Tax on result on ordinary activities	5	-	-
Result for financial year		-	-

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

BALANCE SHEET
As at 20 February 2017

ASSETS	Note	2017 \$	2016 \$
Reinsurers' share of technical provisions			
Claims outstanding		-	10,264
Other debtors	7	-	195
Cash at bank and in hand		-	39,411
Total Assets		-	49,870
LIABILITIES			
Capital and reserves			
Income & Expenditure Account		-	-
Technical provisions			
Claims outstanding	8	-	10,264
Creditors			
Creditors arising out of reinsurance operations	9	-	22,425
Other creditors including taxation and social security		-	17,181
		-	39,606
Total Liabilities		-	49,870

The Financial Statements on pages 8 to 18 were approved by the Board of Directors and authorised for issue on 11 May 2017.

They were signed on its behalf by:


L M Tsangarides
Chairman


P R L Lorenz-Meyer
Director

The accompanying notes from page 12 to page 18 form an integral part of these financial statements.

CASH FLOW STATEMENT
for the year ended 20 February 2017

	Note	2017 \$	2016 \$
Net cash (outflow) / inflow from operating activities	10	(37,585)	20,176
Cash flows from investing activities			
Interest received		6	4
Cash flows from financing activities			
Interest paid		-	(19)
Net cash (outflow) / inflow		<u>(37,579)</u>	<u>20,161</u>
Cash at beginning of financial year		39,411	21,478
Effects of foreign exchange rate changes		(1,832)	(2,228)
Cash at end of financial year		<u>-</u>	<u>39,411</u>

The accompanying notes from page 12 to page 18 form an integral part of these financial statements.

Notes to the financial statements for the year-ended 20 February 2017

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. A transfer of the Association's business under Part VII of FSMA was successfully completed by sanction of the High Court of Justice on 17 February 2017, to be effective mid-day on 20 February 2017. The Association now has no assets nor liabilities. It is now the intention of the Directors to wind the Association up. Following the transfer, application has been made to de-authorise the Association as an insurance company.

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

As explained in the Strategic Report and the Report of the Directors the Association transferred its business to the Luxembourg Association on 20 February 2017. As required by UK accounting standards, the Directors have prepared the financial statements on the basis that the Association is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. All assets and liabilities were transferred to the Luxembourg Association at their carrying amounts.

The financial statements have been prepared using the historic cost convention and in accordance with Financial Reporting Standards 102 & 103 (FRS 102 & 103) issued by the Financial Reporting Council. 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 (\$).

2.2 Reinsurance and pooling arrangements

The Luxembourg Association agreed on 18 October 1985 to reinsure the totality of the risks insured by Class 2 up to 20 February 1986 and Classes 3 & 4 up to 20 February 1987. The business of Class 2 ceased on 20 February 1986 save for the purpose of winding up such business which, following the closure of the one remaining active case during the year under review, is now regarded as fully run-off. The business of Classes 3 & 4 is regarded as fully run off.

Notes to the financial statements for the year-ended 20 February 2017 – 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. The business was transferred to the Luxembourg Association on 20 February 2017.

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. As all claims are now closed and regarded as fully run-off no provision for outstanding claims is made.

Notes to the financial statements for the year-ended 20 February 2017 – 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. As all no claims remain open, the gross carrying amount for insurance contract liabilities at the balance sheet is \$ nil (2016: \$10,264). The net carrying amount for insurance contract liabilities at the balance sheet is \$ nil (2016: nil).

4. Net operating expenses

Auditors' remuneration

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

	2017 \$	2016 \$
Audit services		
Fees payable to the Association's auditor for the audit of the Association's financial statements	-	9,653
Non-audit services		
Other services pursuant to legislation, including the audit of the regulatory return	-	7,527
Tax services	-	-
	<u>-</u>	<u>17,180</u>
Other administration expenses	<u>191</u>	<u>1,277</u>
	<u>191</u>	<u>18,457</u>

Following the successful completion of the transfer of business of the Association under Part VII of FSMA by sanction of the High Court of Justice on 17 February 2017 audit costs for the year ending 20 February 2017 will be borne by the Luxembourg Association.

Notes to the financial statements for the year-ended 20 February 2017 – 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 2017.

6. Directors' remuneration

There were three Directors (2016 three) employed by the Association during the year. No fees were paid to the Directors for the year ended 20 February 2017 (2016 \$ nil). No other staff were employed.

7. Other debtors

	2017 \$	2016 \$
Amounts falling due within one year:		
Prepaid expenses	-	195
Other debtors	<u>-</u>	<u>195</u>

8. Technical provisions

	2017 \$
Gross amount	
As at 20 February 2016	10,264
Movement in provision	<u>(10,264)</u>
As at 20 February 2017	-
Reinsured amount	
As at 20 February 2016	10,264
Movement in provision	<u>(10,264)</u>
As at 20 February 2017	-
Net technical provision	
As at 20 February 2016	<u>0</u>
As at 20 February 2017	<u>0</u>

9. Creditors arising out of reinsurance operations

The assets of this Association were held in trust for the Luxembourg Association up until noon at 20 February 2017; the net balance due to the Luxembourg Association is \$ nil (2016 \$22,425) following the transfer of all assets and liabilities of the Association to the Luxembourg Association at that date.

Notes to the financial statements for the year-ended 20 February 2017 – continued

10. Notes to the cash flow statement

	2017 \$	2016 \$
Result on ordinary activities before tax	-	-
Less investment income	(6)	(4)
Less investment expenses and charges	1,832	2,247
Operating result	<u>1,826</u>	<u>2,243</u>
(Decrease) / increase in creditors	(39,606)	17,935
Decrease / (increase) in debtors	195	(2)
Decrease in technical provisions	(10,264)	(24,166)
Decrease in reinsurers' share of technical provisions	10,264	24,166
Net cash (outflow) / inflow from operating activities	<u>(37,585)</u>	<u>20,176</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.

12. Class 1, Protection and Indemnity

Prior to the transfer of business to the Luxembourg Association under Part VII of FSMA on 20 February 2017 (Note 1), the business of Class 1, Protection and Indemnity, has been 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 \$445,968 (2016 \$132,888) less reinsurance recoveries of nil (2016 nil) leading to a net reinsurance recovery from the Luxembourg Association of \$445,968 (2016 \$132,888).

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 2017 – continued

14. Financial risk management

Prior to the transfer of business to the Luxembourg Association under Part VII of FSMA on 20 February 2017 (Note 1) the Association was exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. With effect from 20 February 2017, the Association has no assets nor liabilities and consequently no business risks.

15. Insurance risk management

During the year the Association 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. All liabilities have been transferred to the Luxembourg Association as at 20 February 2017 but in any event no claims remained open at that date.

Gross	\$	\$	\$	\$	\$	\$
Underwriting year (Policy Year)	2012/13	2013/14	2014/15	2015/16	2016/17	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						-
Total reserve included in the balance sheet						-

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

Notes to the financial statements for the year-ended 20 February 2017 – continued

16. 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 11 May 2017.

17. Related parties

All risks insured by this Association up to the date when it ceased underwriting are reinsured with Luxembourg Association. At 20 February 2017 the business of the Association was transferred to the Luxembourg Association under Part VII of FSMA. Notwithstanding, to the extent that Members of the Association may retain obligations and rights, some of those Members 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 2017 or 20 February 2016.

Amounts included in the income and expenditure account, for the financial years ended 20 February 2017 and 2016 in respect of the reinsurance agreement with the Luxembourg Association were as follows;

	2017	2016
	\$	\$
Claims paid	1,875	(306,881)
Movement in claims provisions	(10,264)	(24,166)
Net operating expenses	191	18,457
Investment return	1,826	2,243
	<u>(6,372)</u>	<u>(310,347)</u>

Amounts included in the balance sheet, for the financial years ended 20 February 2017 and 2016 in respect of this reinsurance agreement were as follows;

	2017	2016
	\$	\$
Reinsurers' share of claims outstanding	-	10,264
Creditors arising out of reinsurance operations	-	(22,425)

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 2017
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)			
Net premiums		5,498	5,683	5,112	4,326	3,934			
Investment income after taxation and exchange differences		490	395	318	(101)	-		1,522	
		5,988	6,078	5,430	4,225	3,934			
Management expenses (including Audit fee and Directors' fees)		(557)	(690)	(804)	(644)	(990)	(2,643)		
Net income		5,431	5,388	4,626	3,581	2,944	9,999	1,522	
Net claims paid		(5,744)	(4,880)	(3,658)	(4,071)	(2,040)			
Balance before outstanding claims	(15,759)	(313)	508	968	(490)	904	9,999	1,522	(2,661)
Projected outstanding claims	-	-	-	-	-	-			-
Projected balance	(15,759)	(313)	508	968	(490)	904	9,999	1,522	(2,661)

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 recovered for Class 2 under the reinsurance arrangements with the Luxembourg Association, described more fully in the Financial Statements of this Association.

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. As all claims are now closed and regarded as fully run-off projected outstanding claims are nil.
5. For the purpose of this Statement, claims paid exclude claims handling expenses allocated to claims. These are included in Management expenses.
6. All Policy Years have been closed.