

ASHBROOKE FINANCIAL GROUP LIMITED

Company registration number: 09678901

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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ASHBROOKE FINANCIAL GROUP LIMITED

COMPANY INFORMATION

Directors	Steven Gowland Andrew Morpeth
Company Secretary	Jeremy Watt
Registered Office	8 Eagle Court London EC1M 5QD
Independent Auditor	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD

ASHBROOKE FINANCIAL GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their Strategic Report for the year ended 31 December 2018.

Principal activity and review of business

The Company was incorporated on 9 July 2015 in England & Wales with the company number 09678901. It is a holding company whose only investments are the entire issued share capital of Bestpark International Limited ('BIL') and Ashbrooke Ventures Limited ('AVL').

The principal activities of Ashbrooke Financial Group Limited and its subsidiaries (the 'Group') are the acquisition of insurance companies and portfolios in the legacy insurance market and the provision of outsourcing and consultancy services related to the management and administration of insurance operations.

On 19 February 2016 the Company purchased 100% of the shares in BIL. BIL formerly operated as an insurance company underwriting direct and reinsurance risks in the London market. On 29 November 2002 BIL ceased to accept new business. Since 29 November 2002 the principal activity of BIL has been the administration of existing business in force and the settlement of outstanding claims.

On 19 February 2016 the Company purchased 100% of the shares in AVL. AVL supports the management team to acquire insurance run-off portfolios and provides other management consultancy services to the international reinsurance market.

The profit for the year was £1.4m (2017: £3.4m) and the profit after taxation was £1.4m (2017: £3.4m).

Strategy and financial performance during the year

The Group offers high quality, knowledgeable resources to administer run-off services in the UK. The directors continue to seek an orderly run-off of the Group's business as quickly as is consistent with protecting the interests of policyholders. In order to achieve this objective the Group will continue to seek to remove future uncertainty through effective claims management techniques including commutation agreements, where appropriate.

The key performance indicator used by the directors is the reported and forecast solvency of the Group which they seek to maintain at a level that meets the Group's regulatory capital requirements. During the year the net assets of the Group have increased to £12.0m at 31 December 2018 (2017: £10.6m) under FRS102 following positive claims development and a comprehensive review of the held reserves in relation to a number of classes of business. The directors currently expect a solvent run-off to be maintained in the future. The Group comfortably exceeds its Regulatory Capital requirements for both Minimum Capital Requirement ("MCR") and Solvency Capital Requirement ("SCR") as calculated in accordance with Solvency II requirements.

Principal financial risks and uncertainties

The financial risks and uncertainties facing the Company and Group are described below under "Financial risk management". In addition to these financial risks the Company is exposed to legal and regulatory risk. Non-compliance with regulation could give rise to fines or restrictions on approvals which might impair the Group's performance or financial position.

As further explained in note 17 to the financial statements, the directors consider that there is uncertainty attaching to the future development of certain classes of business. Whilst the directors consider that, on the basis of information currently available, the Company and the Group will conduct a solvent run-off, there is a risk that the future cost of claims may exceed the financial resources of the Group and hence the Company and the Group may not be able to meet liabilities to policyholders.

Financial risk management

The Group is exposed to financial risk through its financial assets, liabilities, reinsurance assets and policyholder liabilities. In particular, a key financial risk is that the proceeds from financial and reinsurance assets are not sufficient to fund the obligations arising from policies as they fall due. The

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

most important components of this financial risk that the Group is exposed to are interest rate risk, currency risk, credit risk and liquidity risk. The Group does not use hedging or adopt hedge accounting for any type of transactions.

Interest rate risk

The Group is exposed to interest rate risk in relation to its bank deposit balances. The Group manages this risk by investing cash balances so as to optimise returns whilst having regard to the minimum investment criteria as set out in the Investment Policy Statement. The Group also seeks to minimise negative interest rate risk with regard to its deposits in Euros.

Currency risk

The Group's assets and liability matching procedures ensure that all liabilities are at least matched by assets in the same denomination, reducing the exposure to currency risk. During the year, a proportion of surplus own funds were held in foreign currencies which has resulted in a foreign currency gain in the year.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay the amounts in full when due. The main areas where the Group is exposed to credit risk is in relation to bank deposits with credit institutions and reinsurance assets. The Group seeks to minimise this risk by monitoring the financial security of credit institutions and reinsurers, and collecting reinsurance recoveries as soon as they become due. The Group manages this risk by investing cash balances with regard to the minimum investment criteria as set out in the Investment Policy Statement.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. The Group seeks to mitigate this risk by maintaining sufficient cash to meet its obligations as they fall due. Instant access accounts holding at least £1m are maintained at all times.

Insurance Risk

Insurance risk is the risk that new claims may arise and that reserves on existing claims are inadequate. The Group seeks to mitigate this risk by regularly reviewing claim developments and carefully reviewing the adequacy of reserves including incurred but not reported ("IBNR") reserves within BIL.

This report was approved by the Board of Directors and signed on behalf of the Board.



Steven Gowland
Director

16 April 2019

ASHBROOKE FINANCIAL GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 *Insurance Contracts*.

Under Company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to Auditor

Each of the persons who is a director at the date of this report has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418(2) of the Companies Act 2006.

This report was approved by the board of directors and signed on its behalf by:



Steven Gowland
Director

16 April 2019

ASHBROOKE FINANCIAL GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHBROOKE FINANCIAL GROUP LIMITED FOR THE YEAR ENDED 31 DECEMBER 2018

Opinion

We have audited the financial statements of Ashbrooke Financial Group Limited ("the parent company") and its subsidiaries ("the group") for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's 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 the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we draw attention to the disclosure in Notes 17, 19 and 20 to the financial statements concerning the group's technical provisions. Uncertainty exists regarding the ultimate cost of settlement of these liabilities and the recoverability of the reinsurers' share of the technical provisions. These uncertainties are such that the ultimate liabilities, which will vary as a result of subsequent information and events, may result in material, but presently unquantifiable, adjustments to the amounts provided. Adjustments to the amount of provisions are reflected in the financial statements for the period in which they occur.

The impact of uncertainties due to the United Kingdom exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 4. The terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the group's and parent company's trade, customers, suppliers and the wider economy. We considered the impact of Brexit on the group and parent company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the group's and parent company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the group and parent company and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHBROOKE FINANCIAL GROUP LIMITED FOR THE YEAR ENDED 31 DECEMBER 2018

to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and, where relevant, key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of technical claims provisions (Notes 17, 19 and 20):</p> <p>The estimation of the group's technical claims provisions involves a significant degree of judgement, and uncertainty exists regarding the ultimate cost of settlement of these liabilities, as described in the "Emphasis of Matter" within this report. The provision for gross claims outstanding was £2,461k (2017: £4,061k).</p> <p>The assessment is underpinned by a best-estimate ultimate cost calculation of all claims incurred but not settled at a given date, whether reported or not, together with the related costs of handling the claims. A range of stochastic processes and statistical methods are used to determine these provisions.</p> <p>Underlying these methods are a number of assumptions (both explicit and implicit) relating to the expected settlement amounts and the settlement patterns of claims.</p>	<ul style="list-style-type: none">• We performed substantive testing on large claims to ascertain the appropriateness of the booked reserves, including specific case reserves and reserve movements;• Our actuarial specialists assessed the group's estimate of claims provisions at the balance sheet date, and this included a review of the work performed by the group's external actuarial consultant in calculating ultimate claims reserves; and• We evaluated the methodology and assumptions applied by management on the remaining classes of business, including consideration of the movements between the prior year to current year ultimate and net to gross ultimate ratios.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHBROOKE FINANCIAL GROUP LIMITED FOR THE YEAR ENDED 31 DECEMBER 2018

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	Our overall materiality was £476,000 for the group, and £800 for the parent company
How we determined it	4% of consolidated net assets for the group, and 4% of company net assets for the parent company
Rationale for benchmark applied	In determining our materiality, we considered financial metrics which we believed to be relevant, and concluded that net assets was the most relevant benchmark. We believe that the benchmark of net assets is a fair reflection of the outcome from the group's operations and the key performance indicator utilised by management.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Similarly, performance materiality relating to a materiality level determined for a particular class of transactions, account balance or disclosure is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in that particular class of transactions, account balance or disclosure exceeds the materiality level for that particular class of transactions, account balance or disclosure. Performance materiality of £357,000 for the group, and £600 for the parent company, was applied in the audit.
Reporting threshold	We report to the Directors misstatements identified during our audit above £14,000 for the group, and £24 for the parent company, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements such as making assumptions on significant accounting estimates.

We gained an understanding of the legal and regulatory framework applicable to the group and the parent company, the structure of the group and the parent company and the industry in which they operate. We considered the risk of acts by the group and parent company which were contrary to the applicable laws and regulations including fraud. We designed our audit procedures to respond to those identified risks, including non-compliance with laws and regulations (irregularities) that are material to the financial statements. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006.

We tailored the scope of our group audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the parent company's and the group's, accounting processes and controls and their environment and considered qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our tests included, but were not limited to, 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 irregularities including fraud or error, review of minutes of Directors' meetings in the year and enquiries of management. As a result of our procedures, we did not identify any Key Audit Matters relating to irregularities, including fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are discussed under "Key audit matters" within this report.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHBROOKE FINANCIAL GROUP LIMITED FOR THE YEAR ENDED 31 DECEMBER 2018

Our group audit scope included an audit of the group and parent financial statements of Ashbrooke Financial Group Limited. Based on our risk assessment, all entities within the group were subject to full scope audit and was performed by the group audit team. At the parent level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

The primary responsibility for the prevention and detection of irregularities including fraud rests with both those charged with governance and management. As with any audit, there remains a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Consolidated Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on pages 4 and 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

ASHBROOKE FINANCIAL GROUP LIMITED

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018**

ASSETS	Note	2018	2017
Intangible Assets		£'000	£'000
Positive Goodwill	11	27	40
Negative Goodwill	11	-	(864)
		<u>27</u>	<u>(824)</u>
Investments	25	<u>450</u>	<u>450</u>
Reinsurers' share of technical provisions			
Provision for unearned premiums	17	-	-
Claims outstanding	17,19	68	485
		<u>68</u>	<u>485</u>
Debtors			
Debtors arising out of direct insurance operations	13	57	78
Debtors arising out of reinsurance operations	13	829	1,058
Other debtors	13	4,050	3,412
		<u>4,936</u>	<u>4,548</u>
Other assets			
Tangible Assets	12	5	8
Cash and cash equivalents	14	9,132	10,375
		<u>9,137</u>	<u>10,383</u>
Prepayments and accrued income			
Other prepayments and accrued income		-	1
		<u>-</u>	<u>1</u>
TOTAL ASSETS		14,618	15,043
LIABILITIES			
Capital and reserves			
Called up share capital	16	20	20
Profit and loss account		11,945	10,564
Total shareholders' funds		<u>11,965</u>	<u>10,584</u>
Technical provisions			
Provision for unearned premiums	17	-	-
Claims outstanding	17,19	2,461	4,061
		<u>2,461</u>	<u>4,061</u>
Creditors			
Creditors arising out of direct insurance operations		22	50
Creditors arising out of reinsurance operations		11	11
Other creditors		-	163
		<u>33</u>	<u>224</u>
Accruals and deferred income		<u>159</u>	<u>174</u>
TOTAL OF LIABILITIES AND SHAREHOLDERS' EQUITY		14,618	15,043

The financial statements were approved by the board of directors on 16 April 2019 and were signed on its behalf by:


Andrew Morpeth
Director

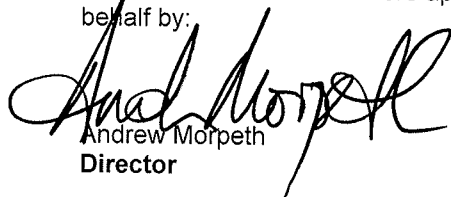
The notes on pages 16 to 35 form an integral part of these financial statements.

ASHBROOKE FINANCIAL GROUP LIMITED

**COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2018**

ASSETS	Note	2018 £'000	2017 £'000
Non-current assets			
Investments in subsidiary undertakings	15	<u>211</u>	<u>211</u>
		<u>211</u>	<u>211</u>
TOTAL ASSETS		<u><u>211</u></u>	<u><u>211</u></u>
EQUITY			
Capital and reserves			
Called up share capital	16	20	20
Profit and loss account		-	-
Total shareholders' funds		<u>20</u>	<u>20</u>
LIABILITIES			
Current liabilities			
Creditors – amounts owed to group undertakings	18	<u>191</u>	<u>191</u>
TOTAL OF LIABILITIES AND SHAREHOLDERS' EQUITY		<u><u>211</u></u>	<u><u>211</u></u>

The financial statements were approved by the board of directors on 16 April 2019 and were signed on its behalf by:


Andrew Morpeth
Director

Company Registration No 09678901

The notes on pages 16 to 35 form an integral part of these financial statements.

ASHBROOKE FINANCIAL GROUP LIMITED

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2018

Consolidated	Called up share capital £'000	Profit and loss account £'000	Total share- holders' equity £'000
Issue of shares on incorporation	20	-	20
Profit for prior years	-	10,564	10,564
Other comprehensive income			
Total comprehensive income	<u>20</u>	<u>10,564</u>	<u>10,584</u>
At 31 December 2017	20	10,564	10,584
Profit for the year	-	1,381	1,381
Other comprehensive income	-	-	-
Total comprehensive income	<u>-</u>	<u>1,381</u>	<u>1,381</u>
At 31 December 2018	<u>20</u>	<u>11,945</u>	<u>11,965</u>

Reserves

Profit and loss account

This reserve represents the cumulative profits and losses of the Group.

Company

	Called up share capital £'000	Profit and loss account £'000	Total shareholders' equity £'000
Issue of shares on incorporation	20	-	20
Profit for prior years	-	-	-
Other comprehensive income			
Total comprehensive income	<u>20</u>	<u>-</u>	<u>-</u>
At 31 December 2017	20	-	20
Profit for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2018	<u>20</u>	<u>-</u>	<u>20</u>

Reserves

Profit and loss account

This reserve represents the cumulative profits and losses of the Company.

The notes on pages 16 to 35 form an integral part of these financial statements.

ASHBROOKE FINANCIAL GROUP LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	£'000	£'000
Net cash from operating activities		
Profit on Ordinary Activities Before Taxation	1,381	3,442
Interest receivable	(261)	(92)
Goodwill Adjustment	11 (851)	(851)
Depreciation	5	5
Unrealised Foreign Exchange (gains)/losses	(236)	257
<i>Adjustments to Reconcile Cash Flows Used in Operating Activities</i>		
Reinsurers share of Technical Account	17,19 418	1,605
Debtors Arising From Direct Insurance Activities	13 21	(49)
Debtors Arising From Reinsurance Activities	13 230	3
Other Debtors	(764)	(3,379)
Technical Provisions	17,19 (1,601)	(4,756)
Creditors Arising From Direct Insurance Activities	(28)	(61)
Creditors Arising From Reinsurance Activities	-	(10)
Other Creditors	(52)	(78)
Taxation paid	-	-
Net cash absorbed by operating activities	(1,738)	(3,964)
Cash flow from investing activities		
Purchase of Tangible Assets	(2)	(2)
Purchase of Investments	-	(450)
Interest received	261	92
Net cash (used in)/from investing activities	259	(360)
Cash flow from financing activities		
Net cash (used in)/from financing activities	-	-
Net decrease in cash at bank and in hand before Unrealised Foreign Exchange gains/(losses)	(1,479)	(4,324)
Unrealised Foreign Exchange gains/(losses)	236	(257)
Net decrease in cash at bank and in hand	(1,243)	(4,581)
Cash and cash equivalents at the beginning of the year	10,375	14,956
Cash and cash equivalents at the end of the year	9,132	10,375

Cash and cash equivalents consist of cash at bank and in hand as described in note 14.

The notes on pages 16 to 35 form an integral part of these financial statements.

ASHBROOKE FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 ACCOUNTING POLICIES

General information

The Company is registered in England & Wales with the registered number: 09678901 and is a holding company whose only investments are the entire issued share capital of Bestpark International Limited and Ashbrooke Ventures Limited. The address of its registered office and principal place of business is 8 Eagle Court, London EC1M 5QD.

These financial statements have been presented in Pounds Sterling as this is the Company's and subsidiaries' functional currency, being the currency of the primary economic environment in which the Group operates.

Basis of preparation

These financial statements have been prepared in accordance with FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* ("FRS 102"). FRS 103 *Insurance Contracts* and applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance groups. These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 2). A summary of important and material accounting policies is set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and those of its subsidiaries made up to 31 December 2018. Where a subsidiary is acquired/disposed of during the period, the consolidated profits or losses are recognised from/until the effective date of the acquisition/disposal.

All intra-group balances, transactions, income and expenses are eliminated on consolidation. The consolidated accounts are prepared using uniform accounting policies. The profit and loss account for the period dealt with in the accounts of the Company was £Nil (2017: £Nil).

Business combinations

The Group applies the acquisition method of accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the fair value of assets transferred, liabilities incurred and the equity interest issued by the Group at the date of acquisition, which includes the fair value of any assets or liabilities arising from a contingent arrangement.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquired subsidiaries financial statements prior to the acquisition.

Goodwill and negative goodwill is stated after separate recognition of identifiable net assets. It is calculated as the difference between (i) the fair value of the consideration transferred; and (ii) the fair value of the reporting entity's share of the pre-transaction identifiable net assets of the other entity.

In accordance with section 408 of the Companies Act 2006 the Company has chosen not to present an individual profit and loss account for the period.

ASHBROOKE FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable and separately recognised. After initial recognition, goodwill is measured at cost less accumulated impairment losses and amortisation.

Negative goodwill is recognised and treated in accordance with FRS102 Section 19.24C. The directors assess the accounting periods expected to benefit from the excess of the fair value of non-monetary assets acquired and release negative goodwill in accordance with that assessment.

Going concern

The financial statements have been prepared on a going concern basis. As explained in note 17 there is uncertainty regarding the ultimate cost of claims of the subsidiary company, Bestpark International Limited, particularly those in relation to liability, latent defects and financial institutions business. These could vary materially from the amounts currently estimated and exceed the financial resources of the Group. However, the Company and Group maintains sufficient liquid resources to meet claims as they fall due over the next year and the claims subject to greatest uncertainty are those that are long-tail in nature. Accordingly, the directors consider that on the basis of information currently available it is appropriate to prepare the financial statements on the basis that the Company and the Group is a going concern.

Tangible fixed assets

Tangible fixed assets is recognised as an asset only if it is probable that economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. After recognition, all property, plant and equipment is carried at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected useful lives on the following basis:

Computer equipment	33.33 % per annum
Fixtures and fittings	20.00 % per annum

The residual value and the useful life of an asset is reviewed at least at each financial period-end. Gains or losses arising on disposal of tangible fixed assets are determined as the difference between the disposal proceeds and carrying value of the asset and are recognised in profit or loss.

Premiums written

Premiums written relate to business incepted during the period, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the Company or the Group, less an allowance for cancellations.

Unearned premiums

Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the reporting date, calculated on a time apportionment basis.

ASHBROOKE FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

ACCOUNTING POLICIES (CONTINUED)

Claims incurred

Claims incurred comprise claims and related expenses paid in the period and changes in the provision for outstanding claims, including provision for claims incurred but not yet reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

Interest income

Interest income is recognised as interest accrues using the effective interest rate method.

Taxation

The tax expense for the period comprises current and deferred tax. Tax currently payable, relating to UK corporation tax, is calculated on the basis of the tax rates and laws that have been enacted or substantively enacted as at the reporting date. Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date, that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Deferred income tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Financial instruments

Financial assets and liabilities are recognised when the Group becomes party to the contractual provisions of the financial instrument. The Group holds only basic financial instruments, which comprise cash and cash equivalents, investments, debtors, debt securities and creditors. The Group has chosen to apply the measurement and recognition provisions of Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues* in full.

Financial assets – classified as basic financial instruments

Cash and cash equivalents

Cash and cash equivalents comprises cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are measured at amortised cost.

Investments

The preference share investment is stated at cost less any impairment as assessed at the balance sheet date.

Debtors and deposits with ceding undertakings

Debtors include debtors arising out of direct and reinsurance operations and other debtors. Debtors and deposits with ceding undertakings are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

ASHBROOKE FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

ACCOUNTING POLICIES (CONTINUED)

Amounts that are receivable within one year are measured at the undiscounted amount expected to be receivable, net of any impairment.

Where a financial asset constitutes a financing transaction it is initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

At the end of each reporting year the Group assesses whether there is objective evidence that any financial asset amount may be impaired. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the financial assets. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows. The amount of the provision is recognised immediately in profit or loss.

Financial liabilities – classified as basic financial instruments *Creditors*

Creditors include creditors arising out of direct and reinsurance operations and other creditors. Creditors are initially measured at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Amounts that are payable within one year are measured at the undiscounted amount expected to be payable.

Where a financial liability constitutes a financing transaction it is initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

Claims provisions and related reinsurance recoveries

Provision is made at the year-end for the estimated cost of claims incurred but not yet settled at the reporting date, including the cost of claims incurred but not yet reported. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. This is discussed in more detail in note 17, 19 and 20.

Reinsurance recoveries

Reinsurance recoveries in respect of estimated claims incurred but not reported ("IBNR") are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the Group's reinsurance programme over time. An assessment is also made of the recoverability of reinsurance recoveries having regard to market data on the financial strength of each of the reinsurance companies.

Foreign currencies

Foreign currency transactions are translated into the functional currency of the reporting entity using the exchange rate prevailing on the first day of the month in which the transactions took place. Income and expenses items are translated using an average exchange rate for the year where there are limited fluctuations in foreign exchange rates.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are reported at the rates of exchange prevailing at that date. For the purposes of foreign currency translation, insurance balances are treated as monetary items. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at the reporting date of monetary assets and liabilities are reported in profit or loss.

ASHBROOKE FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

ACCOUNTING POLICIES (CONTINUED)

Segmental analysis

The Company only operates in the UK and there are no reportable segments which are managed separately based on the Company's management and internal reporting structure.

Investment in subsidiaries

Investments in subsidiaries are recorded at historical cost in the Company's balance sheet.

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group and Company financial statements in accordance with FRS 102 requires management to make judgements, estimates and assumptions in applying accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and based on historical experience and factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the application of the Group'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 significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Group's results and financial position, are as follows:

(i) Estimating claims provisions and reinsurance recoveries

When estimating claims provisions and reinsurance recoveries the directors are required to make estimates regarding various inputs into calculations for these balances. These are discussed further in note 17, 19 and 20.

(ii) Recoverability of debtors

A provision for debtors is established where it is estimated that the debtors are not considered to be fully recoverable. When assessing recoverability the directors consider factors such as the aging of the receivables, past experience of recoverability and the credit profile of individual or groups of customers.

(iii) Treatment of Negative Goodwill

Under FRS102, negative goodwill arising on acquisitions should be released to the profit and loss account on the basis of accounting periods of recovery for excesses relating to non-monetary assets and in the accounting periods expected to benefit for any excess relating to non-monetary assets acquired. The directors have used their judgement in assessing the accounting periods that are expected to benefit and believe that the release should be in the year of acquisition. However, they have decided to release the negative goodwill over a three year period to 31 December 2018 in the percentages set out in note 11.

ASHBROOKE FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3 PARTICULARS OF BUSINESS WRITTEN

The business of the Group arises mainly in respect of London market direct insurance and reinsurance business the premiums written and results have been analysed accordingly.

	Gross written premiums 2018 £'000	Gross earned premiums 2018 £'000	Gross claims incurred 2018 £'000	Reinsurance balance 2018 £'000
Direct insurance	-	-	849	(185)
Reinsurance	6	6	224	(15)
	<u>6</u>	<u>6</u>	<u>1,073</u>	<u>(200)</u>
By class of business-				
Direct insurance:				
Accident & health	-	-	4	-
Marine, aviation and transport	-	-	1	-
Fire and other damage to property	-	-	-	-
Third party liability	-	-	418	-
Miscellaneous & pecuniary loss	-	-	426	(185)
	<u>-</u>	<u>-</u>	<u>849</u>	<u>(185)</u>
By class of business-				
Direct insurance:				
Accident & health	-	-	1	-
Marine, aviation and transport	-	-	7	-
Fire and other damage to property	-	-	1,153	(39)
Third party liability	-	-	421	(7)
Miscellaneous & pecuniary loss	-	-	2,425	(1,163)
	<u>-</u>	<u>-</u>	<u>4,007</u>	<u>(1,209)</u>

	Gross written premiums 2017 £'000	Gross earned premiums 2017 £'000	Gross claims incurred 2017 £'000	Reinsurance balance 2017 £'000
Direct insurance	-	-	4,007	(1,209)
Reinsurance	18	18	380	(74)
	<u>18</u>	<u>18</u>	<u>4,387</u>	<u>(1,283)</u>

The reinsurance gross written premium received in the year relates to historical premium withheld in error by brokers. The Group carries on business entirely in the United Kingdom and therefore no analysis by geographical location is presented. Gross administrative costs of £863k relate to direct insurance (2017: £839k).

ASHBROOKE FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4 INVESTMENT INCOME

	2018	2017
	£'000	£'000
Income from cash at bank	58	46
Income from loans (note 18)	203	46
	<u>261</u>	<u>92</u>

5 NET OPERATING EXPENSES

	2018	2017
	£'000	£'000
Administrative expenses	863	919
Change in reinsurance profit commission	-	-
Release of irrecoverable debtors and creditors	(17)	(553)
	<u>846</u>	<u>366</u>

6 INVESTMENT EXPENSES AND CHARGES

	2018	2017
	£'000	£'000
Investment management expenses	<u>-</u>	<u>-</u>

7 EMPLOYEES AND DIRECTORS' REMUNERATION

Staff Costs for the period were as follows:

	2018	2017
	£'000	£'000
Wages and Salaries	471	371
Social Security Costs	55	43
Other Pension Costs	65	228
	<u>591</u>	<u>642</u>

The total average number of employees, including directors, in the period was 6 (2017: 5).

The remuneration of the Directors was as follows:

	2018	2017
	£'000	£'000
Wages and Salaries	240	197
Defined contribution pension payments	41	210
	<u>281</u>	<u>407</u>

The remuneration of the highest paid director included wages and salaries of £100k (2017: £100k) and defined contribution pension payments of £39.5K (2017: £210K).

ASHBROOKE FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

8 OTHER INCOME AND EXPENSES

	2018 £'000	2017 £'000
Foreign Exchange gains/(losses)	236	(257)

9 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2018 £'000	2017 £'000
Profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration		
- fees payable for the audit of the company financial statements	5	4
- fees payable for the audit of the subsidiaries' financial statements	26	27
- fees payable for audit related assurance services	2	10
	<u>33</u>	<u>41</u>

10 TAXATION

Analysis of profit or loss charge

	2018 £'000	2017 £'000
Current tax on profit on ordinary activities	-	-
Prior Year tax on profit on ordinary activities	-	-
	<u>-</u>	<u>-</u>

Factors affecting current tax charge

Profit on ordinary activities before tax	<u>1,381</u>	<u>3,442</u>
UK corporation tax at 19.00% (2017: 19%)	262	654
Adjustments for items not chargeable to Corporation Tax	-	(170)
Tax losses utilised	(262)	(484)
Total tax on profit on ordinary activities	<u>-</u>	<u>0</u>

The Group has unutilised tax losses of approximately £0.4m as at 31 December 2018 (2017: £0.9m). Following the decision to place BIL into run-off and the subsequent acquisition of BIL by the Company, it is still considered unlikely that there will be sufficient profits in future periods against which tax losses can be offset and therefore no deferred tax asset has been recognised. There is no expiry date for these losses.

Factors affecting future tax rates

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted in October 2015. Further reduction to the tax rate from 18% to 17% (effective 1 April 2020) was enacted in September 2016. These rates have therefore been considered when calculating deferred tax at the reporting date.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11 GOODWILL

	Negative Goodwill	Goodwill	Total
	£'000	£'000	£'000
Cost			
At 1 January 2018	(5,764)	68	(5,696)
Acquisition of subsidiaries	-	-	-
As at 31 December 2018	<u>(5,764)</u>	<u>68</u>	<u>(5,696)</u>
Accumulated (amortisation)/release			
At 1 January 2017	4,900	(28)	4,872
Amortisation charge for the period	-	(13)	(13)
Release in period	865	-	865
As at 31 December 2018	<u>5,764</u>	<u>(41)</u>	<u>5,723</u>
<i>Carrying amount at 31 December 2018</i>	<u>-</u>	<u>27</u>	<u>27</u>

	Negative Goodwill	Goodwill	Total
	£'000	£'000	£'000
Cost			
At 1 January 2017	(5,764)	68	(5,696)
Acquisition of subsidiaries	-	-	-
As at 31 December 2017	<u>(5,764)</u>	<u>68</u>	<u>(5,696)</u>
Accumulated (amortisation)/release			
At 1 January 2017	4,035	(14)	4,021
Amortisation charge for the period	-	(14)	(14)
Release in period	865	-	865
As at 31 December 2017	<u>4,900</u>	<u>(28)</u>	<u>4,872</u>
<i>Carrying amount at 31 December 2017</i>	<u>(864)</u>	<u>40</u>	<u>(824)</u>

In accordance with FRS102, section 27 Impairment of Assets, the directors have performed a review of the value of the goodwill held by the group and are satisfied that there was no indication of impairment at the period end.

In accordance with the policy on Goodwill, goodwill is amortised over a five year period and negative goodwill is released and recognised in the periods expected to benefit. The directors' have assessed the timetable for the run off of BIL and have spread the release of negative goodwill over the three year period as follows:

2016 70%
2017 15%
2018 15%

The directors believe that this reflects the estimated actual benefit which each of the accounting periods will receive based upon their assessment of the estimated run off timetable.

ASHBROOKE FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

12 TANGIBLE ASSETS AND INVESTMENTS

Tangible Assets

	<i>Computer equipment £'000</i>	<i>Furniture and fittings £'000</i>	<i>Total £'000</i>
Cost			
As at 1 January 2018	11	5	16
Additions	-	2	2
As at 31 December 2018	<u>11</u>	<u>7</u>	<u>18</u>
Depreciation			
As at 1 January 2017	(6)	(2)	(8)
Charge	(4)	(1)	(5)
As at 31 December 2017	<u>(10)</u>	<u>(3)</u>	<u>(13)</u>
Carrying amount at 31 December 2018	<u>1</u>	<u>4</u>	<u>5</u>
Carrying amount at 31 December 2017	<u>5</u>	<u>3</u>	<u>8</u>

13 DEBTORS

	Group 2018 £'000	Company 2018 £'000
Debtors arising out of direct insurance operations	57	-
Debtors arising out of reinsurance operations	829	-
Loan notes	3,951	-
Other Debtors	99	-
	<u>4,936</u>	<u>-</u>
	Group 2017 £'000	Company 2017 £'000
Debtors arising out of direct insurance operations	78	-
Debtors arising out of reinsurance operations	1,058	-
Loan notes	3,412	-
Other Debtors	-	-
	<u>4,548</u>	<u>-</u>

Two loan notes were issued in November 2017 to a related party, as further described in Note 24: these consist of a secured loan of £1,485k (2017: £1,650k), interest bearing at 10% and repayable over the course of five years; and an unsecured loan of £2,300k (2017: £1,750k), interest bearing at 2.5% and repayable on demand. Accrued interest balances for the loan notes were £166k at year end (2017: £27k). All debtors are due within one year, other than the loan note amount of £1,485k, which is payable over the course of five years.

Debtors arising out of reinsurance operations includes Deposits with ceding undertakings of £378k (2017: £400k).

ASHBROOKE FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

14 CASH AT BANK AND CASH EQUIVALENTS

	Group 2018 £'000	Company 2018 £'000
Cash at bank and in hand	3,887	-
Cash Equivalents	5,245	-
	<u>9,132</u>	<u>-</u>

	Group 2017 £'000	Company 2017 £'000
Cash at bank and in hand	4,940	-
Cash Equivalents	5,435	-
	<u>10,375</u>	<u>-</u>

Cash equivalents comprise £5.3m of short term liquidity funds (2017: £5.4m).

15 Investments in subsidiary undertakings

Company	£'000
Investments in subsidiary undertakings	
Cost as at 1 January 2018	211
Net book value at 31 December 2018	<u><u>211</u></u>

Subsidiary Undertakings

<i>Name</i>	<i>Class</i>	<i>Holding</i>	<i>Business</i>
Bestpark International Limited	Ordinary A and B Shares	100%	Insurance Run off
Ashbrooke Ventures Limited	Ordinary shares	100%	Consulting Services

Both subsidiaries were acquired on 19 February 2016 and are registered in England and Wales with their registered offices at 8 Eagle Court, London EC1M 5QD.

16 SHARE CAPITAL

	2018 £'000	2017 £'000
Allotted and fully paid: 20,000 ordinary shares of £1 par	20	20

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

ASHBROOKE FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

17 ANALYSIS OF UNEARNED PREMIUMS PROVISION AND CLAIMS OUTSTANDING

	Provision for unearned premiums		Claims Outstanding		Total	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Gross amount						
At 1 January	-	-	4,061	8,817	4,061	8,817
Exchange difference	-	-	18	57	18	57
Change in the provisions	-	-	(1,618)	(4,813)	(1,618)	(4,813)
At 31 December	-	-	2,461	4,061	2,461	4,061
Reinsurance amount						
At 1 January	-	-	(485)	(2,090)	(485)	(2,090)
Exchange difference	-	-	(1)	(22)	(1)	(22)
Change in the provisions	-	-	418	1,627	418	1,627
At 31 December	-	-	(68)	(485)	(68)	(485)
Net technical provisions						
At 1 January	-	-	3,576	6,727	3,576	6,727
Exchange difference	-	-	17	35	17	35
Change in the provisions	-	-	(1,200)	(3,186)	(1,200)	(3,186)
At 31 December	-	-	2,393	3,576	2,393	3,576

Provision is made at the year-end for the estimated cost of claims incurred but not yet settled at the reporting date, including the cost of claims incurred but not yet reported ('IBNR'). The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified, where more information about the claim event is generally available. IBNR liabilities may often not be apparent to the insured until many years after the event giving rise to the claim. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility.

18 Amounts owed to group companies

	2018 £'000	2017 £'000
Company		
Amounts owed to Group undertakings	191	191
	<u>191</u>	<u>191</u>

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

19 CLAIMS OUTSTANDING

In calculating the estimated cost of unpaid claims the Group uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which may cause the cost of unsettled claims to change when compared with the cost of previously settled claims including:

- Changes in Company processes;
- Changes in the legal environment;
- The effects of inflation;
- Changes in the mix of business;
- The impact of large losses; and
- Movement in industry benchmarks.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Group has regard to claim circumstances as reported, and information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims impacting each relevant business class are assessed separately where appropriate, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of the large claims.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

20 INSURANCE RISK MANAGEMENT

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Regulatory capital is also managed (though not exclusively) by reference to the insurance risk to which the Group is exposed.

Sensitivity to insurance risk

In estimating the insurance liabilities the Group uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity.

	Pre-tax Profit 2018 £'000	Shareholder Equity 2018 £'000	Pre-tax Profit 2017 £'000	Shareholder Equity 2017 £'000
5% increase in operating expenses				
Gross	(43)	(43)	(46)	(46)
Net	(43)	(43)	(46)	(46)
5% increase in claims value				
Gross	(7)	(7)	(20)	(20)
Net	(2)	(2)	(4)	(4)

ASHBROOKE FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

20 INSURANCE RISK MANAGEMENT (CONTINUED)

There remains uncertainty surrounding the ultimate cost of insurance claims to the Group. At 31 December 2018 reserves for claims outstanding were £2.5m (2016: £4.1m) and expected reinsurance recoveries totalled £0.1m (2017: £0.5m).

The Group has significant exposure in respect of claims which are the subject of litigation in a variety of jurisdictions across Europe including Italy, Spain and the United Kingdom as well as in Colombia.

The final cost of these claims is subject to uncertainty pending the conclusion of legal actions, the outcome of which is unlikely to be known for some time including the long running proceedings in Colombia relating to the Banco de la Republica claim notification. As a consequence of these issues the net asset position of the Group is subject to uncertainty.

Claims development tables

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The Group's subsidiary BIL has not written any new policies for over 5 years, and earned premiums over this period have been minimal. The following net favourable/ (adverse) run-off deviations experienced since 2010 in respect of BIL's insurance reserves were:

	£'000
2010	933
2011	354
2012	(838)
2013	(129)
2014	967
2015	3,417
2016	3,187
2017	3,103
2018	833

This table includes figures that relate to periods before the acquisition of BIL by the Company in 2016 and are provided for completeness of information.

Concentrations of insurance risk

Management determines concentrations of risk by reference to class of business and geographical location. Prior to entering into run-off the Group's subsidiary, BIL, previously underwrote risk across a range business classes and geographical locations. The concentrations of risk that the Group is exposed to in respect of class of business and geographical location is set out in the tables below, by reference to liabilities.

Concentration of insurance risk by geographical location:

	Gross		Reinsurance		Net	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
UK	737	1,076	-	(66)	737	1,010
Europe	1,521	2,418	(50)	(380)	1,471	2,038
Other	203	567	(18)	(39)	185	528
	2,461	4,061	(68)	(485)	2,393	3,576

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NOTES TO THE FINANCIAL STATEMENTS
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20 INSURANCE RISK MANAGEMENT (CONTINUED)

Concentration of insurance risk by class of business:

	Gross		Reinsurance		Net	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Accident & health	-	5	-	-	-	5
Marine, aviation and transport	-	-	-	-	-	-
Fire and other damage to property	5	4	(4)	(2)	1	2
Third party liability	1,424	2,169	(3)	(5)	1,421	2,164
Miscellaneous & pecuniary loss	436	942	(61)	(454)	375	488
Treaty	596	941	-	(24)	596	917
Total	2,461	4,061	(68)	(485)	2,393	3,576

21 FINANCIAL INSTRUMENTS

Category of financial instruments

The carrying values of the Group's financial assets and liabilities are summarised by category below:

	2018 £'000	2017 £'000
Financial assets		
<i>Measured at amortised cost</i>		
- Deposits with ceding undertakings	378	400
- Cash at bank and in hand	9,132	10,375
- Investments	450	450
<i>Measured at undiscounted amount receivable</i>		
- Debtors arising out of direct insurance operations	57	78
- Debtors arising out of reinsurance operations	451	658
- Other debtors	99	-
- Loan notes	3,951	3,412
- Reinsurers share of technical income	68	485
Total financial assets	14,586	15,858
Financial liabilities		
<i>Measured at undiscounted amount payable</i>		
- Creditors arising out of direct insurance operations	22	50
- Creditors arising out of reinsurance operations	11	11
- Other creditors	160	163
Total financial liabilities	193	224

ASHBROOKE FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

22 FINANCIAL RISK MANAGEMENT

The Group monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include:

- Interest rate risk;
- Credit risk;
- Liquidity risk; and
- Currency risk

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The main exposure to cash flow interest rate risk is on cash balances, which are subject to variable rates of interest.

Credit risk

Credit risk is the risk that a counterparty to the Group's financial instruments will cause a loss to the Group through failure to perform its obligations. There were no changes in the Group's credit risk exposure in the financial period nor to the objectives, policies and processes for managing credit risk.

The key areas of exposure to credit risk for the Group result through its reinsurance programme, investments and bank deposits.

Cash balances and deposits are placed only with highly rated credit institutions. To mitigate the risk arising from exposure to reinsurers the Group's policy is to only conduct business with companies of appropriate financial strength ratings. This information is supplied by independent rating agencies where available and if not available the Group uses other publicly available financial information and its own trading records to rate its major reinsurers.

The credit quality of the Group's financial assets and reinsurers share of technical provisions which are neither past due nor impaired is set out below:

	AA 2018 £'000	A 2018 £'000	Not rated 2018 £'000	Carrying amount 2018 £'000
Reinsurer's share of technical provisions	5	61	2	68
Debtors arising out of direct insurance operations	5	-	52	57
Debtors arising out of reinsurance operations	4	324	123	451
Deposits with Ceding Undertakings	151	222	5	378
Loan Notes	-	-	3,951	3,951
Other Debtors	-	-	99	99
Cash at bank and in hand	-	9,132	-	9,132
Investments	-	-	450	450
	<u>165</u>	<u>9,739</u>	<u>4,682</u>	<u>14,586</u>

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FOR THE YEAR ENDED 31 DECEMBER 2018

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

	AA 2017 £'000	A 2017 £'000	Not rated 2017 £'000	Carrying amount 2017 £'000
Reinsurer's share of technical provisions	120	347	18	485
Debtors arising out of direct insurance operations	-	1	77	78
Debtors arising out of reinsurance operations	1	907	151	1,059
Loan Notes	-	-	3,412	3,412
Other Debtors	-	-	-	-
Cash at bank and in hand	-	10,375	-	10,375
Investments	-	-	450	450
	<u>121</u>	<u>11,630</u>	<u>4,108</u>	<u>15,859</u>

The following tables show the carrying value of assets that are neither past due nor impaired, the ageing of assets that are past due but not impaired and assets that have been impaired. The factors considered in determining that the value of the assets have been impaired were: analysis of impairment; ageing of balances; past loss experience; current economic conditions; and other relevant circumstances.

	Neither past due nor impaired 2018 £'000	Past due less than 30 days 2018 £'000	Past due 31 to 60 days 2018 £'000	Past due 61 to 90 days 2018 £'000	Past due more than 90 days 2018 £'000	Past due and impaired 2018 £'000	Carrying amount 2018 £'000
Reinsurer's share of technical provisions	68	-	-	-	-	-	68
Debtors arising out of direct insurance operations	-	-	37	20	-	-	57
Debtors arising out of reinsurance operations	275	-	155	21	-	-	451
Deposits with Ceding Undertakings	-	-	-	-	378	-	378
Loan notes	3,951	-	-	-	-	-	3,951
Other debtors	99	-	-	-	-	-	99
Cash at bank and in hand	9,132	-	-	-	-	-	9,132
Investments	450	-	-	-	-	-	450
	<u>13,975</u>	<u>-</u>	<u>192</u>	<u>41</u>	<u>378</u>	<u>-</u>	<u>14,586</u>

	Neither past due nor impaired 2017 £'000	Past due less than 30 days 2017 £'000	Past due 31 to 60 days 2017 £'000	Past due 61 to 90 days 2017 £'000	Past due more than 90 days 2017 £'000	Past due and impaired 2017 £'000	Carrying amount 2017 £'000
Reinsurer's share of technical provisions	485	-	-	-	-	-	485
Debtors arising out of direct insurance operations	-	-	63	15	-	-	78
Debtors arising out of reinsurance operations	402	-	227	30	400	-	1,059
Loan notes	3,412	-	-	-	-	-	3,412
Cash at bank and in hand	10,375	-	-	-	-	-	10,375
Investments	450	-	-	-	-	-	450
	<u>15,124</u>	<u>-</u>	<u>290</u>	<u>45</u>	<u>400</u>	<u>-</u>	<u>15,859</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

No allowance has been made for estimated irrecoverable amounts from counterparties determined by reference to past default experience. All amounts that have not been provided for are expected to be recoverable.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. There were no changes in the Group's subsidiary BIL's liquidity risk exposure in the financial period nor to the objectives, policies and processes for managing liquidity risk.

The Group is primarily exposed to liquidity risk arising from policy holders on its insurance contracts. The Group manages liquidity by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of assets and liabilities. Liquidity management ensures that the Group has sufficient access to funds necessary to cover insurance claims and other liabilities.

The following tables detail the Group's remaining contractual maturity for its financial liabilities and claims outstanding. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date of which the Group can be required to pay. The tables include both interest and principal cash flows.

	<i>1 - 3 months 2018</i>	<i>3 months to 1 year 2018</i>	<i>1 - 5 years 2018</i>	<i>5+ years 2018</i>	<i>Total 2018</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Claims outstanding	40	1,018	1,403	-	2,461
Creditors arising out of direct insurance operations	6	16	-	-	22
Creditors arising out of reinsurance operations	-	11	-	-	11
Other creditors	159	-	-	-	159
	<u>205</u>	<u>1,045</u>	<u>1,403</u>	<u>-</u>	<u>2,653</u>

	<i>1 - 3 months 2017</i>	<i>3 months to 1 year 2017</i>	<i>1 - 5 years 2017</i>	<i>5+ years 2017</i>	<i>Total 2017</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Claims outstanding	100	1,550	2,411	-	4,061
Creditors arising out of direct insurance operations	14	25	11	-	50
Creditors arising out of reinsurance operations	-	6	5	-	11
Other creditors	163	-	-	-	163
	<u>277</u>	<u>1,581</u>	<u>2,427</u>	<u>-</u>	<u>4,285</u>

Currency risk

The Group's asset and liability matching procedures ensure that all liabilities are at least matched by assets in the same denomination, reducing the exposure to currency risk. During the year, a proportion of surplus own funds was held in foreign currencies which has resulted in a foreign currency gain in the period (2017: loss).

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

At 31 December 2018, the Group held approximately £3.5m (2017: £4.3m) in US denominated assets, £4.8m (2017: £3.3m) in Euro denominated assets and £0.8m (2017: £0.8m) in Swedish Kroner denominated assets in excess of the estimated liabilities in these currencies. As at 31 December 2018, if the pound had weakened/strengthened by 10% against the US Dollar and the Euro with all other variables held constant, profit for the year would have been £0.9m and £0.75m (2017: £0.9m, £0.7m) higher and lower, respectively, mainly as a result of foreign exchange gains/losses on the translation of US dollar and Euro denominated financial assets, carried at fair value through the profit and loss.

23 CAPITAL MANAGEMENT

The Group's insurance related operations are regulated by the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA") and are subject to insurance solvency regulations which specify the minimum amount of capital that must be held in addition to the Group's insurance liabilities. The Group manages capital in accordance with these rules and has embedded in its processes the necessary tests to ensure continuous and full compliance with such regulations.

The Group's objectives in managing capital are:

- To match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- To satisfy the requirements of its policyholders and regulators; and
- To support business growth.

The Group's capital consists of ordinary share capital and retained earnings. The Group's capital levels which were £12.0m (2017: £10.6m) at 31 December 2018 which comfortably exceeds the Group's Regulatory Capital requirements as calculated for Solvency II purposes.

24 RELATED PARTY TRANSACTIONS

The Group has lent a total of £4.0m (2017: £3.4m) to Tunestore Digital Limited, a holding company that is under the same common control as the ultimate controlling party of the Company. The loans have a mix of interest rates, security and repayments dates as follows: a secured loan of £1.48m (2017: £1.65m), interest bearing at 10% per annum, repayable over a five year period and a loan of £2.3m (2017: £1.75m), interest bearing at the rate of 2.5%, repayable on demand. Accrued interest balances for the loan notes were £166k at year end (2017: £27k).

The Group holds £0.45m (2017: £0.45m) in preference shares, with a stated cumulative dividend of 6% per annum, in a company in which one of the Company directors' is a director and minority shareholder.

During the year, the Company provided a loan to c-burn Systems Limited, a wholly owned subsidiary of Tunestore Digital Limited. The amount outstanding at the year-end was £82k (2017: £(128)k owed by the Company and included within creditors) and is included within other debtors. The amount is repayable on demand and is non-interest bearing.

The Group physically occupies office space leased by c-burn Systems Limited, a subsidiary of Tunestore Digital Limited, for which no rent has been charged for the year.

There were no other related party transactions.

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25 INVESTMENTS

The Group had the following investments as at 31 December 2018.

	<i>Preference Shares £'000</i>	<i>Total Investments £'000</i>
As at 1 January 2018	450	450
Additions at Cost	-	-
Fair Value Adjustments	-	-
Carrying amount at 31 December 2017	<u>450</u>	<u>450</u>
Carrying amount at 31 December 2018	<u>450</u>	<u>450</u>

Preference shares are not listed and are held at cost less impairment. The Company undertook to subscribe for an additional £150,000 preference shares during the year, which was completed in January 2019.

26 CONTINGENT LIABILITIES

The Company and Group have no contingent liabilities other than those arising in the normal course of its insurance business.

27 POST BALANCE SHEET EVENTS

There have been no post balance sheet events.

28 CONTROLLING PARTY

Ashbrooke Financial Group Limited was the parent undertaking of the smallest and largest group of undertakings at 31 December 2018. The controlling party of the Company is Mr S Gowland.