

# **NRG Victory Holdings Limited**

## **Report & Accounts**

**31 December 2013**



**OFFICERS AND PROFESSIONAL ADVISORS**

**DIRECTORS**

Mr S Michael  
Mr A Wilson  
Mr V Mavani (Non-executive)

**SECRETARY**

Ms C Martin

**AUDITOR**

Deloitte LLP  
2 New Street Square  
London  
EC4A 3BZ

**BANKERS**

Barclays plc  
1 Churchill Place  
London  
E14 5HP

**SOLICITORS**

Hogan Lovells International LLP  
Atlantic House, Holborn Viaduct  
London  
EC1A 2FG

**REGISTERED OFFICE**

London Underwriting Centre  
6th Floor, 3 Minster Court  
Mincing Lane  
London  
EC3R 7DD

---

**DIRECTORS' REPORT**

The directors present their report and audited Financial Statements for the year ended 31 December 2013.

**RESULTS AND DIVIDENDS**

The result for the year mainly reflects the profits reported by the company's insurance related subsidiary undertaking. Investments in the shares of subsidiary undertakings are valued on the basis of the net assets recorded in their accounts.

The profit before tax for the year attributable to shareholders amounted to £6,523,000 (2012 - Profit Before Tax of £6,192,000). The directors do not recommend payment of a dividend (2012: Nil).

**DIRECTORS**

The directors of the Company for the year ended 31 December 2013 and to the date of signing this report are those listed on page 1.

**FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

The Company adopts a very conservative investment and risk management policy to ensure that there is no material exposure to market, liquidity or cashflow risks to funds held which support the company's financial position. In addition, the Company has no exposure to pricing, derivatives or currency-hedging risks.

**AUDITOR**

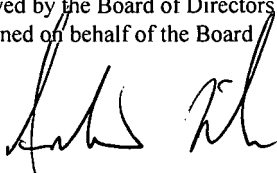
**Disclosure of relevant information to the auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant 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.

Approved by the Board of Directors  
and signed on behalf of the Board



A Wilson  
Director

Date:

7 July 2014

**STRATEGIC REPORT**

**PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The Company is a holding company, and its wholly owned subsidiaries are listed in note 3 on page 11. The principal activity of the Company's subsidiaries is the administration of reinsurance business. The insurance related subsidiary has been in run-off since at least 1993 and its main objective is to run-off the underwriting liabilities in an orderly manner. The other subsidiary, a service provider, was dissolved on 17 April 2013.

**KEY PERFORMANCE INDICATORS**

The Company's performance is measured and monitored by the Board with particular regard paid to the following Key Performance Indicators:

**Investment in Subsidiary and Capital resources therein**

The aim of the Company is to act as the holding company for NRG Victory Reinsurance Limited and to monitor the subsidiary company's margin of regulatory capital over capital resource requirements, calculated in accordance with the handbook issued by the Prudential Regulatory Authority. As at 31 December 2013, the Subsidiary Company's free assets were £179,396,000 (2012: £146,428,000).

**Shareholders funds**

As at 31 December 2013, the Company had shareholders funds amounting to £190,191,000 (2012: £183,668,000).

**GOING CONCERN**

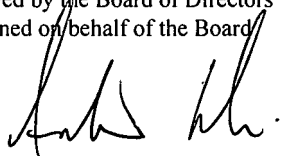
The financial position of the Company continues to be encouraging and cash flows are as expected. The capital structure of the Company has remained stable for a considerable period and financial risk management processes are in place to maintain the Company's liquidity and solvency position.

Having taken into account the risks and uncertainties and the performance of the business and after making enquires, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Company's largest potential risk is that technical provisions held by its subsidiary, NRG Victory Reinsurance Limited, may prove to be inadequate or excessive. The amounts included as claims provisions are based on well known statistical and other techniques of estimation undertaken by consulting actuaries from related party service providers who have extensive knowledge of market developments.

Approved by the Board of Directors  
and signed on behalf of the Board



A Wilson  
Director

Date:

7 July 2014

---

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

---

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NRG VICTORY HOLDINGS LIMITED**

---

We have audited the financial statements of NRG Victory Holdings Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

**Respective responsibilities of directors and auditor**

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit 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 requirements of the Companies Act 2006

**Emphasis of matter - uncertainty relating to insurance liabilities of subsidiary**

We draw attention to Note 3 to the financial statements which describes the company's uncertainty regarding the valuation of the subsidiary's net worth, itself caused by uncertainty regarding the valuation of the subsidiary's insurance liabilities due to exposure to asbestos and environmental claims. Future legislative and judicial actions could significantly alter the company's estimates of the net costs of these claims. These significant uncertainties are such that the ultimate liabilities of the subsidiary will vary as a result of subsequent information and events which may result in material, but presently unquantifiable, adjustments to the valuation of the subsidiary. Our opinion is not modified in respect of this matter.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NRG VICTORY HOLDINGS LIMITED (Continued)**

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.

**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.



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

Date: 7 July 2014

**PROFIT AND LOSS ACCOUNT**  
 for the year ended 31 December 2013

	<i>Notes</i>	<i>2013</i>	<i>2012</i>
		<i>£000</i>	<i>£000</i>
Bank interest & investment income		15	16
Administrative expenses		(15)	9
Dividend received from subsidiaries		-	-
Appreciation in value of subsidiaries	3	6,523	6,167
<b>Profit before taxation</b>		<u>6,523</u>	<u>6,192</u>
Taxation	2	-	(6)
<b>Profit after taxation</b>		<u><u>6,523</u></u>	<u><u>6,186</u></u>

All of the operations of the Company are continuing.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
 for the year ended 31 December 2013

		<i>2013</i>	<i>2012</i>
		<i>£000</i>	<i>£000</i>
Profit after taxation		6,523	6,186
Revaluation of investments in subsidiaries	3	-	-
<b>Total recognised gains/(losses)</b>		<u><u>6,523</u></u>	<u><u>6,186</u></u>

The notes on pages 9 to 14 form part of these accounts.



**BALANCE SHEET**  
 as at 31 December 2013

	<i>Notes</i>	<i>2013</i>	<i>2012</i>
		<i>£000</i>	<i>£000</i>
<b>Fixed assets</b>			
Shares in group undertakings	3	<u>184,712</u>	<u>178,189</u>
<b>Current assets</b>			
Other financial investments	4	5,489	5,489
Due from subsidiary undertakings		-	2
Cash at bank		1	1
Accrued interest		1	1
Other debtors		-	2
		<u>5,491</u>	<u>5,495</u>
<b>Creditors falling due within one year</b>			
Accruals and deferred income		11	10
Corporation tax payable		1	6
		<u>5,479</u>	<u>5,479</u>
<b>Net current assets</b>			
		<u>190,191</u>	<u>183,668</u>
<b>Total assets less current liabilities</b>			
		<u>190,191</u>	<u>183,668</u>
<b>Financed by</b>			
Capital and reserves			
Called up share capital	5, 6	50,000	50,000
Profit and loss account	6	140,191	133,668
		<u>190,191</u>	<u>183,668</u>
Shareholder's funds	6	<u>190,191</u>	<u>183,668</u>

The notes on pages 9 to 14 form part of these accounts.

Approved at a meeting of the Board of Directors and signed on its behalf.

A Wilson  
 Director

Date:

7 July 2014

---

**NOTES TO THE ACCOUNTS**  
**for the year ended 31 December 2013**

**1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards and under the current value accounting rules.

The Company is not required to prepare consolidated financial statements by virtue of the exemption under section 401 of the Companies Act 2006. The results of the Company are included within the financial statements of Columbia Insurance Company, a company incorporated in the United States of America, which will prepare consolidated financial statements for the year ended 31 December 2013.

The particular accounting policies adopted are described below.

**Going concern**

Having taken into account the risks and uncertainties and the performance of the business as disclosed in the Directors' Report, and after making enquires, there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As a result, the Company continues to adopt the going concern basis in the preparation of the financial statements.

**Cash flow statement**

Advantage has been taken of the exemption under the revised FRS1 not to present a statement of cash flow as the Company is 90% or more controlled by Columbia Insurance Company, and the consolidated financial statements in which the subsidiary undertaking is included are publicly available (note 10).

**Investments in subsidiaries**

Investments in subsidiaries are stated at directors' valuations based upon the subsidiaries' net assets. Revaluations of subsidiaries above cost are credited to the revaluation reserve. Provision is made through the profit and loss account for diminutions in the value of investments below cost, and any reduction in such provisions in subsequent years is credited to the profit and loss account.

**Other financial investments**

Other financial investments are stated at the lower of cost and market value. The purchases and sales of other financial investments have been accounted for on a trade date basis.

**Foreign currency**

Assets and liabilities held in foreign currencies are translated to sterling at rates of exchange ruling at the end of the year. Revenue transactions in other currencies are translated to sterling at rates of exchange ruling at the date of the transaction. Exchange differences on these transactions are taken to the Profit and Loss Account.

**Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided for using the liability method on all timing differences, arising from the different treatment of items for accounting and taxation purposes, calculated at the rates at which it is expected that tax will arise. Deferred tax balances are not discounted.

---

**NOTES TO THE ACCOUNTS**  
**for the year ended 31 December 2013**

**2. TAXATION AND DEFERRED TAXATION**

The standard rate of tax for the current year is 24% to 31 March, and 23% thereafter (2012 - 26% to 31 March, and 24% thereafter). Based on this the average, the average standard rate of Corporation Tax is 23.25% (2012 - 24.5%). The current tax charge for the year is not at these rates for the reasons set out below:

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Profit on ordinary activities before tax	<u>6,523</u>	<u>6,192</u>
Tax on profit on ordinary activities at standard rate	1,517	1,517
Factors affecting tax charge:		
Unrealised appreciation in value of subsidiaries	(1,517)	(1,511)
Total current tax charge	<u>-</u>	<u>6</u>

No deferred tax has been recognised in respect of revaluations of subsidiaries. It is not envisaged that any tax will become payable (or any tax losses become available) in the foreseeable future on the basis that any sale of shares should qualify for relief under the exemption under the "substantial shareholder rules" for tax purposes.

**NOTES TO THE ACCOUNTS**  
for the year ended 31 December 2013

**3. SHARES IN GROUP UNDERTAKINGS**

	2013	2012
	£000	£000
Cost or valuation		
At 1 January	298,159	298,209
Release upon liquidation of subsidiary	-	(50)
At 31 December	298,159	298,159
Provision for diminution in value of investments		
At 1 January	(119,970)	(126,137)
Appreciation/(depreciation) during the year	6,523	6,167
At 31 December	(113,447)	(119,970)
Net value of investments at 31 December	184,712	178,189

Investments in subsidiaries are stated at directors' valuations based upon the subsidiaries' net assets. Revaluations of subsidiaries above cost are credited to the revaluation reserve. Provision is made through the profit and loss account for diminutions in the value of investments below cost, and any reduction in such provisions in subsequent years is credited to the profit and loss account.

One of the subsidiaries is a service company, which was placed in to Members Voluntary Liquidation in September 2011. The company was formally dissolved on the 17 April 2013.

**Significant uncertainty**

The investment in shares of NRG Victory Reinsurance Limited (the insurance subsidiary) is included herein at the directors' valuation of £184.7 million reflecting the net assets recorded in the accounts of the company.

As stated within the insurance subsidiary's financial statements, this subsidiary has exposure to asbestos and environmental claims such that there is considerable uncertainty inherent in the assessment of the subsidiary's insurance liabilities, which will vary as a result of subsequent information and events. This significant uncertainty may result in material, but presently unquantifiable, adjustments to the valuation of both the net assets of this subsidiary and the carrying value of the investment held by the Company.

The wholly-owned subsidiaries of NRG Victory Holdings Limited are listed below.

	Country of registration	Class of shares held
<u>Insurance company</u>		
NRG Victory Reinsurance Limited	England	Ordinary shares of £1
<u>Non-insurance company</u>		
NRG Victory Management Services Limited (dissolved 17 April 2013)	England	Ordinary shares of £1

**NOTES TO THE ACCOUNTS**  
for the year ended 31 December 2013

**4. OTHER FINANCIAL INVESTMENTS**

	<i>Cost &amp; Market Value</i>	
	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Units in collective investment schemes	5,489	5,489
	<u>5,489</u>	<u>5,489</u>

**5. SHARE CAPITAL**

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Allotted, called up and fully paid : 50,000,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

**NOTES TO THE ACCOUNTS**  
for the year ended 31 December 2013

**6. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<i>Share Capital</i>	<i>Profit &amp; loss account</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2012	50,000	127,482	177,482
Profit for the year	-	6,186	6,186
At 31 December 2012	<u>50,000</u>	<u>133,668</u>	<u>183,668</u>
At 1 January 2013	50,000	133,668	183,668
Profit for the year	-	6,523	6,523
At 31 December 2013	<u>50,000</u>	<u>140,191</u>	<u>190,191</u>

All reserves are attributable to the shareholders.

**7. CAPITAL COMMITMENTS**

There were no capital commitments at the end of the year (2012: £Nil).

---

NOTES TO THE ACCOUNTS

as at 31 December 2013

**8. STAFF COSTS**

**Directors' emoluments**

No directors received any emoluments for services to the company in the year (2012: £nil), or accrued any benefits under a company pension scheme (2012: £nil).

**Employees**

The company has no employees and during the year the company incurred no staff costs. (2012: Nil).

**9. AUDITORS' REMUNERATION**

	2013 £000	2012 £000
Auditors' remuneration:		
Audit	4	3
	<u>4</u>	<u>3</u>

Auditors' remuneration has been paid by another group company. The Company's auditor did not provide any other services to the company in 2013 (2012: nil).

**10. PARENT COMPANIES**

The Company's immediate parent company is Nederlandse Reassurantie Groep nv, a company incorporated in the Netherlands.

The Company's ultimate parent company, controlling party, company which heads the largest group of undertakings for which group accounts were drawn up and of which the Company was a member of, is Berkshire Hathaway Inc., incorporated in the United States of America.

The parent undertaking which heads the smallest group of undertakings for which group accounts were drawn up and of which the Company is a member is Columbia Insurance Company, incorporated in the United States of America.

The consolidated financial statements of these companies are available to the public and may be obtained from 1440 Kiewit Plaza, Omaha, Nebraska, USA 68131 and London Underwriting Centre, 6th Floor, Minster Court, Mincing Lane, London, EC3R 7DD.

**11. RELATED PARTY TRANSACTIONS**

The Company is taking advantage of the exemption under FRS 8, paragraph 3 Related Party Transactions. The consolidated accounts of both the immediate and the ultimate parent companies are publicly available.