Registered in England and Wales Number: 00038706

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

Annual Report and Financial Statements
31 December 2021

Registered Office:
PricewaterhouseCoopers LLP
1 Chamberlain Square CS
Birmingham
United Kingdom
B3 3AX

Contents

Directors:
D.Y. Schwarzmann
P.A.B. Evans
D. N. Rackham (Appointed on 22 August 2022)

Company secretary:
D.Y. Schwarzmann

Registered office:
1 Chamberlain Square CS
Birmingham
United Kingdom
B3 3AX

Independent auditor:
Greenback Alan LLP
89 Spa Road
London
SE16 3SG

Scheme Administrators:
D.Y. Schwarzmann
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Solicitors:
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Bankers:
Barclays Bank PLC
1 Churchill Place
London
E14 5HP

The Directors present their strategic report on The London and Overseas Insurance Company Limited (in Scheme of Arrangement) ("the Company") for the year ended 31 December 2021.

Review of the Business
The Company no longer underwrites business. Its principal activity is the run-off of general insurance and reinsurance business.

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 15(e), 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 statement of financial position date, total claims paid under this arrangement amounted to US$14,628,000 (2020: US$14,646,000).

As described in Note 18, the Group entered into a Scheme of Arrangement ("Original Scheme") with effect from 7 March 1997. An Amending Scheme of Arrangement ("Amending Scheme") was approved at meetings of Scheme Creditors held on 11 December 2014 and sanctioned by the High Court of Justice of England and Wales by an order dated 29 October 2015 ("the Order"), coming in to effect from 14 January 2016. The United States Bankruptcy Court granted an order under Chapter 15 of the United States Bankruptcy Code recognising and enforcing the Amending Scheme in the United States of America on 11 January 2016. The Bar Date for the final submission of all claims subject to the crystallisation provisions of the Amending Scheme was 12 September 2016 and all submitted claims have now been agreed.

Consideration is however being given to the determination and timing of the final dividend to be paid in relation to the agreed claims which are subject to the crystallisation provisions. A final distribution has been delayed as a result of tax and other uncertainties; however, a proposal is being developed that may facilitate an earlier distribution than would otherwise be possible.

In addition, Certain groups of creditors were excluded from the provisions of the Amending Scheme and are able to continue bringing claims against the Group in the normal course of business until the scheme terminates.

For those claims that were not subject to the crystallisation provisions, the Scheme Administrators and NNOFIC were unable to reach agreement on their proposed value. An adjudication process was therefore commenced at the end of 2021 in accordance with paragraph 40 of the Amending Scheme in order to agree a valuation for these Opt Out Scheme Assets.

During the adjudication process, which was not concluded until March 2022, it became apparent that Opt Out Qualifying ILU Policyholders could continue to notify claims to the Companies after 31 December 2035 and therefore the Scheme could not terminate until a date later than this and possibly as late as 2060 when it was estimated the final claims would have materialised. The implications of this delayed termination of the Scheme and possible final solutions which could accelerate the final payments to creditors have been considered at length during 2022 however, proposals are still being developed for both the crystallised creditors and the Opt Out Scheme creditors.

Results
The results of the Company for the year, as set out on pages 10 to 11, show a profit after taxation attributable to the owners of the Company of US$13,006,000 (2020: US$10,402,000). The Group deficit attributable to the shareholders' is US$ 269,511,000 (2020: US$282,517,000.

Future development and strategy
The Company continues to run-off the remaining business that was not subject to the crystallisation process set out in the Amending Scheme and, as prescribed by the Amending Scheme, will continue to be run-off until the Scheme terminates.

As mentioned above, the Scheme Administrators' are considering plans to accelerate payments to the general body of Scheme Creditors with crystallised claims and also to reduce the otherwise lengthy and costly ultimate wind down of the Companies' estate. Further information on their plans, once finalised will be made available.

Paragraph 3.8 of FRS 102 states that an entity is a going concern unless management either intends to liquidate the entity or to cease trading. On the basis that the Amending Scheme states that the company will be liquidated following completion of final dividend payments to creditors, these accounts are prepared on a break up basis.

Principal risks and uncertainties
The Company has entered into the Original Scheme and the Amending Scheme and had a net deficit of US$269,511,000 (2020: US$282,517,000) as at the statement of financial position date.

The Company is exposed to financial risk, through its financial assets, financial liabilities and technical provisions. The most important components of these risks are; timing and valuation risk in relation to technical provisions, and currency, credit and liquidity risk in relation to financial assets. The Company manages these risks by:

- Appointing a Scheme Actuarial Adviser to assess the adequacy of reserves in accordance with the provisions of the Amending Scheme. Under the terms of the Amending Scheme, future claims (and associated claims handling expenses) relating to these groups of non-crystalised creditors that cannot be met by the provisions set aside for those claims (and claims handling expenses), as well as, and administrative expenses will be funded by NNOFIC. The OIC Group's ability to fund future claims (and associated claims handling and administrative expenses) are therefore managed through these arrangements prescribed by the Amending Scheme;

- Appointing specialist claims handlers and debt collection services to perform the day-to-day monitoring of its insurance liabilities and to maximise the value from remaining reinsurance balances;

- Reviewing cash flow requirements to ensure its liquidity needs are met; and

- Matching foreign currency liabilities with corresponding currency assets to minimise the impact of movements in foreign exchange rates.

Change of run off services provider
In accordance with the run-off contract Armour Risk Management Limited issued notice of its intension to terminate its agreement with the Group for provision of run-off services, as a result of the organisation being sold to a third party who did not wish to continue with the provision of these services. Hampden plc was appointed as replacement provider of run off services, following a tender process, with effect from 4 June 2021.

Section 172 Statement
The Directors of the Company must act in accordance with a set of general duties. These duties are detailed in Section 172 of the Companies Act 2006 and include a duty to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the stakeholders associated with the Company, including creditors and regulators as well as the impact of its activities on the community, the environment, and the Company's reputation, when making decisions.

The Directors, through the appointment of the Joint Scheme Administrators, assess and consider how to ensure that the orderly management of the run-off continues both now and, in the future, and that associated risks are identified and managed. This is achieved through consultation with the Creditors Committee, established in accordance with the Amending Scheme, and other professional advisors including specialist tax, actuarial and legal advisors. In addition, whilst the Company has no direct employees of its own, a specialist run-off manager is engaged to undertake the day-to-day management of the Company's activities as and the Directors rely on key staff members providing services to the Company as part of this arrangement. The Company monitors the performance of its third-party service provider through regular dialogue to develop and maintain a strong long-term relationship and to ensure that they act in accordance with the duties imposed on the Directors. Management reports are prepared and issued to the Creditors' Committee on a six monthly basis, copies of which are made available to regulators. An external website is maintained and updated with key information and news when appropriate.

Approved by order of the Board and signed on its behalf.

D.N. Rackham
Director

1 February 2023

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

Future developments
Likely future developments in the business are discussed in the strategic report.

Financial risk management
Financial risk management objectives and policies are discussed in the strategic report.

Directors
The names of the current Directors are listed on page 1. There were no changes to the Directors holding office during 2021.

Employees
The Company has no employees.

Events after the reporting period
Please refer to the strategic report and Note 19 for disclosure of significant events occurring after the reporting period.

Disclosure of relevant information to auditors
Each of the persons who is a Director, at the date of this report, confirms that:

- as far as each of them are aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2021 of which the auditors are unaware; and
- the Directors have taken all steps that they ought to have taken in their duty as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

Greenback Alan LLP replaced Deloitte LLP as auditors for the audit of the 2021 financial statements.

The auditors, Greenback Alan LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at a meeting of the Board of Directors.

Statement of Directors' responsibility
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 prepared the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS102 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 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 judgments 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.

Statement of Directors' responsibility (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, 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.

Approved by order of the Board and signed on its behalf

D.N. Rackham
Director

1 February 2023

Qualified Opinion

We have audited the financial statements of The London and Overseas Insurance Company Limited (the "Company") for the year ended 31 December 2021, which comprise:

- the Income Statement: Technical account – general business;
- the Income Statement: Non-technical account;
- the Statement of Financial Position;
- the Statement of Changes in Equity of the Company; and
- the notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting standard 102 " the Financial Reporting Standard Applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the effects of the matter described in the Basis for qualified opinion section, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

As explained in Note 4j, 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 Section 11.38A of FRS 102, the Company is required to report their broker balances on a gross basis unless a legal right of offset exists, according to the principal involved. The Company has not complied fully with this disclosure requirement. Consequently, in respect of these matters the Company have not complied with United Kingdom Generally Accepted Accounting Practice.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matters

Technical provisions and significant uncertainties
We draw attention to Notes 4e(iii), 5 and 19 in the financial statements, concerning the uncertain outcome surrounding the ultimate cost of claims, which now solely relates to creditors whose claims were not crystallised in accordance with the Amending Scheme. The claims of these creditors, which include environmental pollution and asbestos claims, will be run off in the normal course of business until the Scheme terminates.

The ultimate outcome of this matter cannot presently be determined, but this matter gives 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 related creditors are reflected in the financial statements for the period in which the adjustments are made.

Basis of preparation
We draw attention to Note 4b of the financial statements. The Company is not a going concern and the directors do not consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in Note 4b.

Our opinion is not modified in respect of these matters.

Other information
The other information comprises the information in the annual report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 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.

Matters on which we are required to report by exception
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 material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received by 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; or

Responsibilities of directors
As explained more fully in the statement of directors' responsibilities set out on page 5 and 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained a general understanding of the Company's legal and regulatory framework through enquiry of management concerning: their understanding of relevant laws and regulations; the entity's policies and procedures regarding compliance; and how they identify, evaluate and account for claims. We also drew on our existing understanding of the Company's industry and regulation.

We understand that the Company complies with the framework through having in place robust procedures and policies that are developed with and monitored by the scheme administrators and by outsourcing and taking additional professional legal, tax, actuarial and accounting advice on relevant specialist functions and areas including the preparation of financial statements and corporate tax compliance.

In the context of the audit, we considered those laws and regulations: which determine the form and content of the financial statements; which are central to the Company's ability to conduct its business; and where failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the Company:

- The Companies Act 2006, FRS 102, FRS 103, UK corporate tax laws.

The senior statutory auditor led a discussion with all members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The areas identified in this discussion were:

- Manipulation or error in the technical provisions that often entail a significant degree of judgement;
- Manipulation or error in the creditors
- Manipulation or error in the investments leading to over-valuation at the yearend date;

The procedures we carried out to gain sufficient appropriate audit evidence in the above areas included:

- Performing substantive testing on appropriate samples, and investigating any discrepancies identified;
- Interrogating the technical provisions as at the statement of financial position date for accuracy of data, assumptions, methodologies, and calculations, and investigating any discrepancies.
- Reviewing the financial statement disclosures and testing to supporting documentation;

- Documenting the assumptions and judgements made by management in their significant accounting estimates and challenging these with management;
- Identifying and testing journal entries, in particular those around yearend, and involving unusual postings, account combinations, or amounts;

Overall, the senior statutory auditor was satisfied that the engagement team collectively had the appropriate competence and capabilities to identify or recognise irregularities. In particular, both the senior statutory auditor and the audit manager have a number of years' experience in dealing with similar companies that prepare accounts under FRS 102 and FRS 103.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

Use of our report
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 Auditors' 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.

Jonathan Richard Fisher (Senior Statutory Auditor)
For and on behalf of
Greenback Alan LLP
Statutory Auditor
89 Spa Road
London
SE16 3SG

1 February 2023

The London and Overseas Insurance Company Limited (in Scheme of Arrangement)
Income statement: Technical Account – General Business
Year ended 31 December 2021

	Note	2021 US$'000	2020 US$'000
Earned premiums, net of reinsurance			
Gross premiums written		-	-
Outward reinsurance premiums		-	-
Earned premiums, net of reinsurance		-	-
Claims incurred, net of reinsurance			
Gross claims paid		-	-
Change in outstanding claims agreed		(562)	(1,863)
Gross claims agreed		(562)	(1,863)
Reinsurance recoverable		(1,246)	(1,331)
Net Claims Agreed		(1,808)	(3,194)
Change in technical provisions			
Gross amount		42	-
Reinsurers' share		-	-
Change in net technical provisions		42	-
Claims incurred, net of reinsurance		(1,766)	(3,194)
Movement in provision for policyholder liabilities assumed under an intra-group guarantee		16,824	9,972
Net operating expenses		-	-
Balance on the technical account – general business		15,058	6,778

The Notes on pages 14 to 25 form part of these financial statements.

	Note	**2021 US$'000**	2020 US$'000
Balance on the technical account – general business		15,058	6,778
Investment income	9	(63)	644
Foreign currency exchange differences	7	(179)	(420)
Profit before taxation		14,816	7,002
Movement in provision against balances due from parent company in Scheme of Arrangement		(1,810)	3,400
Tax on profit	10	-	-
Profit for the financial year		13,006	10,402

The Notes on pages 14 to 25 form part of these financial statements.

All results were derived from continuing operations.

The London and Overseas Insurance Company Limited (in Scheme of Arrangement)
Statement of Financial Position
Year ended 31 December 2021

	Notes	2021 US$'000	2020 US$'000
ASSETS			
Investments			
Other financial investments	14	99,159	99,092
Reinsurers' share of technical provisions	12	-	-
Debtors			
Debtors arising out of direct insurance and reinsurance operations	4j	227	226
Other debtors		10	10
		237	236
Other assets			
Cash at bank		426	407
Accrued income		8	157
Total assets		99,830	99,892
LIABILITIES AND EQUITY			
Capital and reserves			
Called up share capital	11	10,850	10,850
Accumulated losses		(280,361)	(293,367)
Equity shareholders' deficit		(269,511)	(282,517)
Technical provisions	12	15,080	20,783
Creditors			
Creditors arising out of direct insurance and reinsurance operations (including claims agreed)	4j	232,221	240,331
Amounts due to group companies	15	122,040	121,295
		354,261	361,626
Accrued expenses		-	-
Total liabilities and equity		99,830	99,892

The financial statements of The London and Overseas Insurance Company Limited (in Scheme of Arrangement), registered number 00038706, were approved by the Board of Directors on 1 February 2023 and signed on their behalf by:

D. N. Rackham
Director

The Notes on pages 14 to 25 form part of these financial statements.

	Notes	Called-up share capital US$'000	Accumulated losses US$'000	Total deficit US$'000
Balance as at 1 January 2020 Restated	16	10,850	(303,769)	(292,919)
Profit for the year		-	10,402	10,402
Total comprehensive income		-	10,402	10,402
Balance as at 31 December 2020 Restated		10,850	(293,367)	(282,517)
Balance as at 1 January 2021 Restated		10,850	(293,367)	(282,517)
Profit for the year		-	13,006	13,006
Total comprehensive income		-	13,006	13,006
Balance as at 31 December 2021		10,850	(280,361)	(269,511)

The Notes on pages 14 to 25 form part of these financial statements.

1. General information

The London and Overseas Insurance Company Limited (in Scheme of Arrangement) is a general insurance company in run-off in the UK. The Company is a private company limited by shares and is incorporated in England. The address of its registered office is 1 Chamberlain Square CS, Birmingham, United Kingdom, B3 3AX.

The Company no longer underwrites business. Its principal activity is the run-off of general insurance and reinsurance business.

2. Statement of Compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102''), Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103") and the Companies Act 2006.

The financial statements have been prepared on the break up basis as outlined in Note 4b are subject to a number of significant uncertainties which are set out in Note 5.

3. Run-off of the business

The Company is in run-off having ceased all underwriting activities on 30 September 1992. The Company and its immediate parent company were placed into provisional liquidation on 21 October 1994 and entered into the Original Scheme with effect from 7 March 1997. The Amending Scheme became effective on 14 January 2016 and, with certain exceptions, creditors were required to submit their claims by the bar date, 12 September 2016. 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. Meaningful segmental analysis is not available due to the run-off nature of the business.

4. Summary of significant accounting policies

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

a. Basis of preparation

These financial statements are prepared under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements in conformity with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

b. Break up basis

Paragraph 3.8 of FRS 102 states that an entity is a going concern unless management either intends to liquidate the entity or to cease trading. On the basis that clause 32.1 of the Amending Scheme states that the company will be liquidated following completion of final dividend payments to creditors, these accounts are prepared on the break up basis.

c. Exemptions for qualifying entities under FRS102

The Company has taken advantage of the exemption from preparing a statement of cash flows under Section 1.12 of FRS102.

4. Summary of significant accounting policies (continued)

d. Foreign currency

The Company's financial statements are presented in US Dollars and rounded to thousands. The Company's functional currency is US Dollars. Foreign currency transactions are translated into the functional currency using the average exchange rate during the year. At each year-end foreign currency monetary items are translated using the closing year-end rate. For this purpose, all assets and liabilities arising from insurance contracts are monetary items.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account.

The main relevant exchange rates are as follows:

	Year-end rates		Average rates	
	USD:GBP	USD:CAD	USD:GBP	USD:CAD
31 December 2020	1.3663	0.7841	1.2824	0.7467
31 December 2021	1.3536	0.7902	1.3736	0.7973

e. Insurance contracts

The Company is in run-off and no longer issues contracts of insurance.

(i) 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.

(ii) 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 ("IBNR"), 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.

(iii) Technical provisions

All claims submitted in accordance with the Amending Scheme have now been agreed. Remaining technical provisions relate solely to creditors whose claims were excluded from the crystallisation process of the Amending Scheme along with associated claims handling and administrative expenses which have been agreed through an adjudication process which concluded in March 2022. As prescribed by the Amending Scheme, claims relating to these creditors will continue to be processed as they arise in the normal course of business up to approximately 2060. The Directors consider that the gross technical provision for claims and the associated claims handling and administrative expenses are fairly stated on the basis of the information currently available to them.

4. Summary of significant accounting policies (continued)

(iii) Technical provisions (continued)

Adjustments to the amount of the provisions will be reflected in the financial statements for the period in which the adjustments are made. Creditors have decreased by the value of dividends paid less any claims agreed during the year to 31 December 2021.

The Company entered in the past into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures.

(iv) Reinsurance

Reinsurance assets include balances due from reinsurance companies. Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contract and in accordance with the terms of the reinsurance contract. Reinsurance is recorded as an asset unless a right of set-off exists, in which case the associated liabilities are reduced to take account of reinsurance.

f. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Differences between accumulated depreciation and tax allowances for the cost of a fixed asset, if and when all conditions for retaining the tax allowances have been met, are not provided for. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

g. Cash and cash equivalents

Cash and cash equivalents comprise current account balances held with banks.

h. Provisions and contingencies

Provisions are recognised where the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

i. Financial instruments

The Company has applied the provisions of Section 11 ‘Basic Financial Instruments’ and Section 12 ‘Other Financial Instrument Issues’ of FRS 102 to all of its financial instruments.

4. Summary of significant accounting policies (continued)

Financial liabilities and equity instruments are classified and accounted for, according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the statement of financial position. Finance costs and gains or losses relating to financial liabilities are included in the income statement. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

j. 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 the Original Scheme and the Amending Scheme, 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.

k. Investment return

All investment income is recognised in the non-technical account. Investment income comprised of interest on deposits with credit institutions and is dealt with on an accruals basis. Interest payable and expenses incurred in the management of investments are accounted for on an accruals basis.

l. Financial investments

Purchases and sales of these investments are recognised at the trade date, which is the date that the Company commits to purchase or sell the assets, at fair value adjusted for transaction costs. The fair value of investments are based on quoted prices.

m. Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated.

5. Critical accounting judgements and key sources of estimation uncertainty

As described in Note 4e(iii), the financial statements of the Company reflect the following significant uncertainties:

a. The ultimate liability arising from claims made under insurance contracts

There is remaining uncertainty surrounding the ultimate cost of claims, which now solely relates to creditors whose claims were not crystallised in accordance with the Amending Scheme. The claims of these creditors, which include environmental pollution and asbestos claims, will be run-off in the normal course of business until the Amending Scheme is terminated. The ultimate cost of these claims was not known with certainty by the end of 2021.

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

Technical provisions, including a provision for incurred but not reported claims, amount to US$4,950,000 (2020: US$6,719,000) net of reinsurance, and US$4,950,000 (2020: US$6,719,000) gross of reinsurance, based on professional advice in relation to the Amending Scheme.

In total, the net amount included in respect of environmental pollution and asbestos claims in technical provisions is US$4,950,000 (2020: US$6,442,000). This figure includes US$4,833,000 (2020: US$4,833,000) in respect of the policyholder liabilities of the Company's immediate parent assumed under an intra-group guarantee (see Note 12).

b. Reinsurance recoveries and bad debt provision

Most reinsurance debtor balances have now either been realised, collected through set-off, or written-off. Amounts of US$227,000 (2020: US$226,000) are included in debtors. These amounts are net of provisions against amounts due from reinsurers who may ultimately be unable to pay in full of US$490,000 (2020: US$502,000).

There are no other balances subject to judgement or estimate.

6. Management of insurance and financial risk

a. Insurance risk

The Company issued contracts that transferred insurance risk. The Company is exposed to the uncertainty surrounding the severity of claims under these contracts.

Sources of uncertainty in the estimation of future claim payments

The sources of estimation uncertainty in establishing the ultimate liability arising from claims made under insurance contracts is discussed in Note 5.

Claims development

The Company is in run-off having ceased all underwriting activities on 30 September 1992 and entered into the Original Scheme with effect from 7 March 1997 and the Amending Scheme with effect from 14 January 2016. Claims, arising from 1992 and prior years and as represented by technical provisions, have developed as follows:

As at 31 December	2016 US$'000	2017 US$'000	2018 US$'000	2019 US$'000	2020 US$'000	2021 US$'000
Gross claim insurance liabilities	317,859	250,319	91,940	6,719	6,719	4,950
Gross recovery from reinsurers	27,476	22,386	5,294	-	-	-
Total net insurance liabilities	290,383	227,933	86,646	6,719	6,719	4,950

6. Management of insurance and financial risk (continued)

b. Financial risk management objectives

The timing and valuation risk in relation to technical provisions has been mitigated by the Amending Scheme, whereby future claims (and associated claims handling and administrative expenses) relating to the groups of creditors that were not subject to the crystallisation process of the Amending Scheme that cannot be met by the provisions set aside for those claims (and expenses) in accordance with the Amending Scheme will either be funded by NNOFIC or, if they are not covered by the arrangements in place with NNOFIC, will not be paid or incurred.

Currency risk
The Company manages its foreign exchange risk against its functional currency. Foreign exchange risk arises when recognised assets are denominated in a currency that is not the entity's functional currency. The Company seeks to mitigate the risk by matching the estimated liabilities with assets denominated in the same currency.

Liquidity risk
The Company holds cash and financial instruments of a liquid nature. Careful review of cash flow requirements ensures liquidity needs are met. Financial liabilities will settle in accordance with the terms of the Original Scheme and the Amending Scheme.

Credit risk
Credit risk is the risk that one party to a financial instrument or financial arrangement will fail to discharge an obligation and cause the other party to incur a financial loss. The assets exposed to credit risk are:

i. Cash at bank;
ii. Deposits with credit institutions; and
iii. Reinsurance debtors

Funds held within (i) and (ii) are with institutions rated A or higher across an average of the major rating agencies. Most reinsurance debtor balances have now either been realised, collected through set-off, or written-off.

Capital management
The Company's objectives in managing its statement of financial position are:

i. To match the profile of its assets and liabilities, taking account of the risks inherent in the business;
ii. To satisfy the requirements of its creditors and regulators; and
iii. To manage exposures to movement in exchange rates.

7. Expenses

a. Operating profit

Operating profit is stated after charging / (crediting):

	2021 US$'000	2020 US$'000
Foreign exchange	179	420

b. Auditors' remuneration

Audit fees, excluding VAT, amount to:

	2021 US$'000	2020 US$'000
Auditor's remuneration for audit services		
Deloitte LLP	-	20
Greenback Alan LLP	18	-

No remuneration is paid by the Company to the auditor. The costs of auditing the Company are borne by the immediate parent company.

Remuneration of the Company's auditor for provision of non-audit services to the Company was US$Nil (2020: US$Nil).

8. Employees and Directors

Employees
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 services provider, which was remunerated on a time and materials basis. The services provider is Hampden Plc.

Directors
The current Directors Messrs. D.Y. Schwarzmann, who was a partner in PricewaterhouseCoopers LLP as at 31 December 2021, D N Rackham, who was a director in PricewaterhouseCoopers as at 31 December 2021 and P.A.B. Evans, who retired from the PricewaterhouseCoopers LLP partnership on 30 June 2007, received no remuneration from the Company. PricewaterhouseCoopers LLP are in receipt of fees for the provision of services to the Scheme Administrators as detailed in Note 15 (f).

9. Investment income

	2021 US$'000	2020 US$'000
Investment income		
Deposit account interest	94	644
Other investment income	(157)	-
Total investment income	(63)	644

The other investment income amount above relates to the reversal of previously accrued interest income.

There was no income from investments held at fair value through profit and loss during the year (2020: $Nil).

10. Taxation

	2021 **US$'000**	2020 US$'000
Tax on profit		
The charge based on the profit for the year comprises:		
Current tax	-	-
Group Relief recovered	-	-
Deferred tax	-	-
Tax on profit	-	-

Factors affecting tax charge for the year.

	2021 **US$'000**	2020 US$'000
Profit before taxation	13,006	10,402
Corporation tax at 19% (2020: 19%)	2,471	1,976
Other differences relating to bad debt provision	-	-
Other permanent differences (legal fees and disallowed interest)	(2,912)	(2,098)
Unrecognised tax losses carried forward	441	122
Utilisation of tax losses brought forward	-	-
Total current tax	-	-

Factors that may affect the future tax charge

The standard rate of corporation tax prevailing during the period was 19%.

Following an agreement with HMRC the Company prepares tax returns based on consolidated accounts, and submit returns for OIC Run-Off Limited and the Company based on a 75% / 25% split. OIC Run-Off Limited and the Company have consolidated losses in the year and therefore there is no current tax charge in 2021.

Tax losses, valued at the 25% rate of tax (2020: 19%) of US$21,098,000 (2020: US$17,646,000) are available to offset against the Group's taxable profits in future periods. 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.

There are no deferred tax liabilities (2020: US$Nil).

11. Share capital

	2021 **US$'000**	2020 US$'000
Called up, allotted and fully paid:		
28,000,000 ordinary shares of 25p each	10,850	10,850
	10,850	10,850

There is only one class of share capital with all shares having full voting, dividend and capital distribution rights.

12. Technical provisions

	Gross US$'000	Reinsurance US$'000	Net US$'000
At 31 December 2021			
Notified outstanding claims	-	-	-
Incurred but not reported claims	117	-	117
Provision against potential irrecoverable Reinsurance	-	-	-
	117	-	117
Additional provision for parent undertaking's policyholder liabilities assumed under an intra-group guarantee:			
APH (Asbestos, Pollution and other Health Hazard claims)	4,833	-	4,833
Non APH	-	-	-
Run off provision	10,130	-	10,130
Total	15,080	-	15,080
At 31 December 2020			
Notified outstanding claims	-	-	-
Incurred but not reported claims	158	-	158
Provision against potential irrecoverable Reinsurance	-	-	-
	158	-	158
Additional provision for parent undertaking's policyholder liabilities assumed under an intra-group guarantee:			
APH	6,285	-	6,285
Non APH	276	-	276
Run off provision	14,064	-	14,064
Total	20,783	-	20,783

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) ("OIC"). 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, 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.

13. Provisions for other risks and charges

Full provision has been made against balances due from OIC, the Company's immediate parent company, following the appointment of Joint Provisional Liquidators. The movement in the provision for 2021 is an increase of US$1,810,000 (2020: a decrease of US$3,334,000).

14. Other financial investments

	2021 Market value US$'000	**2021 Cost US$'000**	2020 Market value US$'000	2020 Cost US$'000
Measured at cost				
Deposits with credit institutions	99,159	99,159	99,092	99,092
	99,159	99,159	99,092	99,092

15. Related party transactions

(a) The Company's immediate parent company, OIC, acts as a collecting agent for part of the Company's brokers' ledger. The Company has taken advantage of the exemption allowed by FRS 102 Section 33.1A not to disclose related party transactions with OIC.

(b) The Company is a subsidiary of OIC, a company incorporated and registered in England and Wales. 10.1% of the share capital of The Company is held on trust for OIC, subject to the voting rights in respect of these shares being exercised in accordance with the wishes of the Scheme Administrators. NN Group NV, a company incorporated in The Netherlands is the ultimate holding company of OIC and the Company. The results of the Company have not been consolidated in the ultimate holding company's financial statements. The results of the Company have been consolidated into the financial statements of its immediate parent company, OIC. These financial statements are available at its registered office at: 1 Chamberlain Square CS, Birmingham, United Kingdom, B3 3AX.

(c) Amounts due to group companies:

	2021 US$'000	2020 US$'000
Intermediate parent company		
NNOFIC	122,040	121,295
	122,040	121,295

15. Related party transactions (continued)

(d) 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 (2020: US$35,423,000). The funding ceased on 21 October 1994, and the Company and its immediate parent company, OIC, were placed into provisional liquidation.

An amount of US$3,244,000 (2020: US$3,274,000) 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$38,667,000 (2020: US$38,697,000), 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 Original Scheme. This subordination became effective on 7 March 1997, the effective date of the Original Scheme.

(e) 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 statement of financial position date, total claims paid by the Company were US$14,628,000 (2020: US$14,646,000) when translated into US Dollars, the claims paid by NNOFIC under this arrangement amounted to US$228,833,000 (2020: US$228,692,000) of which US$10,641,000 (2020: US$10,656,000) is the Company's portion, and the balance of US$218,192,000 (2020: US$ 218,036,000) comprises the funding provided to its immediate parent company OIC. The amount paid during the year under this arrangement was US$Nil (2020: US$146,000).

Dividend top ups (net of interest) paid to NNOFIC totalled US$145,351,000 (2020: US$145,351,000) at the statement of financial position date.

Under the agreement, the loan from NNOFIC ranks as a policyholder liability and falls under the intra-group guarantee (see Note 12).

(f) With effect from 7 March 1997, the Joint Provisional Liquidators ceased to act and the Company and its immediate parent company entered into the Original Scheme with their creditors. D.Y Schwarzmann is currently the sole Scheme Administrator of the Company and its immediate parent company. The Original Scheme and the Amending Scheme provide thatany 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 their creditors, supervise and ensure the carrying out of the Original Scheme and the Amending Scheme, and it also 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. All fees for services provided to the Company are paid by its immediate parent company, During the year ended 31 December 2021 therefore, fees for services provided to the Company amounted to US$Nil (2020: US$Nil) excluding VAT.

16. Prior period adjustment

Given that the bar date under the Amending Scheme has passed, all claims under the Amending Scheme have been agreed and the adjudication process has concluded to determine the level of Opt Out Assets, a detailed review has been undertaken regarding the creditor liabilities. This review has identified that creditors with a value of $43,319,375 should no longer be held on the Accounts on the basis that they are not insurance/reinsurance creditors under the Schemes given the crystallisation provisions. As there are separate provisions for any remaining valid creditors these items have been removed from creditors and carried forward accumulated losses balances in the statement of financial position and tax notes (Note 10) respectively in the Group accounts.

17. 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.

18. Scheme of Arrangement

The Company and its immediate parent company into a Scheme of Arrangement ("Original Scheme") with effect from 7 March 1997. An Amending Scheme of Arrangement ("Amending Scheme") was approved at meetings of Scheme Creditors held on 11 December 2014 and sanctioned by the High Court of Justice of England and Wales by an order dated 29 October 2015 ("the Order") coming into effect from 14 January 2016. The United States Bankruptcy Court granted an order under Chapter 15 of the United States Bankruptcy Code recognising and enforcing the Amending Scheme in the United States of America on 11 January 2016.

The bar date for the final submission of all claims subject to the crystallisation provisions of the Amending Scheme was 12 September 2016 and all submitted claims have now been agreed. Consideration is now being given as to the determination and timing of the final dividend to be paid in relation to those claims. Certain groups of creditors were excluded from the provisions of the Amending Scheme and will continue to be able to bring claims against the Group in the normal course of business until the last claim has been finalised and this could be as late as 2060.

On 15 September 1997 an initial payment percentage of 15% of the Scheme Creditors' Established Liabilities was approved by the Creditors' Committee. Subsequent increases in the payment percentage have been approved by the Creditors Committee. On 12 August 2019 the payment percentage was increased to 76%.

19. Events after the end of the reporting period.

It was expected that a final dividend would be paid to all Scheme Creditors with Established Liabilities once all claims submitted by the Bar Date (12 September 2016) had been agreed. All of these claims were agreed by 2021 but a tax issue has arisen that, in the absence of an alternative solution, will delay the final distribution until the Scheme terminates.

An adjudication process was commenced at the end of 2021 in accordance with paragraph 40 of the Amending Scheme in order to agree a valuation of these Opt Out Scheme Assets and to determine the Opt Out claims and costs provision amounts. The adjudicators decision was provided in March 2022 and the technical provision reflects the adjudicated Opt Out Scheme Liabilities and expenses consistent with accounting policy set out in Note 3. The adjudicator also concluded that the expected termination of the Scheme in 2035 would not be possible with qualifying ILU Policyholders being able to continue bringing their claims against the Company until 2060 based on the expected future claims profile.

In order to avoid a significant delay in final payments being made to creditors, the Scheme Administrators have been considering finality proposals that would allow earlier payments to be made to both those with crystallised claims as well as those who opted out of the crystallisation provisions.

Further details regarding the proposals will be made available as soon as possible.