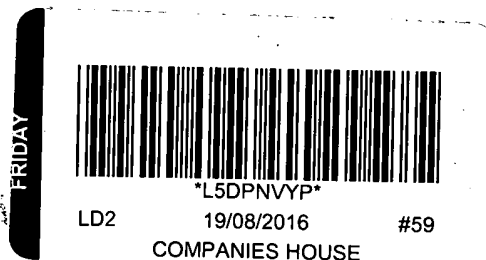


Company No 04082477

**BEAZLEY GROUP LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2015**



# **Beazley Group Limited**

## **Directors and advisors**

### **Directors**

S A Coope  
M L Bride (resigned 30/03/2015)  
M S Goodman (appointed 30/03/2015)  
E McGivney

### **Secretary**

Hampden Legal Plc,  
Hampden House,  
Great Hampden,  
Buckinghamshire  
HP16 9RD

### **Registered office**

Plantation Place South  
60 Great Tower Street  
London  
EC3R 5AD

### **Registered Number**

04082477

### **Auditor**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

### **Banker**

Deutsche Bank AG  
6 Bishopsgate  
London EC2N 4DA

# **Beazley Group Limited**

## **Strategic report**

The directors present their strategic report for Beazley Group Limited ('the company', registered number: 04082477) that accompanies the audited financial statements for the year ended 31 December 2015.

### **Business review and principal activity**

Beazley Group plc was previously the ultimate parent company of the Beazley group until the re-domiciliation to Ireland, at which point it de-listed and became Beazley Group Limited. Beazley plc was incorporated in Jersey on 20 February 2009 under Jersey Company Law as a public company limited by shares and with registered number 102680. With effect from 9 June 2009, under a scheme of arrangement involving a share exchange with the members of Beazley Group plc, Beazley plc became the new holding company of the Beazley group of companies ('the group').

Beazley Group Limited is the parent company of Beazley Furlonge Holdings Limited, which is the intermediate holding company for majority of the subsidiaries of the Beazley group.

### **Going concern**

The directors have prepared these accounts on a going concern basis, as they are of the opinion that the company will be able to pay its debts as and when they fall due.

### **Key performance indicators ('KPIs')**

The company's directors are of the opinion that the KPIs for the company are best represented by the financial statements and related notes set out on pages 7 to 24. In particular, notes 9 (Investment in subsidiaries) and 18 (Related party disclosure) give further information on the company's subsidiaries and related entities.

Signed on behalf of the board



S A Coope  
Director

21 March 2016

Plantation Place South  
60 Great Tower Street  
London  
EC3R 5AD

# **Beazley Group Limited**

## **Directors' report**

### **Business review**

A review of the company's activities is included in the strategic report.

### **Results and dividends**

The results of the company for the year are shown in the statement of profit or loss on page 7. There were no dividends paid during the year (2014: \$nil).

### **Donations**

No charitable or political donations were made by the company in either the current or prior reporting year.

### **Directors**

The directors of the company at 31 December 2015, who served during the year and to the date of this report, were as follows:

S A Coope  
M S Goodman (appointed 30/3/2015)  
M L Bride (resigned 30/3/2015)  
E McGivney

### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report 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 the 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.

### **Social, environmental and ethical risks**

Social, environmental and ethical risks are managed on a group basis. More information can be obtained on how the group manages these risks from the financial statements of Beazley plc.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.



Signed on behalf of the board

S A Coope  
Director

21 March 2016

Plantation Place South  
60 Great Tower Street  
London  
EC3R 5AD

# Beazley Group Limited

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the strategic report, the directors' 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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU 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 they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



M S Goodman

Director

21 March 2016

# **Beazley Group Limited**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY GROUP LIMITED**

We have audited the financial statements of Beazley Group Limited for the year ended 31 December 2015 set out on pages 7 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; 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 the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

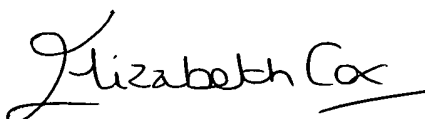
# Beazley Group Limited

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY GROUP LIMITED (CONTINUED)

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

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

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



**Elizabeth Cox (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
***Chartered Accountants***

15 Canada Square  
London  
E14 5GL

21 March 2016

# Beazley Group Limited

## Statement of profit or loss for the year ended 31 December 2015

	Note	2015 \$m	2014 \$m
Revenue	3	-	124.0
Administrative expenses including foreign exchange		<u>4.7</u>	<u>9.4</u>
<b>Operating profit</b>		<b>4.7</b>	<b>133.4</b>
Finance costs	6	(8.5)	(8.5)
FV loss on derivative	7	<u>(1.8)</u>	<u>(15.7)</u>
<b>(Loss)/profit on ordinary activities before taxation</b>	4	<b>(5.6)</b>	<b>109.2</b>
Taxation credit	8	<u>0.3</u>	<u>1.7</u>
<b>(Loss)/profit for the financial year</b>		<b><u>(5.3)</u></b>	<b><u>110.9</u></b>

The company's operating activities all relate to continuing operations.

The notes on pages 11 to 24 form part of these financial statements. The company has no recognised gain and losses other than recognised in the profit or loss account.



# Beazley Group Limited

## Statement of changes in equity for the year ended 31 December 2015

	Share capital \$m	Other reserves \$m	Retained earnings \$m	Total \$m
<b>Balance at 1 January 2014</b>	-	(21.5)	21.7	0.2
Total comprehensive income recognised	-	-	110.9	110.9
<b>Balance at 31 December 2014</b>	-	<b>(21.5)</b>	<b>132.6</b>	<b>111.1</b>
Total comprehensive income recognised	-	-	(5.3)	(5.3)
<b>Balance at 31 December 2015</b>	-	<b>(21.5)</b>	<b>127.3</b>	<b>105.8</b>

# Beazley Group Limited

## Balance Sheet As at 31 December 2015

	Note	2015 \$m	2014 \$m
<b>Assets</b>			
Investment in subsidiaries	9	191.0	191.0
Current income tax		0.8	3.0
Other receivables	11	266.0	187.7
Cash and cash equivalents	12	1.9	10.7
<b>Total assets</b>		<u>459.7</u>	<u>392.4</u>
<b>Liabilities</b>			
Borrowings	13	134.9	140.5
Financial liabilities	10	2.6	0.8
Other payables	14	216.4	140.0
<b>Total liabilities</b>		<u>353.9</u>	<u>281.3</u>
Share capital	15	-	-
Foreign currency translation reserves		(21.5)	(21.5)
Retained earnings	16	127.3	132.6
<b>Total capital and equity</b>		<u>105.8</u>	<u>111.1</u>
<b>Total liabilities, capital and equity</b>		<u>459.7</u>	<u>392.4</u>

Signed on behalf of the board of directors



M S Goodman  
Director

The financial statements were approved by the board of directors on 21 March 2016.

The notes on pages 11 to 24 form part of these financial statements.

# Beazley Group Limited

## Statement of cash flows for the year ended 31 December 2015

	Note	2015 \$m	2014 \$m
<b>Cash flow from operating activities</b>			
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(5.6)</b>	<b>109.2</b>
Adjustments for:			
Increase/(decrease) in other liabilities		70.8	(104.3)
Increase in other receivables		(78.3)	(20.9)
Financial expense		8.5	8.5
Income tax received		2.5	9.5
Change in fair value of foreign exchange contract		<u>1.8</u>	<u>15.7</u>
<b>Net cash from operating activities</b>		<b>(0.3)</b>	<b>17.7</b>
<b>Cash flow from financing activities</b>			
Interest paid		<u>(8.5)</u>	<u>(8.5)</u>
<b>Net cash used in financing activities</b>		<b><u>(8.5)</u></b>	<b><u>(8.5)</u></b>
<b>Net decrease in cash and cash equivalents</b>		<b>(8.8)</b>	<b>9.2</b>
Cash and cash equivalents at beginning of year		<u>10.7</u>	<u>1.5</u>
<b>Cash and cash equivalents at end of year</b>	12	<b><u>1.9</u></b>	<b><u>10.7</u></b>

# **Beazley Group Limited**

## **Notes to the financial statements**

### **1. Accounting policies**

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

All new standards and interpretations released by the International Accounting Standards Board (IASB) have been considered and of these the following new and amended standards have been adopted by the company during the period:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions;
- Annual improvements to IFRS: 2011-2013 cycle; and
- Annual improvement to IFRSs – 2010-2012 cycle.

The following is a list of new standards and amendments to standards that are in issue but not effective in 2015. The company will apply them from their effective dates as determined by their dates of EU endorsement:

- IFRS 9: Financial instruments (1 January 2018);
- IFRS 15: Revenue from contracts with customers (1 January 2018);
- IAS 1: Amendment: Disclosure Initiative (1 January 2016);
- IAS 16: Amendment: Clarification of acceptable methods of depreciation and amortisation (1 January 2016);
- IAS 27: Amendment: Equity method in separate financial statements (1 January 2016);
- IAS 38: Amendment: Clarification of acceptable methods of depreciation and amortisation (1 January 2016); and
- Annual improvement to IFRSs – 2012-2014 cycle (1 January 2016).

The implications of these standards and interpretations on the company are under review.

### **Basis of accounting**

The financial statements have been prepared and approved by the directors in accordance with IFRSs as adopted by the EU ('Adopted IFRSs').

The financial statements are prepared using the historical cost convention except that derivative financial instruments are stated at their fair value. All amounts presented are stated in US dollars, as the company's functional and presentational currency, and millions, unless stated otherwise.

These financial statements are not consolidated accounts per the exemption contained in IAS 27 (separate financial statements), since Beazley Group Limited is 100% owned and controlled by Beazley plc. The consolidated financial statements of Beazley plc can be obtained from the website [www.beazley.com](http://www.beazley.com)

### **Going concern**

The directors have prepared these accounts on a going concern basis, as they are of the opinion that the company will be able to pay its debts as and when they fall due.

As a wholly owned subsidiary of Beazley plc, the directors expect the company to have adequate resources to remain in existence for the foreseeable future.

# **Beazley Group Limited**

## **Notes to the financial statements (continued)**

### **Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in this statement of accounting policies and specifically in note 10: Financial assets and liabilities and note 13: Borrowings.

### **Dividends paid**

Dividend distributions to the shareholder of the company are recognised in the period in which the dividends are approved by the shareholders at the company's board meeting. Interim dividends are recognised in the period in which they are paid.

### **Investments in subsidiaries**

Investments in subsidiary undertakings and associates are stated at cost less any impairment.

### **Income taxes**

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at reporting date and any adjustments to tax payable in respect of prior periods.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liability and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised in the statement of financial position to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### **Financial instruments**

Financial instruments are recognised in the statement of financial position at such time that the company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred, together with substantially all the risks and rewards of ownership. Financial liabilities are derecognised if the company's obligations specified in the contract expire, are discharged or cancelled.

# Beazley Group Limited

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

#### Financial instruments (continued)

##### *a) Financial assets*

On acquisition of a financial asset, the company is required to classify the asset into one of the following categories: financial assets at fair value through the statement of profit or loss, loans and receivables, held to maturity and available for sale. The company does not make use of the held to maturity and available for sale classifications.

##### *b) Financial assets at fair value through statement of profit or loss*

Except for derivative financial instruments, all financial assets are designated as fair value through the statement of profit or loss upon initial recognition because they are managed and their performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the company's key management. The company's investment strategy is to invest and evaluate their performance with reference to their fair values.

##### *c) Hedge accounting and derivative financial instruments*

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting fair value gains or losses depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Fair values are obtained from quoted market prices in active markets, recent market transactions, and valuation techniques which include discounted cash flow models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The company has not designated any derivatives as fair value hedges, cash flow hedges or net investment hedges.

##### *d) Fair value measurement*

Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date.

When available, the company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the company establishes fair value using a valuation technique. Valuation techniques include using orderly transactions between market participants (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

# **Beazley Group Limited**

## **Notes to the financial statements (continued)**

### **1. Accounting policies (continued)**

#### **Financial instruments (continued)**

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the company has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the company and counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the company believes a third-party market participant would take them into account in pricing a transaction.

Upon initial recognition, the attributable transaction costs relating to financial instruments at fair value through the statement of profit or loss are recognised in the statement of profit or loss when incurred. Financial assets at fair value through the statement of profit or loss are measured at fair value, and changes therein are recognised in the statement of profit or loss. Net changes in the fair value of financial assets at fair value through the statement of profit or loss exclude interest and dividend income.

#### *e) Other receivables*

Other receivables principally consist of prepayments, accrued income and sundry debtors and are carried at amortised cost.

#### *f) Borrowings*

Borrowings are initially recorded at fair value less transaction costs incurred. Subsequently borrowings are stated at amortised cost and interest is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Finance costs comprise interest, fees paid for the arrangement of debt and letter of credit facilities and commissions charged for the utilisation of letters of credit. These costs are recognised in the statement of profit or loss using the effective interest method.

In addition, finance costs include gains on the early redemption of the company's borrowings. These gains are recognised in the statement of profit or loss being the difference between proceeds paid plus related costs and the carrying value of the borrowings redeemed.

#### *g) Other payables*

Other payables are stated at amortised cost.

# Beazley Group Limited

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

#### *h) Cash and cash equivalents*

Cash and cash equivalents consist of cash at bank and in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less from the date of acquisition. Cash at bank and in hand is classified as loans and receivables and carried at amortised cost less any impairment losses.

#### **Foreign currencies**

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Translation differences relating to differences between, or changes to, functional currency and presentational currency are recorded through the foreign exchange reserve on the balance sheet.

### 2. Risk management

The company has identified the risks arising from its activities and has established policies and procedures to manage these items in accordance with its risk appetite. The sections below outline the company's risk appetite and explain how it defines and manages each category of risk.

#### *2.1 Foreign exchange risk*

The functional currency of the company is the US dollar. The company is mainly exposed to fluctuations in exchange rates for the non-dollar denominated subordinated debt as per note 13. The company managed this by entering into exchange rate derivatives. These derivatives were used to rebalance the currency exposure to sterling.

#### *2.2 Interest rate risk*

Some of the company's financial instruments, including cash and cash equivalents and borrowings, are exposed to movements in market interest rates.

The table below shows the average duration of the financial instruments. Duration is a commonly used measure of volatility and we believe gives a better indication than maturity of the likely sensitivity of our portfolio to changes in interest rates.

#### **Duration**

<b>31 December 2015</b>	<b>&lt;1 yr \$m</b>	<b>1-2 yrs \$m</b>	<b>2-3 yrs \$m</b>	<b>3-4 yrs \$m</b>	<b>4-5 yrs \$m</b>	<b>5-10 yrs \$m</b>	<b>&gt;10 yrs \$m</b>	<b>Total \$m</b>
Cash and cash equivalents	1.9	-	-	-	-	-	-	1.9
Borrowings	(116.9)	-	-	-	-	-	(18.0)	(134.9)
Derivative financial instruments	(2.6)	-	-	-	-	-	-	(2.6)
<b>Total</b>	<b>(117.6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18.0)</b>	<b>(135.6)</b>



# Beazley Group Limited

## Notes to the financial statements (continued)

### 2. Risk management (continued)

31 December 2014	<1 yr \$m	1-2 yrs \$m	2-3 yrs \$m	3-4 yrs \$m	4-5 yrs \$m	5-10 yrs \$m	>10 yrs \$m	Total \$m
Cash and cash equivalents	10.7	-	-	-	-	-	-	10.7
Borrowings	-	(122.5)	-	-	-	-	(18.0)	(140.5)
Derivative financial instruments	-	(0.8)	-	-	-	-	-	(0.8)
Total	10.7	(123.3)	-	-	-	-	(18.0)	(130.6)

Borrowings include tier 2 subordinated debt which is due for repayment in October 2026 with a first call at the company's option on October 2016. If the debt is settled when due in October 2026 the duration of the debt falls within the >10 yrs category. If the debt is called in October 2016, the duration of the debt falls within the <1yr (2014: 1-2 yrs) category. Also included in borrowings is \$18.0m of a subordinated debt facility raised in 2004 which is unsecured. The subordinated notes are due in 2034 and have been callable at the company's option since 2009.

#### 2.3 Credit risk

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due.

The company analyses and examine counterparties when assessing credit risk.

To assist in the understanding of credit risks, A.M. Best, Moody's and Standard & Poor's (S&P) ratings are used. These ratings have been categorised below as used for Lloyd's reporting:

	A.M. Best	Moody's	S&P
Tier 1	A++ to A-	Aaa to A3	AAA to A-
Tier 2	B++ to B-	Baa1 to Ba3	BBB+ to BB-
Tier 3	C++ to C-	B1 to Caa	B+ to CCC
Tier 4	D,E,F,S	Ca to C	R,(U,S) 3

The following tables summarise the company's concentrations of credit risk:

31 December 2015	Tier 1 \$m	Tier 2 \$m	Tier 3 \$m	Tier 4 \$m	Unrated \$m	Total \$m
Derivative financial instruments	-	-	-	-	(2.6)	(2.6)
Cash and cash equivalents	1.9	-	-	-	-	1.9
Other receivables	-	-	-	-	266.0	266.0
Total	1.9	-	-	-	263.4	265.3

31 December 2014	Tier 1 \$m	Tier 2 \$m	Tier 3 \$m	Tier 4 \$m	Unrated \$m	Total \$m
Derivative financial instruments	-	-	-	-	(0.8)	(0.8)
Cash and cash equivalents	10.7	-	-	-	-	10.7
Other receivables	-	-	-	-	187.7	187.7
Total	10.7	-	-	-	186.9	197.6

# Beazley Group Limited

## Notes to the financial statements (continued)

### 2. Risk management (continued)

The majority of other receivables consist of amounts owed from other entities within the group. These are classified as unrated as they are unable to be classified under the tiers described above.

#### 2.4 Liquidity risk

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. The company is exposed to payments on servicing its borrowings.

The following table is an analysis of the net cash flows based on all the liabilities held at 31 December:

<b>31 December 2015</b>	<b>Within 1 year \$m</b>	<b>1-3 years \$m</b>	<b>3-5 years \$m</b>	<b>Greater than 5 years \$m</b>	<b>Total \$m</b>
Borrowings	116.9	-	-	18.0	134.9
Other payables	216.4	-	-	-	216.4

<b>31 December 2014</b>	<b>Within 1 year \$m</b>	<b>1-3 years \$m</b>	<b>3-5 years \$m</b>	<b>Greater than 5 years \$m</b>	<b>Total \$m</b>
Borrowings	-	122.5	-	18.0	140.5
Other payables	140.0	-	-	-	140.0

### 3. Revenue

Revenue consists of dividends received from subsidiary companies and is comprised as follows:

	<b>2015 \$m</b>	<b>2014 \$m</b>
Beazley Furlonge Holdings Limited	-	124.0
	<b>-</b>	<b>124.0</b>

### 4. Profit or Loss on ordinary activities before taxation

The audit fee in the current financial year was \$4,896 (2014: \$5,242) and was borne by Beazley Management Limited.

Amounts receivable by the company's auditor and its associates in respect of services to the company and its associates, other than the audit of the company's financial statements, have not been disclosed as the information is disclosed on a consolidated basis in the consolidated financial statements of the company's parent, Beazley plc.

All directors are employed by Beazley Management Limited except for Ed McGivney who is employed by Beazley Re dac.

# Beazley Group Limited

## Notes to the financial statements (continued)

### 5. Directors and employees

None of the directors of the company, or employees of the company, received any remuneration in respect of services rendered to the company. Details of the remuneration paid to directors and employees of the group for their services to the company are shown in the ultimate parent undertaking's accounts, Beazley plc, which can be found at [www.beazley.com](http://www.beazley.com)

### 6. Finance costs

	2015 \$m	2014 \$m
Interest expense	8.5	8.5
	<b>8.5</b>	<b>8.5</b>

### 7. Fair value loss on derivative

	2015 \$m	2014 \$m
Fair value loss on derivative	1.8	15.7
	<b>1.8</b>	<b>15.7</b>

### 8. Taxation

	2015 \$m	2014 \$m
Current tax:		
UK corporation tax at 20.25% (2014: 21.5%)	(0.7)	(3.1)
Adjustment in respect of prior periods	0.4	1.4
Taxation credit for the year	<b>(0.3)</b>	<b>(1.7)</b>

*Factors affecting the tax charge for the current and prior years*

The tax charge for both the current year and prior years is lower than the standard rate of corporation tax in the UK, 20.25% (2014: 21.5%) due to the differences explained below.

	2015 \$m	2014 \$m
<i>Corporation tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(5.6)	109.2
Current tax at 20.25% (2014: 21.5%)	(1.1)	23.5
<i>Effects of:</i>		
Expenses not deductible for tax purposes	0.4	0.1
Franked investment income	-	(26.7)
Prior period adjustment	0.4	1.4
<b>Taxation credit for the year</b>	<b>(0.3)</b>	<b>(1.7)</b>

# Beazley Group Limited

## Notes to the financial statements (continued)

### 8. Taxation

The Finance Act 2015, which provides for reduction in the UK corporation tax rates down to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. These rate reductions to 19% and 18% will reduce the company's future current tax charge.

The company has taxable losses giving rise to an estimated deferred tax asset of \$1.3m, measured at the corporation tax rate of 18%. These tax losses have not been recognised in the year as they are not expected to be realised in the foreseeable future based on current taxable profit forecasts and projections.

### 9. Investment in subsidiaries

	<b>2015</b> <b>\$m</b>	<b>2014</b> <b>\$m</b>
Investment in subsidiaries	<u>191.0</u>	<u>191.0</u>

The investments in subsidiaries consist of investments in Beazley Furlonge Holdings Limited and Beazley DAS Limited.

### 10. Financial liabilities

	<b>2015</b> <b>\$m</b>	<b>2014</b> <b>\$m</b>
Derivative financial instruments:		
Forward foreign exchange contracts	<u>(2.6)</u>	<u>(0.8)</u>
<b>Total financial assets and liabilities at fair value through statement of profit or loss</b>	<b><u>(2.6)</u></b>	<b><u>(0.8)</u></b>

The company entered into foreign exchange forward agreements in order to hedge the foreign currency resulting from balances held in currencies that are different to the functional currency of the company. The gross contract amount of these forward agreements is \$228.0m (2014: \$228.0m).

The company has the right and the intention to settle each contract on a net basis.

#### **Fair value measurement**

The company currently does not have any financial assets. If the company were to have such assets, then the following fair value hierarchy would be used when measuring such assets.

Level 1 – Valuations based on quoted prices in active markets for identical instruments. An active market is a market in which transactions for the instrument occur with sufficient frequency and volume on an ongoing basis such that quoted prices reflect prices at which an orderly transaction would take place between market participants at the measurement date. Included within level 1 are bonds and treasury bills of government and government agencies which are measured based on quoted prices in active markets.

# Beazley Group Limited

## Notes to the financial statements (continued)

### 10. Financial liabilities (continued)

Level 2 – Valuations based on quoted prices in markets that are not active, or based on pricing models for which significant inputs can be corroborated by observable market data (e.g. interest rates, exchange rates). Included within level 2 are government bonds and treasury bills which are not actively traded, corporate bonds, asset backed securities and mortgage-backed securities.

Level 3 – Valuations based on inputs that are unobservable or for which there is limited market activity against which to measure fair value.

The availability of financial data can vary for different financial assets and is affected by a wide variety of factors, including the type of financial instrument, whether it is new and not yet established in the marketplace, and other characteristics specific to each transaction. To the extent that valuation is based on models or inputs that are unobservable in the market, the determination of fair value requires more judgement. Accordingly the degree of judgement exercised by management in determining fair value is greatest for instruments classified in level 3. The company uses prices and inputs that are current as of the measurement date for valuation of these instruments.

Foreign exchange derivatives are classified as level 1 in the fair value hierarchy. The fair value is calculated using market comparison techniques and fair values are based on similar contracts that are traded in an active market. Other financial instruments are not classified to specific levels in the fair value hierarchy if the carrying amount of these instruments approximates their fair value at the reporting date.

There were no transfers in either direction between level 1 and level 2 during the year.

### 11. Other receivables

	<b>2015</b> <b>\$m</b>	<b>2014</b> <b>\$m</b>
Amounts due from group companies	231.1	187.5
Amounts due from syndicate 623	34.9	-
Other debtors	-	0.2
	<b>266.0</b>	<b>187.7</b>

All other receivables are due within one year of the reporting date. The carrying value approximates fair value.

### 12. Cash and cash equivalents

	<b>2015</b> <b>\$m</b>	<b>2014</b> <b>\$m</b>
Cash at bank and in hand	1.9	10.7
	<b>1.9</b>	<b>10.7</b>

# Beazley Group Limited

## Notes to the financial statements (continued)

### 13. Borrowings

The carrying amount and fair values of the non-current borrowings are as follows:

	<b>2015</b> <b>\$m</b>	<b>2014</b> <b>\$m</b>
<b>Carrying value</b>		
Subordinated debt	18.0	18.0
Tier 2 subordinated debt	116.9	122.5
	<b>134.9</b>	<b>140.5</b>
<b>Fair value</b>		
Subordinated debt	18.0	18.0
Tier 2 subordinated debt	119.7	127.1
	<b>137.7</b>	<b>145.1</b>

All borrowings are classified as level 2 in the fair value hierarchy (refer to note 10 for more detail on the fair value hierarchy). The fair value of the tier 2 subordinated debt is based on quoted market prices. For the subordinated debt that is not quoted, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

In November 2004, the company issued subordinated debt of US \$18m to JPMorgan Chase Bank, N.A. (JPMorgan). The loan is unsecured and interest is payable at the US London interbank offered rate (LIBOR) plus a margin of 3.65% per annum. The subordinated notes are due in November 2034 and have been callable at the company's option since 2009.

In October 2006, the company issued £150m of unsecured fixed/floating rate subordinated notes that are due in October 2026 with a first callable at the group's option in October 2016. Interest of 7.25% per annum is paid annually in arrears for the period up to October 2016. From October 2016, the notes will bear annual interest at the rate of 3.28% above LIBOR. Since 2012, we have bought back parts of this debt with a total value of £73.5m.

### 14. Other payables

	<b>2015</b> <b>\$m</b>	<b>2014</b> <b>\$m</b>
Amounts due to other group companies	214.2	137.2
Amounts due to syndicate 623	-	0.6
Accruals and deferred income	2.2	2.2
	<b>216.4</b>	<b>140.0</b>

All other payables are payable within one year of the reporting date and do not incur an interest charge. The carrying value approximates fair values.

# Beazley Group Limited

## Notes to the financial statements (continued)

### 15. Share capital

	<b>2015</b>		<b>2014</b>	
	<b>No. of shares</b>		<b>No. of shares</b>	
	<b>(m)</b>	<b>\$m</b>	<b>(m)</b>	<b>\$m</b>
<b>Ordinary shares of 5p each</b>				
Authorised*	-	-	-	-
Issued and fully paid*	-	-	-	-
<b>Balance at 1 January and 31 December</b>	-	-	-	-

With effect from 9 June 2009, under a scheme of arrangement involving a share exchange with the members of Beazley Group plc, Beazley plc became the new holding company of the Beazley Group of companies. This resulted in a share cancellation in Beazley Group plc, it delisted and became Beazley Group Limited.

\* After the scheme of arrangement mentioned above, the company was left with a minimal amount of issued and fully paid share capital.

### 16. Retained earnings

	<b>2015</b>	<b>2014</b>
	<b>\$m</b>	<b>\$m</b>
Balance brought forward at 1 January	132.6	21.7
(Loss)/ profit for the financial year	(5.3)	110.9
<b>Balance carried forward 31 December</b>	<b>127.3</b>	<b>132.6</b>

### 17. Ultimate parent undertaking

The ultimate parent undertaking is Beazley plc, incorporated in Jersey. The largest and the smallest company in which the results of the company are consolidated is that headed by Beazley plc. No other company financial statements include the results of the company. The consolidated financial statements of Beazley plc can be obtained from the website [www.beazley.com](http://www.beazley.com)

# Beazley Group Limited

## Notes to the financial statements (continued)

### 18. Related party disclosure

The company has related party relationships with all subsidiaries and associates in the Beazley group. Details of transactions and contracts entered into by the company with its directors are disclosed in note 5 to the financial statements.

Details of transactions entered into by Beazley Group Limited and the balances with the subsidiaries are as follows:

	<b>2015</b>	<b>2014</b>
	<b>\$m</b>	<b>\$m</b>
Dividends paid to Beazley plc*	-	-
<b>Balances due from/(to):</b>		
Syndicate 623	34.9	(0.6)
Syndicate 2623	(101.8)	(0.8)
Beazley Furlonge Ltd	(33.3)	(18.3)
Beazley Furlonge Holdings Ltd	(4.3)	(3.5)
Beazley Management Ltd	29.4	19.1
Beazley Underwriting Ltd	(68.9)	(91.6)
Beazley Staff Underwriting Ltd	(2.7)	(1.8)
Beazley USA Services, Inc.	21.3	21.3
Beazley Solutions Ltd	1.7	1.1
Beazley Investments Ltd	15.5	12.4
Syndicate 3622	0.9	-
Syndicate 3623	35.7	0.4
Beazley Underwriting Pty Ltd	(1.3)	(0.9)
Beazley Underwriting Services Ltd	(1.9)	2.0
Beazley Re dac	126.4	131.2
Beazley plc	0.2	(20.3)
	<u>51.8</u>	<u>49.7</u>
Amounts owed by/(to) syndicate 623	34.9	(0.6)
Amounts owed by group undertakings	231.1	187.5
Amounts owed to group undertakings	(214.2)	(137.2)
	<u>51.8</u>	<u>49.7</u>

Beazley plc is the ultimate parent and the ultimate controlling party within the Beazley group.



# Beazley Group Limited

## Notes to the financial statements (continued)

### 18. Related party disclosure (continued)

The following is a list of related parties of Beazley Group Limited:

	Country of Incorporation	Nature of business
Beazley Furlonge Holdings Ltd*	England	Intermediate holding company
Beazley Furlonge Limited	England	Lloyd's underwriting agents
Beazley Investments Limited	England	Investment company
Beazley Underwriting Limited	England	Underwriting at Lloyd's Intermediate management company
Beazley Management Limited	England	Underwriting at Lloyd's
Beazley Staff Underwriting Limited	England	Insurance services
Beazley Solutions Limited	England	Insurance services
Beazley Underwriting Services Limited	England	Dividend access scheme
Beazley DAS Limited *	England	Underwriting at Lloyd's
Beazley Corporate Member (No.2) Limited	England	Underwriting at Lloyd's
Beazley Corporate Member (No.3) Limited	England	Underwriting at Lloyd's
Beazley Corporate Member (No.4) Limited	England	Underwriting at Lloyd's
Beazley Corporate Member (No.5) Limited	England	Underwriting at Lloyd's
Beazley Corporate Member (No.6) Limited	England	Underwriting at Lloyd's
Beazley Underwriting Pty Ltd	Australia	Insurance services
Australian Income Protection Pty Ltd	Australia	Insurance services
Beazley USA Services, Inc.	USA	Insurance services
Beazley Holdings, Inc.	USA	Holding company
Beazley Group (USA) General Partnership	USA	General partnership
Beazley Insurance Company, Inc.	USA	Underwriting admitted lines
First State Management Group, Inc.	USA	Insurance services
Beazley Limited	Hong Kong	Insurance services
Beazley Middle East Limited	Dubai	Insurance services
Beazley Pte. Limited	Singapore	Underwriting at Lloyd's

\* Direct Holdings.

The list provides related undertakings as defined in section 409 of the Companies Act 2006. The results of these subsidiary undertakings are included in the group's consolidated financial statements and the group holds 100% interest in these undertakings.