Registered No: 38706

THE LONDON AND OVERSEAS INSURANCE COMPANY LIMITED
(in Scheme of Arrangement)

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2014

The London and Overseas Insurance Company Limited
(in Scheme of Arrangement)

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2014

Directors and advisers

Directors	P. A. B. Evans D. Y. Schwarzmann
Secretary and registered office	D. Y. Schwarzmann PricewaterhouseCoopers LLP 10-18 Union Street London SE1 1SZ
Independent auditor	Deloitte LLP London
Scheme administrators	P. A. B. Evans and D. Y. Schwarzmann PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
Solicitors	Hogan Lovells International LLP Atlantic House Holborn Viaduct London EC1A 2FG
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP

Strategic report

Principal activities and significant events

The London and Overseas Insurance Company Limited ("the Company") wrote Marine and Aviation Insurance. It ceased underwriting activities on 30 September 1992, but continues to run-off its insurance operation.

As a consequence of deterioration on claims reserves, the Company's intermediate parent company provided funding for claims payments from 15 December 1993 until 21 October 1994, when the Company and its immediate parent company, OIC Run-Off Limited (formerly the Orion Insurance Company PLC) (collectively "the OIC Group") were placed under the control of Joint Provisional Liquidators.

As described in note 13(c), on 30 June 1995 the OIC Group entered into an arrangement with Nationale – Nederlanden Overseas Finance and Investment Company Unlimited ("NNOFIC") whereby certain claims payments have been made in full. As at the balance sheet date, total claims paid under this arrangement amounted to US$14,510,000.

As described in note 20, the OIC Group entered into a Scheme of Arrangement with effect from 7 March 1997. On 15 September 1997 an Initial Payment Percentage of 15% of creditors' Established Liabilities was approved by the Creditors' Committee. Subsequent increases in the Payment Percentage have been approved by the Creditors' Committee. As at 31 December 2014 the Payment Percentage was paid at 58%.

As part of running off its insurance operations, the Company continues to carry on investment activities in relation to the assets under its control.

Future prospects of the Company and going concern

Due to the nature of some of the risks underwritten, the ultimate liability of the Company remains subject to uncertainty. However, proposals dated 8 October 2014 for an Amending Scheme of Arrangement were considered at meetings of creditors held on 11 December 2014. If this Amending Scheme of Arrangement becomes effective it will, subject to certain conditions, cut-off the majority of liabilities of the Company. In the meantime the Company continues to run-off the business and accordingly the financial statements have been prepared on the going concern basis.

Financial risk

The Company is exposed to financial risk, through its financial assets and technical provisions. The key financial risk is that proceeds from financial assets are insufficient to fund current and future claims.

The most important components of these risks are: timing and valuation risk in relation to technical provisions, and interest rate, currency, credit and liquidity risk in relation to financial assets. The Company manages these risks by:

- appointing specialist claims handlers who perform the day-to-day monitoring of its insurance liabilities and reinsurance assets;
- regularly reviewing the credit worthiness of its reinsurers;
- appointing external actuaries to assess the adequacy of reserves;
- reviewing cash flow requirements to ensure its liquidity needs are met;

Strategic report (continued)

Financial risk (continued)

- matching foreign currency liabilities with corresponding currency assets to minimise the impact of movements in foreign exchange rates; and
- appointing third party investment managers with a view to ensuring the best possible returns on investments and minimising impact of movements in interest rates.

By Order of the Board

P. A. B. Evans
Director

18 September 2015

Directors' report
for the year ended 31 December 2014

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

Directors and directors' interests in shares of the Company

The names of the directors of the Company are shown on page 1 and, unless otherwise indicated, these directors held office throughout the year.

Neither of the directors (or their families) have any interests in the shares of the Company.

No director has any disclosable interest in the share capital of the Company's holding company or of any of the Company's fellow subsidiary companies.

Directors' responsibilities statement

The directors are responsible for preparing the annual report 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). 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 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; 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' report (continued)
for the year ended 31 December 2014

Disclosure of information to the 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 Company's auditor is unaware; and

2) the director has taken all of the steps that he / she ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and shall be interpreted in accordance with the provisions of S.418 of the Companies Act 2006.

Auditor

Deloitte LLP has indicated its willingness to be appointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an Annual General Meeting.

By Order of the Board

P. A. B. Evans
Director

18 September 2015

Qualified Independent Auditor's Report to the Members of the London and Overseas Insurance Company Limited (In Scheme of Arrangement)

We have audited the financial statements of The London and Overseas Insurance Company Limited (in Scheme of Arrangement) for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 20. 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).

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.

Basis for qualified opinion on financial statements

As explained in note 5, the financial statements do not provide the disclosure required by United Kingdom Accounting Standards in respect of the analysis of debtors and creditors between reinsurance and direct business. In addition, under Financial Reporting Standard 5 "Reporting the Substance of Transactions" the Company is required to report their broker balances on a gross basis, according to the principal involved. The Company has not complied fully with this disclosure requirement. In respect of these matters the Company has not complied with United Kingdom Generally Accepted Accounting Practice.

Qualified opinion on financial statements arising from omission of disclosures

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;

Qualified Independent Auditor's Report to the Members of the London and Overseas Insurance Company Limited (In Scheme of Arrangement) (continued)

- 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 – technical provisions and significant uncertainties

In forming our opinion on the financial statements, we have considered the adequacy of the disclosures made in note 15 concerning the significant uncertainties regarding the outcome of the following:

- the ultimate cost of claims, including North American liability claims, such as environmental pollution and asbestos claims, which have been included in the Company's technical provisions and new sources or types of claims which might emerge; and

- the ultimate amount recoverable by the Company from reinsurers in respect of gross claims.

These matters, taken together or individually, give rise to significant uncertainties and their resolution may result in material, but presently unquantifiable, adjustments to the financial statements as presented. Adjustments to the amounts of technical provisions and reinsurers' share of technical provisions are reflected in the financial statements for the period in which the adjustments are made.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

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 the members if, in our opinion:

- 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

- the Company 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.

Andrew Downes

Andrew Downes (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

18 September 2015

The London and Overseas Insurance Company Limited
(in Scheme of Arrangement)

Profit and loss account
Technical account – general business
for the year ended 31 December 2014

Discontinued operations

	Note	2014 US$'000	2013 US$'000
Earned premiums, net of reinsurance			
Gross premiums written		5	20
Outwards reinsurance premiums		(8)	(246)
Earned premiums, net of reinsurance		(3)	(226)
Claims incurred, net of reinsurance			
Gross claims paid		(5)	(2)
Change in outstanding claims agreed		3,312	2,249
Gross claims agreed		3,307	2,247
Reinsurance recoverable		(2,404)	(3,459)
Net Claims Agreed		903	(1,212)
Change in technical provisions			
Gross amount		(628)	10,082
Reinsurers' share		4,058	(4,943)
Change in net technical provisions		3,430	5,139
Claims incurred, net of reinsurance		4,333	3,927
Movement in provision for policyholder liabilities assumed under an intra-group guarantee		28,549	61,177
Net operating expenses	9	(8,508)	776
Balance on the technical account – general business		24,371	65,654

Profit and loss account
Non-technical account
for the year ended 31 December 2014

	2014 US$'000	2013 US$'000
Balance on the technical account – general business	24,371	65,654
Investment income	136	165
Other income	-	-
Foreign currency exchange differences	2,770	(615)
	27,277	65,204
Movement in provision against balances due from parent company in Scheme of Arrangement	2,744	2,288
Profit on ordinary activities before and after taxation and profit for the year	30,021	67,492

A statement of movements on called up share capital and reserves is given in note 17.

The Company ceased underwriting activities on 30 September 1992. Although the Company continues to trade, all of the results of the operations arise from discontinued activities.

The Company has no recognised gains or losses for the current and preceding year other than those which are included in the profit and loss account. Accordingly, no statement of total recognised gains and losses are presented.

The notes on pages 11 to 22 form an integral part of these financial statements.

The London and Overseas Insurance Company Limited
(in Scheme of Arrangement)

Balance sheet
at 31 December 2014

ASSETS	Notes	2014 US$'000	2013 US$'000
Investments	12	196,809	180,192
Reinsurers' share of technical provisions	14	37,869	42,509
Debtors			
Debtors arising out of direct insurance and reinsurance operations	5	3,413	20,849
Other debtors		10	-
		3,423	20,849
Other assets			
Cash at bank		173	187
Accrued income		7	6
Total assets		238,281	243,743

LIABILITIES AND EQUITY	Notes	2014 US$'000	2013 US$'000
Capital and reserves			
Called up share capital	16	10,850	10,850
Accumulated losses	17	(794,583)	(824,604)
Equity shareholders' deficit		(783,733)	(813,754)
Technical provisions	14	477,056	490,858
Creditors			
Creditors arising out of direct insurance and reinsurance operations (including claims agreed)	5	376,829	395,013
Deposits received from reinsurers		42	46
Amounts due to group companies	13(a)	168,087	171,580
		544,958	566,639
Accrued expenses		-	-
Total liabilities and equity		238,281	243,743

The financial statements on pages 8 to 22 were approved by the Board of Directors on 18 September 2015 and signed on their behalf by:

P. A. B. Evans
Director

Registered No: 38706

Notes to the accounts
for the year ended 31 December 2014

1. Financial statements reporting currency

The financial statements have been presented in US Dollars, which is the functional currency in which transactions are undertaken. The relevant US Dollar / Sterling exchange rates are as follows:

	Year-end rate	Average rate
31 December 2014	1.5593	1.6551
31 December 2013	1.6562	1.5642

2. Principal accounting policies

The principal accounting policies applied by the Company are set out below and are consistent with those applied in the previous year.

(a) Disclosure requirements

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, except for the requirement of Financial Reporting Standard 5 regarding the presentation of broker balances on a gross basis as explained in note 5. The financial statements have been prepared in accordance with the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers (the ABI SORP).

The financial statements have been prepared on the going concern basis as appropriate for a Company in run-off, as discussed in the Directors' report, and are subject to a number of significant uncertainties which are set out in note 15.

(b) Run-off of the business

The Company is in run-off having ceased all underwriting activities on 30 September 1992. The Company was placed into provisional liquidation on 21 October 1994 and entered into a Scheme of Arrangement with effect from 7 March 1997. The Company's policy is to provide for the administrative and claims handling costs of running off the business to the extent that they are expected to exceed future investment income. Segmental analysis is not meaningful due to the run-off nature of the business.

Notes to the accounts (continued)
for the year ended 31 December 2014

2. Principal accounting policies (continued)

(c) Basis of accounting for insurance business

As a company in run-off, the financial statements have been prepared after accruing for all future premiums, claims and reinsurance recoveries.

(d) Premiums

Written premiums are stated gross of commissions payable to intermediaries and exclusive of taxes and duties levied on premiums.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards reinsurance business.

(e) Claims incurred

Claims incurred comprise claims agreed, claims payments and external settlement expense payments made in the financial year and the movement in the provisions for outstanding claims and settlement expenses, including claims incurred but not reported, net of salvage and subrogation recoveries.

Outwards reinsurance recoveries are accounted for in the same accounting period as the claims for the related direct or inwards reinsurance business being reinsured.

(f) Claims outstanding

Provision is made for outstanding claims and settlement expenses incurred at the balance sheet date including an estimate for the ultimate cost of claims incurred but not reported at that date. Included in the provision is an estimate of the external costs of handling the outstanding claims.

(g) Investments

Investments are shown at market value.

(h) Investment income

All investment income is recognised in the non-technical account.

Investment income comprises interest and dividends, exclusive of tax credit, net rents, realised gains and losses on investments and the amortisation of fixed interest securities. Interest and net rents are dealt with on an accruals basis and dividends are included on an ex-dividend basis.

Realised gains or losses represent the difference between the net sale proceeds and purchase price.

Interest payable and expenses incurred in the management of investments are accounted for on an accruals basis.

Notes to the accounts (continued)
for the year ended 31 December 2014

2. Principal accounting policies (continued)

(h) Investment income (continued)

Unrealised gains or losses represent the difference between the valuation of investments at the balance sheet date and their purchase price. The movement in unrealised investment gains and losses therefore includes the reversal of previously recognised unrealised gains and losses on investments disposed of in the current period.

(i) Foreign currency

Transactions in currencies other than US Dollars and monetary assets and liabilities are translated to US Dollars at the rates of exchange ruling at the balance sheet date. Exchange differences are taken to the non-technical account in the year in which they arise.

Average exchange rates have been applied to the profit and loss statement during the year ended 31 December 2014. The resultant exchange differences are taken to the non-technical account.

(j) Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax. The exception to this is that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(k) Cash flow statement

The Company is a wholly-owned subsidiary of OIC Run-Off Limited (in Scheme of Arrangement) ("OIC") and the cash flows of the Company are included in OIC's consolidated cash flow statement. Consequently the Company is exempt under the terms of Financial Reporting Standard 1 (revised 1996) "Cash Flow Statements" from producing a cash flow statement.

Notes to the accounts (continued)
for the year ended 31 December 2014

3. Basis of reserving

As stated in note 2(f), the Company sets its provision for claims outstanding based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs and net of salvage and subrogation recoveries. The provision also includes the estimated cost of claims incurred but not reported ("IBNR") at the balance sheet date based on statistical methods.

The adequacy of the claims outstanding provisions is assessed by reference to actuarial projections of the ultimate development of claims in respect of each accident year.

Asbestos and pollution IBNR ("APH IBNR") claims have been calculated using exposure models. The ultimate claims, defined as the total payments from each loss until final settlement of the liability, have been estimated. The IBNR reserves are then calculated as the difference between ultimate claims and the total of paid claims to date and booked outstanding claims. Non–APH IBNR claims are calculated using gross of reinsurance statistics. IBNR net of reinsurance has been estimated either by applying the Company's outwards reinsurance programme to the estimated gross IBNR or, where this was not possible, by applying the ratio of net to gross notified outstanding claims to the gross projected IBNR claims. The methods used, and estimates made, are reviewed regularly.

Whilst the directors consider that the gross provision for claims and the related recoveries are fairly stated on the basis of the information currently available to them, there is inherent uncertainty in relation to the insurance industry by its nature. Significant delays might occur in the notification of certain claims and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty at the balance sheet date. In particular, estimates of technical provisions inevitably contain inherent significant uncertainties because extensive periods of time may elapse between the occurrence of an insured loss, the claim triggering the insurance under a claims-made coverage, the reporting of that claim to the Company and the Company's payment of the claim and the receipt of reinsurance recoveries. This uncertainty is such that the ultimate liability, which will vary as a result of subsequent information and events, may result in adjustments to the amount provided. Adjustments to the amount of the provisions are reflected in the financial statements for the period in which the adjustments are made.

In addition, the Company is exposed to significant issues causing uncertainties which are greater than normal, as explained in note 15.

4. Prior years' claims provisions

Material over/(under) provisions for claims at the beginning of the year as compared with net payments and provisions at the end of the year in respect of prior years' claims are as follows:

	2014 US$'000	2013 US$'000
Environmental pollution and asbestos	3,803	5,160
Other direct and reinsurance risks	530	(1,233)
	4,333	3,927

Notes to the accounts (continued)
for the year ended 31 December 2014

4. Prior years' claims provisions (continued)

The above movements on prior years' claim provisions do not take into account movements in the bad debt provision, which are included in operating expenses and disclosed in note 9.

5. Debtors and creditors

Before the Company entered provisional liquidation, it derived its business from underwriting both direct and inwards reinsurance. UK Accounting Standards require that the Company disclose amounts due to and from policyholders, intermediaries and reinsurers analysed between those arising from direct and reinsurance business.

In the past the Company has not maintained its accounting records in such a way as to make extraction of this information readily available, although this would be possible if sufficient time and resource were made available. As the Company is now in a Scheme of Arrangement, the directors do not consider these disclosures to be fundamental to the financial statements, and have not given them on the grounds of the additional resource required to extract this information.

Under Financial Reporting Standard 5 "Reporting the Substance of Transactions" the Company is required to report its transactions with brokers, including debtor and creditor balances, on a gross basis, according to the principal involved. In May 1997 a principal ledger was put in place and now receives data from the broker-based system for this purpose. However, not all of the Company's debtor and creditor balances as at 31 December 2014 are stated on a gross basis.

6. Staff costs

The Company incurs no staff costs, as throughout the current and prior financial years all staff dealing with the affairs of the Company were employed by an appointed run-off manager, which is remunerated by a management fee. The current run-off manager is Armour Risk Management Limited.

7. Directors' remuneration

The current directors Messrs. P.A.B. Evans, who retired from the PricewaterhouseCoopers LLP partnership on 30 June 2007 and D.Y. Schwarzmann who was a partner in PricewaterhouseCoopers LLP as at 31 December 2014, received no remuneration from the Company. PricewaterhouseCoopers LLP are in receipt of fees for the provision of services to the Scheme Administrators.

8. Provision against balances due from immediate parent company OIC Run-Off Limited (in Scheme of Arrangement)

Full provision has been made against balances due from OIC Run-Off Limited (in Scheme of Arrangement), the Company's immediate parent company, following the appointment of Joint Provisional Liquidators. The movement in the provision for 2014 is a decrease of US$2,744,000 (2013: a decrease of US$2,288,000).

Notes to the accounts (continued)
for the year ended 31 December 2014

9. Net operating expenses

Operating expenses have been charged directly to the technical account – general business.

	2014 US$'000	2013 US$'000
Management expenses	(996)	306
Increase/(decrease) in bad debt provision	9,504	(1,082)
Net operating expenses	8,508	(776)

The bad debt provision as at 31 December 2014 was US$13,319,000 (2013: US$3,815,000). Of this amount US$1,794,000 (2013: US$977,000) was provided within debtors arising out of direct insurance and reinsurance operations, and US$11,525,000 (2013: US$2,838,000) was provided within technical provisions. Of the amounts provided within debtors arising out of direct insurance and reinsurance operations, US$1,794,000 (2013: US$977,000) is a specific provision with no general provision (2013: US$Nil). Of the amounts provided within technical provisions US$9,220,000 (2013: US$2,218,000) is a specific provision and US$2,305,000 is a general provision (2013: US$620,000).

No staff costs are incurred by the Company, because no staff are employed directly by the Company.

Included in the charge for management expenses are the following expenses, exclusive of VAT:

	2014 US$'000	2013 US$'000
Auditor's remuneration for audit services	75	71

10. Run-off expenses and claims handling expenses

A provision has been made using reasonable assumptions for the future cost of run-off and claims handling expenses of the OIC Group to the extent they exceed the projected future investment income. The provision has been established in the books of immediate parent company, OIC Run-Off Limited (in Scheme of Arrangement), and is reflected in the financial statements of the Company in accordance with the Scheme of Arrangement.

Notes to the accounts (continued)
for the year ended 31 December 2014

11. Taxation

(a) Tax on profit on ordinary activities

	2014 US$'000	2013 US$'000
The charge based on the profit for the year comprises:		
Current tax	-	-
Group Relief recovered	-	-
Deferred tax	-	-
Tax on profit on ordinary activities	-	-

(b) Factors affecting tax charge for the year

	2014 US$'000	2013 US$'000
Profit on ordinary activities before tax	**30,021**	**67,492**
Profit on ordinary activities before tax at 21.5% (2013: 23.25%)	6,455	15,692
Other differences relating to bad debt provision	-	-
Other permanent differences	(5,807)	(13,985)
Unrecognised tax losses carried forward	-	-
Utilisation of tax losses brought forward	(648)	(1,707)
Total current tax	-	-

Following an agreement with HMRC the Company is taxed on the basis of 25% of the OIC Group consolidated profits. The OIC Group has consolidated losses brought forward and as such there is no current tax charge in 2014.

(c) Factors that may affect future tax charges

Tax losses, valued at the future standard UK rate of tax of 20% (2013: 20%) of US$24,000,000 (2013: US$24,000,000) are available to offset against the Company's taxable profit in future periods. As enacted in the Finance Act 2013, profits arising between 1 April 2014 and 31 March 2015 will be taxable at 21%. Profits arising after 1 April 2015 will be taxable at 20%. However, due to the uncertainty as to the amount and timing of future profits, all tax losses are valued at the lower rate of 20%. No deferred tax asset has been recognised in respect of these losses as, due to the uncertainty as to whether future profits will arise, it is not known at what point in time these losses will reverse.

During the year the UK main corporation tax rate was reduced from 23% to 21% with effect from 1 April 2014. A further change in the rate to 20% was substantively enacted on 2 July 2013, to be effective from 1 April 2015. The corporation tax rate of 20% will remain effective from 1 April 2016 as substantively enacted on 25 March 2015. Further reductions to the UK corporation tax rate have been announced but not yet substantively enacted, and therefore are not included in the financial statements. The main corporation tax rate will reduce from 20% to 19% from 1 April 2017 and from 19% to 18% from 1 April 2020.

There are no deferred tax liabilities (2013: £nil).

12. Investments

	2014 Market value US$'000	2014 Cost US$'000	2013 Market value US$'000	2013 Cost US$'000
Deposits with credit institutions	196,809	196,809	180,192	180,192

All letters of credit that provided security for certain overseas reinsured have been drawn down. Therefore, there are no longer any related cash deposits (2013: US$NIL).

13. Group balances

(a)

	2014 US$'000	2013 US$'000
Amounts due to group companies		
Intermediate parent company		
NNOFIC	168,087	171,580
	168,087	171,580

(b) As a result of continuing deterioration in claims reserves Internationale-Nederlanden Verzekeringen NV ("INV") provided funding for gross claims payments made from 15 December 1993, with effect from 1 February 1994. The value of this funding, which was in the form of an unsecured interest free inter-company loan from NNOFIC, a subsidiary of INV, and intermediate parent of the Company, amounted to US$35,423,000. The funding ceased on 21 October 1994, and the Company and its immediate parent company, OIC Run-Off Limited, were placed into provisional liquidation.

An amount of US$3,737,000 due to OIM Limited (a fellow subsidiary company) at 31 December 1985 was assigned by this Company to NNOFIC during 1996.

The above amounts totalling US$39,160,000, currently included in amounts due to NNOFIC, have been subordinated to the Established Liabilities of all other Scheme Creditors, as defined in the proposal document for the Scheme of Arrangement. This subordination became effective on 7 March 1997, the effective date of the Scheme of Arrangement.

13. Group balances (continued)

(c) On 30 June 1995, the Company and its immediate parent company entered an arrangement with The Institute of London Underwriters ("ILU"), now the International Underwriters Association, and NNOFIC, in respect of certain liabilities included in technical provisions arising on policies signed and issued by the members of ILU and incepting on or after 20 March 1969 in respect of the Company and on or after 28 August 1970 in respect of its immediate parent company. Certain claims payments have been made by the Company and its immediate parent company since 30 June 1995 using funds loaned to the Company and its immediate parent company by NNOFIC. As at the balance sheet date, total claims paid by the Company were US$14,510,000, the claims paid by NNOFIC under this arrangement amounted to US$215,468,000 of which US$10,855,000 is the Company's portion, and the balance of US$204,613,000 comprises the funding provided to its immediate parent company OIC Run-Off Limited (in Scheme of Arrangement). Under the agreement, the loan from NNOFIC ranks as a policyholder liability and falls under the intra-group guarantee (see note 14).

14. Technical provisions

	Gross US$'000	Reinsurance US$'000	Net US$'000
At 31 December 2014			
Notified outstanding claims	67,173	33,088	34,085
Incurred but not reported claims	23,007	16,306	6,701
Provision against potential irrecoverable reinsurance	-	(11,525)	11,525
	90,180	37,869	52,311
Additional provision for immediate parent company's policyholder liabilities assumed under an intra-group guarantee, and run-off cost provision	386,876	-	386,876
Total	477,056	37,869	439,187
At 31 December 2013			
Notified outstanding claims	63,187	33,180	30,007
Incurred but not reported claims	26,437	12,167	14,270
Provision against potential irrecoverable reinsurance	-	(2,838)	2,838
	89,624	42,509	47,115
Additional provision for immediate parent company's policyholder liabilities assumed under an intra-group guarantee	401,234	-	401,234
Total	490,858	42,509	448,349

Notes to the accounts (continued)
for the year ended 31 December 2014

14. Technical provisions (continued)

The Company has given a guarantee in favour of the policyholder liabilities of its immediate parent company, OIC Run-Off Limited (in Scheme of Arrangement). Under this guarantee, any amounts paid by the Company in respect of its immediate parent company's liabilities are recoverable only after all policyholder liabilities have been met.

Following the provisional liquidation of OIC Run-Off Limited, the directors consider that this guarantee has crystallised. The technical provisions of the Company therefore include the Company's own policyholder liabilities and provision for the total policyholder liabilities of its immediate parent company, including the provision held in respect of future run-off costs, before taking account of the available assets of the immediate parent company.

15. Significant uncertainties

The financial statements of the Company reflect the following significant uncertainties:

a) Ultimate gross technical provisions

There is considerable uncertainty surrounding the ultimate cost of claims including environmental pollution and asbestos claims, most of which are subject to litigation and are being resisted by the Company. The Company is also vulnerable to new sources or types of claims. The ultimate cost of these claims cannot be known with certainty.

Technical provisions include the following amounts in respect of environmental pollution and asbestos claims:

(i) all known outstanding environmental pollution and asbestos claims based on lawyers' advices and lawyers' reserve potentials. The net amount included in technical provisions at 31 December 2014 in respect of such environmental pollution and asbestos claims, after reinsurance recoveries of US$32,616,000 (2013: US$32,689,000) is US$318,122,000 (2013: US$292,501,000);

(ii) IBNR claims of US$55,359,000 (2013: US$93,473,000) net of reinsurance, and US$71,495,000 (2013: US$105,454,000) gross of reinsurance, based on professional advice and a broad projection of observed developments to date; and

(iii) a provision of US$11,370,000 (2013: US$2,795,000) for potential irrecoverable reinsurance.

In total, the net amount included in respect of environmental pollution and asbestos claims in technical provisions is US$384,851,000 (2013: US$388,769,000). This figure includes US$335,780,000 (2013: US$345,152,000) in respect of the policyholder liabilities of the immediate parent company assumed under an intra-group guarantee (see note 14).

Notes to the accounts (continued)
for the year ended 31 December 2014

15. Significant uncertainties (continued)

b) Reinsurance recoveries and bad debt provision

The directors have recognised recoveries due from claims on the Company's reinsurers. Amounts of US$37,869,000 (2013: US$42,509,000) are included in reinsurers' share of technical provisions and US$3,413,000 (2013: US$20,849,000) are included in debtors. These amounts are net of provisions against amounts due from reinsurers whose solvency may be in doubt and who may ultimately be unable to pay in full of US$11,525,000 (2013: US$2,838,000) and US$1,794,000 (2013: US$977,000) respectively.

The reinsurance recoveries figures above are affected by the following significant uncertainties:

(i) as a result of the insolvency of certain of the Company's reinsurers, there remains material uncertainty as to the amount which will be recovered from these reinsurers; and

(ii) the Company has a complex reinsurance programme, the recoveries under which depend on a number of factors including the size of individual claims. Until these gross claims amounts are known with certainty, the Company are unable to identify the extent to which there is possible exhaustion of vertical and horizontal reinsurance covers.

16. Share capital

	2014 US$'000	2013 US$'000
Called up, allotted and fully paid: 28,000,000 ordinary shares of 25p each. (2013: 28,000,000)	10,850	10,850

17. Statement of movements on called up share capital and reserves

	Called up share capital US$'000	Accumulated losses US$'000
Balance at 1 January 2014	10,850	(824,604)
Profit for the year	-	30,021
Balance at 31 December 2014	10,850	(794,583)

Notes to the accounts (continued)
for the year ended 31 December 2014

18. PRA Returns

The FSA, as predecessor to the PRA, has issued to the Company in May 2002 a waiver under section 148 of the Financial Services and Markets Act 2000 providing that Rule 9.3 of the Interim Prudential Sourcebook for insurers should be modified in its application to the Company so that the requirements under Rule 9.3 shall be satisfied instead by the Company preparing audited statutory accounts.

19. Related party transactions

(a) The Company's immediate parent company, OIC Run-Off Limited (in Scheme of Arrangement), acts as a collecting agent for part of the Company's brokers' ledger. The Company has taken advantage of the exemption allowed by FRS 8 not to disclose related party transactions with OIC Run-Off Limited (in Scheme of Arrangement).

(b) The Company is a wholly-owned subsidiary of OIC Run-Off Limited (in Scheme of Arrangement), a company incorporated in Great Britain and registered in England and Wales. For the year ending 31 December 2014 ING Groep NV, a company incorporated in The Netherlands, was the ultimate holding company. Subsequent to 31 December 2014 ING Groep NV's majority shareholding was reduced to a minority shareholding in NN Group NV, a company also incorporated in The Netherlands, and NN Group NV became the ultimate holding company of NNOFIC and the Company The results of the Company have not been consolidated in the ultimate parent company's financial statements. The results of the Company have been consolidated into the financial statement of its immediate parent company, OIC Run-Off Limited (in Scheme of Arrangement). These financial statements will be available at its registered office at: 10-18 Union Street, London SE1 1SZ.

(c) The Company and its immediate parent company were placed under the control of Joint Provisional Liquidators P. A. B. Evans and R. Boys-Stones on 21 October 1994. Mr. Evans and Mr. Boys-Stones were partners in PricewaterhouseCoopers LLP, the firm which provided the services relating to the provisional liquidation of the Company and its immediate parent company.

(d) With effect from 7 March 1997, the Joint Provisional Liquidators ceased to act and the Company and its immediate parent company entered into a Scheme of Arrangement with their creditors. P. A. B. Evans and D. Y. Schwarzmann are the Joint Scheme Administrators of the Company and its immediate parent company. The Scheme provides that the Scheme Administrators shall, in relation to the company and its immediate parent company, manage the run-off of their business, realise their assets and apply them for the benefit of its creditors, supervise and ensure the carrying out of the Scheme, and gives them the power in the name and on behalf of the Company and its immediate parent company to manage their affairs, business and property. During the year ended 31 December 2014, PricewaterhouseCoopers LLP fees for services provided to the Company amounted to US$Nil (2013: US$Nil) excluding VAT.

(e) As explained in note 13(c), certain claims are paid by the Company using funds loaned by NNOFIC, a subsidiary of the Company's ultimate holding company. The amount paid during the year under this agreement was US$2,000 (2013: US$1,000).

20. Scheme of Arrangement

The Company and its immediate parent company entered into a Scheme of Arrangement with effect from 7 March 1997. Details of the Scheme of Arrangement were sent to creditors and shareholders in a proposal document dated 20 November 1996. This document should be referred to by creditors of the company and its immediate parent company. On 15 September 1997 an Initial Payment Percentage of 15% of creditors' Established Liabilities was approved by the Creditors' Committee.
As at 31 December 2014 the Payment Percentage was paid at 58%.