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Tawa Associates Limited

Report and Accounts

31 December 2016

Company Number 4200683

STRATEGIC REPORT

The Directors present their strategic report for Tawa Associates Limited ("the Company") for the year ended 31 December 2016.

Principal activity and review of business

The Company's current principal activity is as a holding company for an insurance and reinsurance risk carrier, two companies specialising in the recovery of assets, an insurance management company, an insurance intermediary and a number of intermediate holding companies. The objective of the Company is to maximise the payment of dividends to shareholders through the realisation of cash from its remaining investments and to manage the outstanding litigations and operating expenses.

The principal developments impacting the Company in 2016 have been:

- Satisfactory resolution of a number of legal actions within the activities of subsidiaries of the Company. In particular, significant progress has been made in the mitigation of lead paint exposures within CX Reinsurance Company Limited ("CX Re"). Agreements with a number of the key insureds have been reached involving final settlements and capping of liabilities. Additional cases are expected to be resolved in 2017 thereby further reducing the volatility within the claims portfolio of CX Re;

- Settlement of several large asbestos and pollution liabilities by CX Re contributing to the ongoing de-risking of the claims portfolio and enabling significant releases of collateral;

- Further development of Lodestar Marine Limited ("Lodestar") as a standalone business. Premiums written remained stable compared to 2015 in competitive market conditions. The overall loss ratio for Lodestar's book of Marine Protection and Indemnity risks has improved during the year and the cost base of operations has been reduced by restructuring the underwriting team and back-office operations;

- The remaining risks underwritten by ICL Holdings Incorporated's subsidiary Island Capital Limited have expired. The Directors are now assessing the options for maximising the dividend flow to the Company; and

- A number of steps have been taken to reduce the costs borne by the Company, including redundancies and reduction in time and costs of the management team retained by the Company.

As reported last year, the Company invited offers for the share capital of CX Re, which ultimately resulted in no offers considered satisfactory to the Company being received. The Directors will continue to look for opportunities to engage in a second sale process when sufficient risk has been removed from CX Re through the various mitigation activities being performed.

Development and financial performance during the year

The principal key performance indicators for the Company are:

- Free cash generated by the Company through sale of investments, management of litigation and expenses;

- Progress made in the projects to maximise the future cash flows to the Company from its investments;

- Changes in the net assets of the Company; and

- Successful outcome of the litigations, measured in removal of volatility and net cash received either through judgement awards or settlements.

STRATEGIC REPORT continued

Development and financial performance during the year continued

Net free cash held by the Company decreased by $4.2 million from $5.7 million to $1.5 million due to further financing of Lodestar ($1.1 million), net costs of the Company including the cost of redundancies ($2.3 million), acquisition of the remaining 5% of the ordinary shares in Island Capital Limited ($0.4 million) and other costs including the impact of a weakening sterling ($0.4 million).

The reduction in net assets of $11.3 million was driven by the comprehensive losses for 2016 (2015: $17.8 million). These results were attributable to the following:

- Impairment in the value of investments and debtors due from subsidiaries: $(6.2) million;
- Cost of sales and administrative expenses including cost of redundancies net of recharges included in turnover: $(2.3) million;
- A claim under a warranty issued as part of the sale of a subsidiary to be paid in 2017: $(1.8) million;
- Reduction in deferred consideration payable to previous shareholders of an investment: $0.8 million;
- Sale of tax losses: $0.5 million;
- Forex losses due to the weakening of sterling impacting the value of investments held in sterling: $(2.9) million; and
- Other movements: $0.6 million.

Financial position at the reporting date

Total shareholders' funds decreased during 2016 from $43.1 million to $31.8 million primarily due to:

- Comprehensive losses set out above: $(11.3) million.

Principal risks and uncertainties

The risks and uncertainties affecting the Company as perceived by the Directors are set out within the Directors' Report.

Future developments

The Company will continue to pursue its strategy to maximise the payment of dividends to shareholders through the realisation of cash from its remaining investments and to manage the outstanding litigation and operating expenses.

By Order of the Board

G M J Erulin
Chief Executive Officer
31 May 2017

REPORT OF THE DIRECTORS

The Directors present their annual report, together with the financial statements of Tawa Associates Limited ("the Company") for the year ended 31 December 2016.

Directors

The Directors of the Company are listed on page 7 and all served throughout the year.

Directors' remuneration

Total remuneration paid to the Company's Directors during the year:

- Gilles Erulin – $356,687 (2015: $496,609);
- Colin Bird – $62,255 (2015: $240,779); and
- David Vaughan – $21,886 (2015: $282,033).

Executive contracts with Colin Bird and David Vaughan were terminated with effect from 16 February 2016. In relation to these terminations Colin Bird was paid $146,261 and David Vaughan was paid $175,570.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" 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 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 to 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.

Going concern

The Directors are satisfied that the Company has sufficient resources to continue for the foreseeable future. Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and accounts. As of this date, there are no post balance sheet events to suggest any going concern issues.

REPORT OF THE DIRECTORS continued

Risk management objectives and policies

In the ordinary course of business, the Company is exposed to a variety of risks within its operations and those of its subsidiaries with insurance, credit and liquidity risk being of particular significance within the subsidiaries of the Company.

The Directors draw attention to the uncertainties surrounding the valuation of the investments in the subsidiaries, as set out in note 2. The valuation of the recoverable amounts from subsidiaries is dependent on assumptions relating to the net claims reserves within CX Re and the subrogation recoveries within Island Capital Limited. Changes in the assessment of net reserves and subrogation recoveries that may be required in the future due to changes in the factors on which assumptions are based may have a material impact on the results, net assets and the solvency of the Company.

Directors' indemnities

The Company is a beneficiary of insurance cover for its Directors and Officers against liabilities which may be incurred by them while acting as Directors and Officers. As at the date of this report, indemnities are in force under which the Company has agreed to indemnify its Directors and Officers, to the extent permitted by law and the Company's articles of association, against all costs, charges, losses, liabilities and expenses that they may incur in the execution of their duties, powers and offices as Directors and Officers of the Company. Copies of these indemnities are kept at the Company's office and are open for inspection by any member of the Company without charge. For the group, Tawa Associates Limited maintains the pertinent policy for the Directors and Officers of its subsidiaries.

Dividends

No dividends were paid to the shareholders during the year (2015: $nil).

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the financial year end can be found in the Strategic Report on page 4 and form part of this report by cross-reference.

Auditor

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The auditor has expressed their willingness to continue in office as auditor and a resolution to reappoint the auditor will be proposed at the forthcoming Annual General Meeting. Mazars LLP will continue as auditor in accordance with s487(2) of the Companies Act 2006.

By Order of the Board

G M J Erulin
Chief Executive Officer
31 May 2017

CORPORATE INFORMATION

Directors

C G Bird – Chairman and Non-Executive Director from 16 February 2016

G M J Erulin – Chief Executive Officer

D A Vaughan – Non-Executive Director from 16 February 2016

Registered Office

120 Pall Mall
London
United Kingdom
SW1Y 5EA

Company Registration Number

4200683 (England and Wales)

Company Secretary

M B W Bruce

Statutory Auditor

Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAWA ASSOCIATES LIMITED

We have audited the financial statements of Tawa Associates Limited for the year ended 31 December 2016 which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of Directors and auditor

As explained more fully in the statement of Directors' responsibilities set out on page 5, 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. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of the loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In 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 Report of the Directors.

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

Amanda Barker (Senior Statutory Auditor) for and on behalf of Mazars LLP, Chartered Accountants and Statutory Auditors
Tower Bridge House
St Katharine's Way
London, E1W 1DD
2 June 2017

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** **US$000**	2015 US$000
Turnover	3	**2,272**	3,756
Cost of sales		**(1,847)**	(2,812)
Gross profit		**425**	944
Investment return	4	**443**	23,875
Other operating income	5	**849**	618
Administrative expenses		**(4,494)**	(4,095)
Impairments recognised		**(6,187)**	(37,772)
Loss on ordinary activities before interest and taxation		**(8,964)**	(16,430)
Interest receivable and similar income		**73**	14
Interest payable and similar charges		**(52)**	(299)
Loss on ordinary activities before taxation	6	**(8,943)**	(16,715)
Taxation	10	**494**	-
Loss for the financial year		**(8,449)**	(16,715)
Other comprehensive losses:			
Currency translation differences on translation to presentation currency		**(2,864)**	(1,106)
Total comprehensive losses		**(11,313)**	(17,821)

The notes on pages 12 to 20 form part of these financial statements.

BALANCE SHEET

As at 31 December 2016

	Notes	2016 US$000	2015 US$000
Fixed assets			
Investments in subsidiary undertakings	12	**31,881**	29,860
Other financial investments		**1**	1
		31,882	29,861
Current assets			
Other debtors	13	**2,417**	10,905
Cash at bank and in hand		**1,512**	5,669
		3,929	16,574
Current liabilities			
Other creditors - amounts falling due within one year	14	**(2,024)**	(446)
Prepayments and accrued income		**41**	-
Net current assets		**1,946**	16,128
Other creditors - amounts falling due after one year	14	**(2,018)**	(2,866)
Net assets		**31,810**	43,123
Capital and reserves			
Called up share capital	15	**-**	-
Merger reserve		**15,843**	27,939
Profit and loss account		**15,967**	15,184
Total shareholders' funds		**31,810**	43,123

The notes on pages 12 to 20 form part of these financial statements.

The financial statements of Tawa Associates Limited (Company number: 4200683) were approved by the Board of Directors and authorised for issue on 11 May 2017 and were signed on its behalf on 31 May 2017 by:

C G Bird
Chairman

G M J Erulin
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Called up share capital GP£	Called up share capital US$000	Merger reserve US$000	Profit and loss account US$000	Total US$000
At 1 January 2015	112	-	89,526	(12,394)	77,132
Loss for the financial year	-	-	-	(16,715)	(16,715)
Currency translation differences on translation to presentation currency	-	-	-	(1,106)	(1,106)
Total comprehensive losses	-	-	-	(17,821)	(17,821)
Issue of B shares	12,374,142	19,199	-	-	19,199
Cancellation of B shares	(12,374,142)	(19,199)	-	-	(19,199)
Capitalisation of merger reserve for issue and extinguishment of B shares	-	-	(19,199)	-	(19,199)
Merger reserve realised and transferred to the profit and loss account	-	-	(44,874)	44,874	-
Reassessment of economic interest	-	-	2,204	525	2,729
Other movements	-	-	282	-	282
Total transactions with owners, recognised directly in equity	-	-	(61,587)	45,399	(16,188)
At 31 December 2015	112	-	27,939	15,184	43,123
At 1 January 2016	**112**	**-**	**27,939**	**15,184**	**43,123**
Loss for the financial year	**-**	**-**	**-**	**(8,449)**	**(8,449)**
Currency translation differences on translation to presentation currency	-	-	-	**(2,864)**	**(2,864)**
Total comprehensive losses	**-**	**-**	**-**	**(11,313)**	**(11,313)**
Merger reserve realised and transferred to the profit and loss account	**-**	**-**	**(12,096)**	**12,096**	**-**
Total transactions with owners, recognised directly in equity	**-**	**-**	**(12,096)**	**12,096**	**-**
At 31 December 2016	**112**	**-**	**15,843**	**15,967**	**31,810**

The notes on pages 12 to 20 form part of these financial statements.

The merger reserve is the excess of the cost of the shares acquired over the nominal value of the shares issued.

The profit and loss reserve represents cumulative profits or losses, including currency translations on translation to presentation currency, net of dividends paid and other adjustments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. Accounting policies

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the year and the preceding year in dealing with items which are considered material in relation to the Company's financial statements.

a. Basis of accounting

These accounts have been prepared under the historical cost convention, and are in accordance with applicable law and UK accounting standards Financial Reporting Standard ("FRS") 102 as issued by the Financial Reporting Council.

The Company is exempt from the requirement to produce group accounts under s400 of the Companies Act 2006 on the basis that its ultimate parent, as set out in note 19, is an EU entity which prepares group accounts.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

b. Going concern

The Company's activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also details: the financial position of the Company; its cash flows and liquidity position. In addition, the section on principal risks and uncertainties includes an analysis of the risks the Company faces and its policies for mitigating those risks.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and accounts. There are no subsequent events to suggest any going concern issues.

c. Investments in subsidiary undertakings

In the balance sheet investments in subsidiary undertakings are stated at cost less, where appropriate, provisions for impairment.

d. Foreign currencies

Functional and presentation currency

The financial statements are presented in US dollars and rounded to the nearest thousand.

The Company's functional currency is pound sterling, as this is the currency of the primary economic environment in which the entity operates. The Company has chosen to present its financial statements in US dollars, its presentation currency, as the majority of the Company's assets and liabilities are in US dollars. The GBP to USD rate of exchange applicable at the balance sheet date is 1.256 (2015: 1.515).

Transactions

Transactions in foreign currencies are initially recorded using the rate of exchange ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the profit or loss.

Translation to presentation currency

Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in other comprehensive income and accumulated in equity.

1. Accounting policies continued

e. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified 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 Company after deducting all its liabilities.

The Company has chosen to apply the provisions of both Section 11 and Section 12, of FRS 102, in full to account for all of its financial instruments.

Financial assets and liabilities

Basic financial assets, include debtors, cash and bank balances and other financial investments. Basic financial liabilities, include creditors, loans from related group companies and preference shares that are classified as debt.

Financial assets and liabilities are initially measured at the transaction price including transaction costs, unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the transaction is measured at the present value of the future receipts / payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities that are due within one year

Financial assets and liabilities which meet the conditions of basic financial instruments that are classified as payable or receivable within one year on initial recognition are subsequently measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment. Any losses arising from impairment are recognised in the profit or loss in other operating expenses.

Financial assets and liabilities that are due after one year

Financial assets and liabilities which meet the conditions of basic financial instruments that are classified as payable or receivable after one year on initial recognition are subsequently measured at amortised cost using the effective interest method. As the Company revises its estimates of payments or receipts, the carrying amount of these financial assets or financial liabilities is adjusted to reflect actual and revised estimated cash flows. The Company recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The resulting adjustment is recognised as income or expense in profit or loss at the date of the revision.

Derecognition of financial assets and liabilities

Financial assets are derecognised when and only when the contractual rights to the cash flows from the financial asset expire or are settled, the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

f. Impairment of assets

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

1. Accounting policies continued

g. Revenue recognition

Management fees and consultancy income

Revenue is attributable to providing management and operational services relating to the insurance industry. Revenue is measured at the fair value of the consideration received or receivable. The fair value of the consideration takes into account any discounts allowed by the Company. Revenue is recognised net of VAT when the amount of the revenue can be measured reliably and it is probably that the economic benefits associated with the transaction will flow to the Company. All turnover arose within the United Kingdom and relates to the provision of management services within the insurance industry.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established. Dividend income is shown as investment return in the profit and loss account.

Interest income

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

h. Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

i. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The charge for taxation is based on the profit for the year and takes into account deferred taxation.

Deferred taxation is provided in full on timing differences between recognition of gains and losses in the financial statements and the recognition for taxation purposes. Deferred taxation liabilities are provided in relation to transactions that have occurred by the balance sheet date. Deferred taxation assets are recognised when it is considered that the benefit is more likely than not to accrue to the Company. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgement in applying the Company's accounting policies

The following critical judgement, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies and that has the most significant effect on the amounts recognised in the financial statements.

Impairment of investments in subsidiary undertakings and debt due from subsidiaries

Investments in subsidiary undertakings and other debtors balances due from subsidiaries are measured in accordance with the accounting policies stated in note 1.

Investments in subsidiary undertakings and financial assets are subject to impairment testing and the carrying amounts are reduced to recoverable amounts. The assets are impaired if objective evidence is available to suggest that it is probable that the Company will not be able to recover the investments or collect the amounts due.

Key sources of estimation uncertainties

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

Valuation of investments in subsidiary undertakings

The Company considers whether investments in subsidiary undertakings are impaired. Where an indication of impairment is identified the calculation of the recoverable amount requires estimation of the recoverable value of the asset. This requires estimation of the future cash flows and also the selection of appropriate discount rates in order to calculate the net present value of those cash flows.

The valuation for the investment in subsidiary CX Re is dependent on assumptions relating to the net claims reserves. The net claims reserves for asbestos, lead paint, pollution and World Trade Center exposures are subject to significant uncertainties, as set out in the financial statements of CX Re. Changes in the reserves required for these claims may have a material impact on the determination of the valuation of the recoverable amount from CX Re in the Company's balance sheet.

The valuation for the investment in subsidiary ICL Holdings Incorporated is dependent on assumptions relating to the recovery from its subsidiary, Island Capital Limited's subrogation action. The outcome of this action is uncertain as to timing and award and the amount ultimately recovered may differ from the amount assumed within the assessment of the recoverable amount in the Company's balance sheet.

3. Turnover

	2016	2015
	US$000	US$000
Management fees and consultancy income	**424**	1,012
Recharged expenses	**1,848**	2,744
Total turnover	**2,272**	3,756

4. Investment return

	2016 US$000	2015 US$000
Ordinary share dividends received from subsidiary undertakings	**-**	23,489
Preference share dividends received from subsidiary undertakings	**443**	386
Total investment return	**443**	23,875

5. Other operating income

	2016 US$000	2015 US$000
Change in provision for deferred consideration	**849**	618

6. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after (charging)/crediting:

	2016 US$000	2015 US$000
Foreign exchange gains/(losses)	**66**	(292)
Warranty claim	**1,750**	-

7. Auditor's remuneration

An analysis of auditor's remuneration is as follows:

	2016 US$000	2015 US$000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**55**	54

There were no non-audit services provided to the Company.

8. Staff numbers and costs

The average monthly number of employees including Executive Directors was:

	2016	2015
Executive and management	**3**	7
Support	**1**	1
Average number of employees	**4**	8

Their aggregate remuneration comprised:

	2016 US$000	2015 US$000
Wages and salaries	**898**	1,244
Social security costs	**251**	163
Pension costs (see note 16)	**79**	117
Redundancy payments	**670**	-
Total employees' remuneration	**1,898**	1,524

9. Remuneration of Directors

	2016 US$000	2015 US$000
Directors' remuneration:		
Emoluments	**415**	967
Company contributions to pension schemes	**26**	52
Redundancy payments	**322**	-
	763	1,019
Remuneration of the highest paid Director:		
Emoluments	**333**	491
Company contributions to pension schemes	**24**	39
	357	530

Details of transactions with Directors during the year are disclosed in note 19.

Retirement benefits are accruing to one Director under the Company's defined contribution pension scheme (2015: two)

10. Taxation

	2016 US$000	2015 US$000
Current taxation		
UK Corporation tax on loss for the year	**-**	-
Group relief recoverable at non-standard rates	**494**	-
Taxation	**494**	-
Loss on ordinary activities before taxation	**(8,943)**	(16,715)
Taxation at standard UK corporation tax rate of 20% (2015: 20.25%)	**1,789**	3,385
Effects of:		
(Income)/expenses not taxable/deductible for tax purposes	**(1,012)**	(769)
Foreign exchange	**81**	(188)
Group relief surrenders	**(858)**	(2,428)
Group relief recoverable at non-standard rates	**494**	-
Taxation	**494**	-

During the year, the UK corporation tax rate, which was effective from 1 April 2015, remained unchanged at 20%. A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective from 1 April 2020) was substantively enacted in March 2016, and has therefore been considered when calculating deferred tax at the reporting date. Deferred tax balances at the reporting date are measured at 17% (2015: 20%).

There is an unrecognised deferred tax asset of $0.121 million (2015: $0.16 million) in respect of accumulated losses that has not been recognised, as it is not certain that the Company will be able to realise this asset by generating sufficient future taxable profits.

11. Dividends

No dividends were paid during the year (2015: $nil).

12. Investments in subsidiary undertakings

	2016 US$000	2015 US$000
Cost		
Balance at 1 January	**57,104**	17,785
Acquisition of subsidiary undertaking	**447**	35,380
Preference shares issued by subsidiary undertaking	**6,297**	3,939
Investments in subsidiary undertakings total cost	**63,848**	57,104
Impairment provisions		
Balance at 1 January	**(27,244)**	(2,416)
Impairments recognised	**(4,723)**	(24,828)
Investments in subsidiary undertakings total impairment provisions	**(31,967)**	(27,244)
Carrying value	**31,881**	29,860

The carrying value of subsidiary undertakings is based on an assessment of the fair value of the recoverable amounts from the investments. Impairment provisions were recognised in the year as a result of changes in the recoverable amounts from investments in its subsidiaries.

The Company has investments in the following subsidiary undertakings:

Subsidiary undertakings	Place of incorporation	Principal activity	Portion of ownership interest and holding
Amberley Alternative Assets Limited *	United Kingdom	Acquisition of debt	100% - 1 £1 ordinary shares
CX Reinsurance Company Limited *	United Kingdom	Carrying out of reinsurance contracts	100 % - 343,920,000 £1 A ordinary shares and 4,280 £1 B ordinary shares
ICL Holdings Incorporated *	United States Delaware	Holding company	100% - 100 $0.01 common stock shares
Island Capital Limited **	Bermuda	Effecting the recovery and monetisation of assets	100% - 46,578 $1.50 class A common stock shares. 381,000 $1.50 class B common stock shares
Lodestar Marine Limited *	United Kingdom	Managing General Agent (“MGA”)	100% - 100 £0.10 A ordinary shares and 8,177,966 £1 preference shares
Pocono Holdings Limited *	United Kingdom	Holding company	100% - 300 £1 ordinary shares
Q360 Limited	United Kingdom	Dormant	100% - 2,200 £0.10 A ordinary shares. 350 £0.10 B ordinary shares. 1,850 £0.10 C ordinary shares. 100 £0.10 D ordinary shares. 910,215 £1 redeemable preference shares
Q360, Inc	United States Delaware	Dormant	100% - 1 $1 common stock shares
Tawa Management (Bermuda) Limited	Bermuda	Insurance manager	100% - 12,000 $1 ordinary shares
Tawa Management Limited *	United Kingdom	Insurance intermediary	100% - 1 £1 ordinary share
WT Holdings Incorporated	United States Delaware	Holding company	100% - 5,700 $0.01 common stock shares
Other interests			Portion of interest and holding
LGIC Holdings, LLC *	Delaware	Holding company	51% - 510 common stock $0.01 and 2,000 preferred stock $100
Walshire Assurance Company	Pennsylvania	Holding company	100 % of Lincoln General Insurance Company
Lincoln General Insurance Company	Pennsylvania	Carrying out of insurance contracts	In liquidation

** Held directly by Tawa Associates Limited*

*** 5.7% held directly by Tawa Associates Limited*

13. Other debtors

	2016 US$000	2015 US$000
Other debtors - due within one year		
Due from: group undertakings	**1,882**	10,463
Due from: related parties	**501**	433
Other debtors	**34**	9
Total other debtors - due within one year	**2,417**	10,905

14. Other creditors

	2016 US$000	2015 US$000
Other creditors - due within one year		
Warranty claim	**(1,750)**	-
Accruals and deferred income	**(101)**	(160)
Due to: group undertakings	**(17)**	-
Due to: related parties	**(10)**	-
Due to: ultimate parent	**(12)**	-
Other creditors, including deferred tax payable	**(134)**	(286)
Total other creditors - due within one year	**(2,024)**	(446)
Other creditors - due after one year		
Deferred consideration	**(2,018)**	(2,866)
Total other creditors - due after one year	**(2,018)**	(2,866)
Total other creditors	**(4,042)**	(3,312)

A warranty claim of $1.75 million has been recognised by the Company in the current year, it is in respect of an indemnity given on a historical sale of a subsidiary.

The provision for deferred consideration is in respect of the acquisition of ICL Holdings Incorporated, Island Capital (Europe) Limited (now liquidated) and Island Capital Limited is payable by 2019 and is an estimate. The actual amount payable is dependent on the dividend pay-outs of its subsidiary.

15. Called up share capital

	2016	2015
Allotted issued and fully paid:	**GP£**	GP£
112,492,198 ordinary shares of 0.0001p	**112**	112

The Company has one class of ordinary shares which carry no right to fixed income.

16. Retirement benefit schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees.

The total cost charged to the profit and loss account of $0.079 million (2015: $0.117 million) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2016, no contributions were due in respect of the current reporting period that had not been paid over to the schemes (2015: $nil).

17. Contingent liabilities

The Company has exposure to potential litigations relating to companies acquired or sold by the Company. Having reviewed the latest information available, the Directors are of the opinion that any expense in excess of what has been provided in the accounts is remote and therefore no additional provision is required.

18. Subsequent events

There are no significant non-adjusting events after the end of the reporting period.

19. Related party transactions

The following have been identified as related parties of the Company for the year to 31 December 2016:

- Subsidiary undertakings;
- Companies subject to common control:
  - Pro Insurance Solutions Limited; and
  - Christie Manson and Woods Limited ("Christie's").
- Directors of the Company;
- Key management personnel: and
- Parent company and ultimate controlling party.

Subsidiary undertakings

FRS 102 paragraph 33.1A exempts disclosure of transactions entered into between members of the group, provided that the subsidiary undertakings party to the transactions are wholly owned by the Company. Therefore, transactions and balances between the Company and wholly owned subsidiary undertakings are not disclosed in this note.

Companies subject to common control

Pro Insurance Solutions Limited

During the year the Company was charged $0.185 million (2015: net $0.252 million) by Pro Insurance Solutions Limited for management fees, commissions and expenses recharged. As at 31 December 2016 the Company owed Pro Insurance Solutions Limited $0.01 million (2015: $nil).

Christie's

The Company agreed to surrender 2015 tax losses of £1.131 million and 2016 tax losses of £2.856 million to Christie's for £0.113/$0.140 million and £0.286/$0.354 million respectively (2015: $nil), as disclosed in note 10. As at 31 December 2016 Christie's owed the Company $0.501 million (2015: $nil).

Directors of the Company

Directors' remuneration is disclosed in note 9.

Key management personnel

The Company has taken advantage of the FRS 102 paragraph 1.12(e) disclosure exemption available to it in respect of remuneration to key management personnel.

Parent company and ultimate controlling party

The ultimate parent company is Financière Pinault S.C.S., a Société en commandite simple incorporated in France. The parent undertaking of the largest group which includes the Company and for which group accounts are prepared is Financière Pinault S.C.S., a company incorporated in France. Copies of the group financial statements of Financière Pinault S.C.S. may be obtained from the Tribunal de Commerce de Paris, 1 Quai de Corse, 75004, Paris, France.

During the year Financière Pinault S.C.S. charged the Company fees of $0.012 million (2015: $nil). As at 31 December 2016 the Company owed Financière Pinault S.C.S. $0.012 million (2015: $nil).

The Company had access to a loan facility of $9.8 million (2015: $9.8 million) with its ultimate parent company. This facility was shared with Pro Global Insurance Solutions plc and was not utilised by the Company during the year. The facility was terminated with effect from 29 June 2016 and had an interest rate of 3.5% per annum above LIBOR.