

**GROUP
SOLVENCY AND FINANCIAL
CONDITION REPORT
AS AT
31st DECEMBER 2019**

**ASHBROOKE FINANCIAL
GROUP LIMITED**

ASHBROOKE

Prepared by Ashbrooke Financial Group Limited

June 2020

Section	Description	Page
	Contents	2
	Appendices	3
	Abbreviations and Definitions	4
	Executive Summary	5
A	Business And Performance A.1 Business A.2 Underwriting Performance A.3 Investment Performance A.4 Performance of Other Activities A.5 Any Other Information	8
B	System Of Governance B.1 General Information On The System Of Governance B.2 Fit and Proper Requirements B.3 Risk Management System (Including Own Risk and Solvency Assessment) B.4 Internal Control System B.5 Internal Audit Function B.6 Actuarial Function B.7 Outsourcing B.8 Any Other Information	13
C	Risk Profile C.1 Underwriting Risk C.2 Market Risk C.3 Credit Risk C.4 Liquidity Risk C.5 Operational Risk C.6 Other Material Risk C.7 Any Other Information	22
D	Valuation For Solvency Purposes D.1 Assets D.2 Technical Provisions D.3 Other Liabilities D.4 Alternative Methods of Valuation D.5 Any Other Information	28

Section	Description	Page
E	Capital Management	36
	E.1 Own Funds	
	E.2 Solvency Requirement And Minimum Capital Requirements	
	E.3 Use of the Duration- Based Equity Risk Sub-Model In The Calculation Of The Solvency Capital Requirement	
	E.4 Differences Between The Standard Formula And Any Internal Model Used	
	E.5 Non Compliance With The Minimum Capital requirement And Non-Compliance With The Solvency Capital Requirement	
	E.6 Any Other Information	

Appendix	Description	
1	Ashbrooke Financial Group Limited – Audited Financial Statements for the year to 31 st December 2019	
2	Quantitative Reporting Templates	

ABBREVIATIONS & DEFINITIONS

Reference	Abbreviation/Definition
<i>Ashbrooke or Group or AFGL</i>	Ashbrooke Financial Group Limited
<i>AVL</i>	Ashbrooke Ventures Limited
<i>BW</i>	Barnett Waddingham LLP
<i>Bestpark or BIL</i>	Bestpark International Limited
<i>ENID</i>	Events Not In Data
<i>FCA</i>	Financial Conduct Authority
<i>Group</i>	Ashbrooke Financial Group Limited
<i>IBNR</i>	Incurred But Not Reported claims
<i>MCR</i>	Minimum Capital Requirement
<i>NAV</i>	Net Asset Value
<i>ORSA</i>	Own Risk and Solvency Assessment
<i>PRA</i>	Prudential Regulation Authority
<i>SCR</i>	Solvency Capital Requirement
<i>SFCR</i>	Solvency and Financial Condition Report

Ashbrooke Financial Group Limited (“AFGL” or the “Group”) was incorporated on 9th July 2015 with a view to executing acquisitions and other capital investment opportunities in the (re)insurance run-off market.

AFGL made its first run-off acquisition on 19th February 2016 when it acquired Bestpark International Limited (“Bestpark” or the “Company”) and although it carries on no regulated activity in its own right, it is classified as an Insurance Holding Company and therefore regulated by the PRA. Bestpark is an insurance and reinsurance company which entered run-off in 2002 and is regulated by the PRA and the FCA.

AFGL also acquired Ashbrooke Ventures Limited (“AVL”) on 19th February 2016, which provides run-off management services to Bestpark and consultancy services to third parties. AVL does not carry on any regulated activities and so is not regulated.

The outbreak of COVID-19 has resulted in a pandemic causing significant disruption across the globe. The impact on society is reflected in business closure, restrictions on movement, home working and cancellations of sporting and other events. This is expected to lead to an economic downturn.

The recent volatility in financial markets and the impact on asset and liability values is being monitored by the Group and has currently been assessed as resulting in no exposure to potential claims arising from COVID-19 and no material impact on the solvency capital of the Group or any of its subsidiaries. As a result of the low levels of active claims, the Group and its subsidiaries remain in a robust position and the directors expect solvency to be maintained above requirements under current laws and regulations. Whilst the impact of COVID-19 is continuing to evolve at a fast pace, the Group does not expect there to be any material financial impact on the Group at the time of writing.

The Group recorded a small consolidated loss before taxation of £(0.1)m (2018: Profit £1.4m) with net assets of £11.9m (2018: £12.0m). Bestpark recorded a loss before taxation of £(0.1)m (2018: Profit £0.5m) with net assets of £12.1m (2018: £12.2m). The main difference relates to the treatment of negative and positive goodwill arising from past acquisitions, further details of which can be found in Appendix I.

Bestpark and Group have complied with all aspects of the Solvency II regulations during the relevant periods and both comfortably exceed their SCR and MCR requirements.

The Group and Bestpark's own funds are as follows:

Own Fund Item - Group	Tier	2019 £000	%	2018 £000	%
Share Capital	1	20	0.17%	20	0.17%
Reconciliation Reserve	1	11,633	99.83%	11,791	99.83%
TOTAL		11,653	100.00	11,811	100.00

Own Fund Item - Bestpark	Tier	2019 £000	%	2018 £000	%
Share Capital	1	5,250	44.21%	5,250	43.65%
Reconciliation Reserve	1	6,625	55.79%	6,775	56.35%
TOTAL		11,875	100.00	12,025	100.00

The Group and Bestpark's SCR and MCR are as follows:

Group	2019		2018	
	£000	Own Fund Cover	£000	Own Fund Cover
SCR	2,671	4.36	4,151	2.85
MCR	3,187	3.66	3,288	3.59

Bestpark	2019		2018	
	£000	Own Fund Cover	£000	Own Fund Cover
SCR	2,802	4.24	4,509	2.67
MCR	3,187	3.73	3,288	3.66

The Group and Bestpark's business plan forecasts that own funds and Solvency II capital requirements will continue to comfortably exceed the SCR and MCR requirements. The decrease in Group's SCR in the year relates primarily to a reduction in own fund foreign exchange holdings and a decrease in concentration risk. The decrease in Bestpark's SCR in the year primarily relates to the decrease in the intercompany balances during the course of the year.

On 19 December 2019, the Company signed sale and purchase agreements with a third party for the acquisition of two insurance companies which are in solvent run off. Completion of the acquisitions was subject, inter alia, to regulatory consent for the change in control which was received from the Bank of England on 27 April 2020 with completion occurring on 21 May 2020.

The directors acknowledge their responsibility for preparing the Group Solvency and Financial Condition Report ("SFCR") in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

The directors have assessed that the Group qualifies for the audit exemption of this SFCR as set out in the policy statement PS25/18: Solvency II: External Audit of the public disclosure requirement issued by the PRA on 18 October 2018.

The Directors are satisfied that:

- a) throughout the financial year in question, the Group and Bestpark have complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable; and
- b) it is reasonable to believe that the Group and Bestpark have continued so to comply subsequently and will continue so to comply in future.



Andrew Morpeth
Director
For Ashbrooke Financial Group Limited

A. BUSINESS

This Group SFCR relates to the Ashbrooke Financial Group Limited group of companies. Following receipt of the requisite waiver under Rule 18 of the Group Supervision part of the PRA Rulebook, this report also incorporates individual SFCR information in respect of the Group’s regulated insurance subsidiary, Bestpark International Limited; no separate SFCR has been prepared for Bestpark.

A.1 Holding Company and Group Structure

Ashbrooke Financial Group Limited

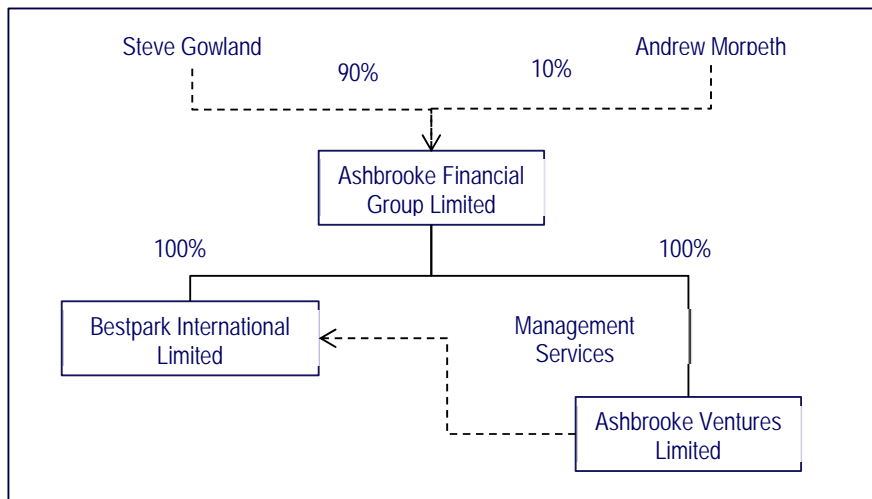
Ashbrooke is the holding company for the Ashbrooke group of companies. It does not undertake any regulated activities in its own right but is classified as an Insurance Holding Company.

Ashbrooke was incorporated on 9th July 2015, registered in England and Wales with its registered office at 8 Eagle Court, London EC1M 5QD

Ashbrooke is regulated by the Prudential Regulation Authority (‘PRA’ – part of the Bank of England) and audited by Mazars LLP. Their respective contact details are as follows:

PRA 20 Moorgate London EC2R 6DA Tel: + 44 (0) 20 3461 7000 www.bankofengland.co.uk	Mazars LLP Tower Bridge House St Katharine’s Way London E1W 1DD Tel: + 44 (0) 20 7063 4000 www.mazars.co.uk
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The only shareholders of Ashbrooke, who are also Directors, are Steve Gowland and Andrew Morpeth, who are both resident in the United Kingdom. The Group and controller structure is set-out below.



On 19 December 2019, the Company signed sale and purchase agreements with a third party for the acquisition of two insurance companies which are in solvent run off. Completion of the acquisitions was subject, inter alia, to regulatory consent for the change in control which was received from the Bank of England on 27 April 2020 with completion occurring on 21 May 2020.

A.1.1 Subsidiaries Of Ashbrooke

a) Bestpark International Limited

Bestpark is an insurance and reinsurance company which was authorised to transact insurance business in the UK and is now in run-off. 100% of the issued share capital was acquired by Ashbrooke on 19th February 2016. Bestpark is registered in England and Wales. It is regulated by the Prudential Regulatory Authority (“PRA” – part of the Bank of England), the Financial Conduct Authority (“FCA”) and audited by Mazars LLP. Their respective contact details are as follows:

FCA	PRA	Mazars LLP
25 The North Colonnade	20 Moorgate	Tower Bridge House
Canary Wharf		St Katharine’s Way
London	London	London
E14 5HS	EC2R 6DA	E1W 1DD
Tel: + 44 (0) 20 7066 1000	Tel: + 44 (0) 20 3461 7000	Tel: + 44 (0) 20 7063 4000
www.fca.org.uk	www.bankofengland.co.uk	www.mazars.co.uk

b) Ashbrooke Ventures Limited

AVL was established by Steve Gowland in September 2007 to provide specialist consultancy and advisory services to the international (re)insurance industry. 100% of the issued share capital was acquired by Ashbrooke on 19th February 2016.

AVL is the Group’s administrative business and provides run-off management services to Bestpark and consultancy services to third parties in related and non-related areas. It does not undertake any regulated activities and so is not a regulated entity.

AVL is audited by Mazars LLP, whose contact details are as follows:

Mazars LLP
Tower Bridge House
St Katharine’s Way
London
E1W 1DD
Tel: + 44 (0) 20 7063 4000
www.mazars.co.uk

A.1.2 Group Results

The full Group audited consolidated results for the period to 31st December 2019 are attached as Appendix 1.

The results and net assets of the Group and its individual subsidiaries as reported under UK GAAP for the period ending 31st December 2019 are as follows:

Financial Summary	Group		Bestpark		AVL		
	£000	2019	2018	2019	2018	2019	2018
Profit/(Loss) for the Year		(113)	1,381	(92)	536	(8)	(5)
Net Asset Value/ Shareholders Funds		11,852	11,965	12,060	12,152	(31)	(23)

A.2 UNDERWRITING PERFORMANCE

Neither Ashbrooke nor Bestpark have any underwriting risk relating to new policies, as Bestpark has been in run-off since 2002. Bestpark is the only group company that carries out regulated activities.

The Group's primary responsibility is the continued protection of policyholder interests without favouring one individual or one class of policyholders over any other individual or class of policyholders. All are treated equally and fairly. Ashbrooke manages the run-off of Bestpark in such a way that the central objectives of the Bestpark run-off will remain:

- a) Optimising cash flow via prudent claims management and pro-active credit control;
- b) Operation of a prudent claim adjudication process to ensure claim settlements are made in line with the contractual terms and obligations of the Company;
- c) Maximising the timing and quantum of reinsurance recoveries and outstanding premiums;
- d) Minimising the requirement for bad debt provisions by pro-actively chasing potential delinquent debtors and filing claims against insolvent estates;
- e) Execution of bespoke commutations or other settlement strategies when opportunities can be created to provide a convenient and fair settlement with the target on a principal-to-principal basis;
- f) Conducting ad hoc inspection and claim portfolio review; Enhancement of the management of claims affecting the direct portfolio to include procedures to adjust valid claims, settle claims as soon as possible and to minimise legal costs, but always in a balanced and manner;

- g) Minimisation of Bestpark run-off costs whilst ensuring adequate service levels with all governance and compliance standards being met in line with Company and PRA/FCA expectations. This includes an on-going review of outsourcing versus internal services provision; and
- h) Evaluation of any opportunities for the disposal/transfer of books of business where contractual liability continues to extend for a significant period into the future eg, Employers Liability policies.

A.3 INVESTMENT PERFORMANCE

Ashbrooke has run a prudent investment policy during the period with a view to preserving capital, ensuring adequate liquidity to support claims and expenses and optimising investment returns within a prudent level of risk. In this context, Ashbrooke held both cash and cash equivalents and investments during the year.

Cash and cash equivalents held are in the major currencies that match the denominations of the material outstanding claims which mitigates the risk of currency mismatching. Cash and cash equivalents were held in main bank accounts as well as Institutional Liquidity Funds with a view to ensuring ease of access and maximising investment returns in the context of appropriate risk profiles as adopted by the Group. During the year the Group held investments (see B.8) with varying rates of interest and security.

The ultra-low interest rate environment has meant that investment returns on cash and cash equivalents have been severely curtailed in the year. The investment return on Group balances held in Euros has been negative following further pressure on the European Central Bank. This is not expected to change in the near future. The net overall income from investments, including cash and cash equivalents, totalled £236k for the year (2018: £261.2k).

This is broken down as follows:

Group and BIL – Interest Received	2019	2018
	£000	£000
Brokers	5.4	6.2
Cash and cash equivalents	56.8	52.4
Investments	174.7	202.6
Total	236.9	261.2

As a result of the currency fluctuations during the period under review, the fact that the Group holds major currency accounts to match its underlying claims liabilities and that the Group reports in GBP (Sterling), there have been adverse Foreign Exchange movements booked in the year, the net of which totalled £(147)k in Group and £(147)k in Bestpark in relation to own funds (2018: £236k favourable in Group and £236k favourable in Bestpark). As at the end of the year, the Group held 60% of its own funds in Sterling and the balance in a mix of the major currencies noted in C.2 (2018: 68%). The Group holds some foreign currencies above its matched reserve levels in case further claims in foreign currencies arise.

A.4 PERFORMANCE OF OTHER ACTIVITIES

There were no other non-insurance related activities within the Group during the year by AVL for third parties (2018: None).

A.5 ANY OTHER INFORMATION

The outbreak of COVID-19 has resulted in a pandemic causing significant disruption across the globe. The impact on society is reflected in business closure, restrictions on movement, home working and cancellations of sporting and other events. This is expected to lead to an economic downturn.

The recent volatility in financial markets and the impact on asset and liability values is being monitored by the Group and has currently been assessed as resulting in no exposure to potential claims arising from COVID-19 and no material impact on solvency capital of the Group or any of its subsidiaries. As a result of the low levels of active claims, the Group and its subsidiaries remain in a robust position and the directors expect solvency to be maintained above requirements under current laws and regulations. Whilst the impact of COVID-19 is continuing to evolve at a fast pace, the Group does not expect there to be any material financial impact on the Group at the time of writing.

There are no other significant business or other events that have occurred over or after the reporting period that have had a material impact on the Group.

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

The Group, its subsidiaries and its Directors are fully committed to the principles of transparency, honesty, integrity and accountability which form the foundation of corporate governance. Risk management is an integral part of the corporate governance process and serves to support internal control. The Group takes a risk based approach to the system of governance. Governance requirements are largely set by regulatory and legal requirements, however the Group also considers any additional measures it considers necessary to manage the risk of its subsidiaries and implements these on a case by case basis.

The Directors and Key Personnel who served during year to 31st December 2019 for each group company were as follows:

	Group	Bestpark	AVL
Directors			
<i>Steven Gowland (Chief Executive Office)</i>	✓	✓	✓
<i>Andrew Morpeth (Chief Financial Officer)</i>	✓	✓	✓
<i>Anson Game (Non-executive Chairman)</i>	X	✓	X
Key Personnel			
<i>Jeremy Watt - Company Secretary</i>	✓	✓	✓
<i>Jeremy Watt – Claims Management</i>	X	✓	X

The Group Directors receive no remuneration from Ashbrooke or Bestpark but receive a salary from AVL. The total remuneration (including defined contribution pension payments of £43k (2018: £41k) and fees) for the year ending 31st December 2019 was £278k (2018: £281k). No bonuses were paid to any Directors in the year to 31st December 2019.

There have been no dividends paid to the shareholders during the reporting period.

Committees and consequential roles and responsibilities for Executive Directors and Key Personnel were as follows:

Committee:	Risk, Regulatory	Investment	Claims and Reinsurance
Responsible For:	Coordination and oversight of financial and regulatory reporting functions and coordination and provision of risk management function including the risk register and the ORSA	Coordination of overall Group and subsidiary company investment policies including investment proposals and its compliance	Coordination of all claims and reinsurance management
Directors			
<i>Steven Gowland (Chief Executive Officer)</i>	<i>Chair</i>	<i>Chair</i>	<i>Chair</i>
<i>Andrew Morpeth (Chief Financial Officer)</i>	✓	✓	✓
Key Personnel			
<i>Jeremy Watt (Company Secretary and Claims Management)</i>	✓	x	✓

On 12 December 2019, the FCA issued a time limited waiver to release Bestpark from the requirement to set up an Audit Committee.

B.2 FIT AND PROPER REQUIREMENTS

The Group fully recognises the value of the fit and proper requirements in that a company run in a fit and proper manner, by fit and proper Directors and other individuals holding key functions or roles, will benefit from the knowledge and experience brought to the company and is more likely to be successful. In addition, the risks associated with a badly run business (risks such as: regulatory, financial and reputational risks) will be reduced. Whilst there is no definition for ‘fit and proper’, it is generally accepted that it includes amongst other considerations the concepts of honesty, solvency and competence.

The basic elements of the fit and proper assessment are:

- honesty, integrity and reputation (e.g. treating customer fairly, proper respect of legal, regulatory, professional obligations, prudent approach to business);
- competence, ability to conduct business and organisation;

- having a robust corporate governance structure, declaration of conflicts of interest, Directors having appropriate skills, knowledge and experience; and
- financial position (e.g. ensuring the Company has sufficient financial resources to meet commitments on a continuous basis, and is robust enough to withstand business risks).

Ashbrooke ensure that candidates for a position on the board of either Group or Bestpark or for any other key functions/roles, are assessed to ensure that they fulfil fit and proper requirements. This includes reviewing the CV of the candidate, extensive interviews and obtaining suitable references at both the personal and professional levels together verification of identity and address.

B.2.1 Senior Manager Regime

All Directors of Bestpark were approved by the FCA to perform Controlled Functions as required under Section 59 of the Financial Services and Markets Act 2000. Following the appointment of Anson Game as the Non-Executive Chairman on 9th March 2017, all required functions under the Senior Insurance Managers Regime were covered.

In December 2019, this regime was replaced by the Senior Manager Regime under which Bestpark is classified as a small run off firm. Whilst the mapping of the Senior Manager Functions, Prescribed Responsibilities, Overall responsibilities and Statements of Responsibilities is not required for small run off firms, the Group has taken the decision to map its requirements under the regime as good practice. The allocated Senior Management Functions under SMR are set out below:

Allocation Reference	Senior Manager Function Code	Senior Manager Function	Name	Bestpark
1	SMF1	Chief Executive function	Steven Gowland	Chief Executive Officer
2	SMF2	Chief Finance function	Andrew Morpeth	Chief Financial Officer
3	SMF3	Executive Director	-	Not Applicable *
4	SMF4	Chief Risk Function	Andrew Morpeth	Chief Financial Officer
5	SMF5	Head of Internal Audit	-	Not Applicable *
6	SMF6	Head of Key Business Area	-	Not Applicable *
7	SMF7	Group Entity Senior Manager	-	Not Applicable *
9	SMF9	Chairman	Anson Game	Non-Executive Chairman
10	SMF10	Chair of the Risk Committee	-	Not Applicable *
11	SMF11	Chair of the Audit Committee	-	Not Applicable *
12	SMF12	Chair of the Remuneration Committee	-	Not Applicable *
14	SMF14	Senior Independent Director	-	Not Applicable *
16	SMF17	Money Laundering Reporting	Andrew Morpeth	Chief Financial Officer
18	SMF20	Chief Actuary	-	Not Applicable *
19	SMF20a	With Profits Actuary	-	Not Applicable *
20	SMF23	Chief Underwriting Officer	-	Not Applicable *
21	SMF24	Chief Operations	-	Not Applicable *
22	SMF26	Head of Small Run Off Firm	-	Not Applicable *

* Not Applicable Functions – Individual Function allocations are not considered proportionate to size of Bestpark as they are covered proportionately within SMF 1, 2, 4, 9 and 17.

The allocation of Prescribed Responsibilities is set out below:

PR Code and Allocation Code	Prescribed Responsibility	FCA/PRA/Dual	Allocation - Role	Allocation - Name	Bestpark
A	Responsibility for the firm's Performance of its obligations under the Senior Managers Regime	Dual	Chief Financial Officer	Andrew Morpeth	✓
B	Responsibility for the firm's performance of its obligations under the Certification Regime	Dual	Chief Financial Officer	Andrew Morpeth	✓
B-1	Responsibility for the firm's obligations in relation to individual conduct rules for training and reporting	FCA	Chief Financial Officer	Andrew Morpeth	✓
D	Overall Responsibility for the firm's policies and procedures for countering the risk that the firm might be used to further financial crime	FCA	Chief Financial Officer	Andrew Morpeth	✓
DD	Responsibility for ensuring the governing body is informed of its legal and regulatory obligations	PRA	Chief Financial Officer	Andrew Morpeth	✓
CC	Responsibility for managing the firm's financial resources	PRA	Chief Financial Officer	Andrew Morpeth	✓
GG	Responsibility for the oversight of systems and controls, along with risk management policies and procedures, that are proportionate to the nature, scale, and complexity of the risks inherent in the firm's business model	PRA	Chief Financial Officer	Andrew Morpeth	✓
T-1	Providing the governing body with an up-to-date business plan and all relevant MI	PRA	Chief Executive Officer	Steven Gowland	✓
Z	Overall Responsibility for the firm's compliance with CASS	FCA	Chief Financial Officer	Andrew Morpeth	✓

The allocation of Overall responsibilities is set out below:

Allocation Code	Overall Responsibility	Allocation - Role	Allocation - Name	Bestpark
A	Responsibility for strategy for run off and of company	Chief Executive Officer	Steven Gowland	✓
B	Responsibility for claims management for company	Chief Executive Officer	Steven Gowland	✓
C	Responsibility for corporate governance	Chief Executive Officer	Steven Gowland	✓
D	Responsibility for treasury management	Chief Financial Officer	Andrew Morpeth	✓
E	Responsibility for compliance with regulatory and statutory requirements	Chief Financial Officer	Andrew Morpeth	✓
F	Responsibility for contractors and external consultants	Chief Financial Officer	Andrew Morpeth	✓
G	Responsibility for estate management and IT infrastructure	Chief Financial Officer	Andrew Morpeth	✓
H	Responsibility for production of financial reports and management information	Chief Financial Officer	Andrew Morpeth	✓
I	Responsibility for financial assessment of climate change	Chief Financial Officer	Andrew Morpeth	✓

B.3 RISK MANAGEMENT SYSTEM (INCLUDING OWN RISK AND SOLVENCY ASSESSMENT)

The Group and its Directors view risk management as an integral part of the corporate governance process and serves to support internal control. The Own Risk and Solvency Assessment is reviewed and approved on an annual basis.

The Group has adopted a culture for managing risk including planning, identification, assessment/analysis and monitoring and reporting risks. These processes can be extended to address strategic risk by focusing on uncertainties which might affect strategic objectives. The Group's management of risk depends largely on the effectiveness of the Group's management and its implementation of its Risk Management System and communication of the process to all who have roles and responsibilities in it.

The primary requirement for implementing strategic risk management is therefore to identify these strategic objectives which might be affected by uncertainty.

Strategic risk management is aimed at ensuring that:

- All risks which could jeopardise/enhance achievement of the Group's strategic objectives will be identified;
- An appropriate risk appetite and risk tolerance is established for each Group company;
- Suitable structures, procedures and practices are in place to manage these risks; and that
- Sufficient organisational resources are applied to, and corporate culture is fully supportive of, the effective implementation of these structures, procedures and practices.

Ashbrooke takes the following strategic business objectives and adapts them in operational strategies to:

- Run-off the claims book in the most efficient and effective manner using available resources; and
- Optimise investment return on the cash deposits and any investments held without exposing the capital sums to unnecessary risk.

Successful implementation of this approach achieves the following objectives:

- Improving the effectiveness and efficiency of operations;
- Effectively managing the company's risks and support internal control.

- Safeguarding the Group's and Bestpark's assets (including information);
- Complying with applicable laws, regulations and supervisory requirements;
- Ensuring the reliability of reporting; and
- Behaving responsibly towards all stakeholders.

The most significant risks that currently exist for the Group and Bestpark are as follows:

- Deterioration of existing claims;
- Notification of new claims;
- Credit default of one or more of the banks holding the Group's funds;
- Credit default of one or more of the Group's reinsurers;
- A gap in the reinsurance cover;
- Loss of key personnel/collapse of the management company, AVL;
- Cost inflation/increase in run-off provision; and
- Non-compliance with regulatory requirements.

It is important to note that Bestpark has no underwriting risk, having been in run-off since 2002.

AVL provides management services to the Group and is responsible for:

- Designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of Bestpark;
- Ensuring that generally accepted risk management frameworks and models, including internal control, are embedded in organisational operations and processes; and
- Ensuring that Bestpark is advised of any significant changes or weaknesses in internal controls and procedures.

B.4 INTERNAL CONTROL SYSTEM

The Group Board is responsible for the Group internal control system. Internal controls are implemented within each group subsidiary at a level proportionate to the complexity, nature, size of

business, whether it is subject to any regulatory requirements and the overall level of risk that each subsidiary represents to the Group.

As a minimum, all subsidiaries have sound reporting and accounting procedures to ensure that the respective boards have sufficient timely management information with which to manage each subsidiary. All subsidiaries are subject to external statutory audit.

B.5 INTERNAL AUDIT FUNCTION

There is no structured internal audit function within the Group.

B.6 ACTUARIAL FUNCTION

Bestpark is the only regulated insurance entity in the Group and therefore the only one for which it is relevant to have an actuarial function, however Bestpark's actuarial function supports Group activity where required, for example the Group solvency calculation and Group ORSA.

The actuarial function is responsible for:

- Coordination of the calculation of technical provisions;
- Ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- Assessing the sufficiency and quality of the data used in the calculation of technical provisions;
- Comparing best estimates against experience;
- Informing the Board of the reliability and adequacy of the calculation of technical provisions;
- Expressing an opinion on the overall underwriting policy;
- Expressing an opinion on the adequacy of reinsurance arrangements; and
- Contributing to the effective implementation of the risk-management system.

Each of these activities is undertaken on an at least annual basis and the outcome reported to the Board.

B.7 OUTSOURCING

Outsourcing is the use of a third party (either an affiliated entity within the same group or an external entity) to perform activities on a continuing basis that would normally be undertaken by the company. The third party to whom an activity is outsourced is a 'service provider'. Each Board shall ensure that an outsourcing arrangement shall not diminish the company's ability to fulfil its obligations to customers or its regulator, nor impede effective supervision by its regulator (should it be regulated). Fundamental responsibilities such as the setting of strategies and policies, the oversight of the operation of the Group's processes, and the final responsibility for customers, shall not be outsourced. The respective Boards consider outsourcing where they believe that there is an advantage to the Group and specific subsidiary and customer by using a service provider e.g. access to specialist resource, provision of services in the same jurisdiction as the customer, cost benefits.

B.7.1 AFGL Outsourcing

AFGL is a holding company and has little operational activity. Its Board has delegated authority to its subsidiaries for operational matters but has not outsourced any of its activities.

B.7.2 Bestpark Outsourcing

Bestpark is reliant on three material service providers:

- AVL – for run-off management services;
- Charles Taylor Broker Services Limited – for insurance broker services; and
- Barnett Waddingham LLP – for ad hoc actuarial advice including input into the Sii Annual Reporting requirements.

B.7.3 AVL Outsourcing

AVL does not outsource any of its operations.

B.8 ANY OTHER INFORMATION

At the end of 2018, the Group had lent a total of £4.0m to Tunestore Digital Limited, a holding company that is under the same common control as the ultimate controlling party of the Company and during the current year (2019) one of the loans totalling £2.3m, was repaid. At the end of the 2019 year, the outstanding secured loan to Tunestore Digital Limited was £1.335m with an interest rate of 7% per annum, repayable over five years.

During the year an unsecured, on demand loan of £2.4m was made to a director which was outstanding at the end of the year (2018: Nil) with an interest rate of 2.5% per annum. The Group holds £0.6m (2018: £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 an unsecured loan to c-burn systems Limited, a wholly owned subsidiary of Tunestore Digital Limited. The amount outstanding at the year-end was £73k (2018: £82k) 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 in the year.

C.1 UNDERWRITING RISK

Ashbrooke's only insurance subsidiary, Bestpark, has been in run-off since 2002 and is therefore not exposed to new underwriting risk.

Ashbrooke and Bestpark are exposed to reserving risk (the risk that claims reserves are not sufficient to meet insurance liabilities) which is linked to past underwriting risk. This risk is mitigated by:

- a) the Claims and Reinsurance Committee regularly reviewing claims reserves to ensure they are appropriate;
- b) the adoption of a prudent reserving philosophy;
- c) internally assessing the data quality and methodology used to calculate the reserves; and
- d) engaging external actuaries to independently review the IBNR reserve.

Given that the Group is not exposed to new underwriting risk as it is in (very late stage) run off and, in addition to which, its very low remaining outstanding claims (in both number and value) across its specific business classes, the Group believes that there is no increase in its underwriting/insurance risk as a result of COVID-19.

C.2 MARKET RISK

Ashbrooke has limited exposure to market risks as it holds funds predominately in cash or cash equivalents only. The Group held no Equity, Property, Bonds or Derivatives as at 31st December 2019 other than an investment in £1 preference shares in the sum of £600,000 and loans to third parties totaling £3.7m (2018: £450,000 and £3.9m respectively).

C.2.1 Currency

Ashbrooke and Bestpark are exposed to three main currencies:

- Euro ("EUR");
- US dollar ("USD"); and
- British Pound ("GBP").

Whilst Ashbrooke reports in GBP, its risk management process matches its overall outstanding claims exposure in the relevant foreign currencies to ensure that the risk of currency mismatch is mitigated to protect its policy holders. The Group held a percentage of its surplus own funds in EURs, SEKs and

USDs during the year which has resulted in an exchange loss (2018: gain). The Group does not have any material balance of own funds in foreign currencies and will continue to review its current holdings as time progresses.

C.2.2 Interest rate

Ashbrooke is exposed to interest rate risk in relation to its bank deposits. This risk is assessed and monitored. The Group manages this risk by investing cash balances so as to optimise returns whilst having regard to the minimum investment criteria as adopted by the Group. Ashbrooke also seeks to minimise the negative interest rate risk with regard to its deposits in Euros.

The Group considers the prudent person principle in considering the investment assets and how they match to the expected payment profile of the Group's technical liabilities.

It is likely that following the general governmental response to COVID-19 that the large increase in HM Government Debt will mean that yields will be further depressed and so overall income will decrease over the short and medium term. The Group will keep reviewing the yield/risk balance of its investments and seek to optimise its positions.

C.3 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 Credit and Concentration risk by monitoring the financial security of credit institutions and reinsurers and collecting reinsurance recoveries as soon as they become due. Ashbrooke manages this risk by investing cash balances with regard to the minimum investment criteria adopted by the Group.

Given the increased volatility of the financial markets as a result of COVID19, the Group will continually monitor its holdings and investments to minimise this risk.

The position of both Ashbrooke and Bestpark is set out below:

31 st December 2019 - Group	AA	A	Not Rated	Carrying Amount
	2019 £000	2019 £000	2019 £000	2019 £000
Deposits with ceding undertakings	141	210	5	356
Reinsurers' share of technical provisions	34	14	-	48
Debtors arising out of direct insurance operations	-	-	79	79
Debtors arising out of reinsurance operations	5	292	123	420
Loan Notes	-	-	3,752	3,752
Other debtors	-	-	89	89
Investments	-	-	600	600
Cash at bank and in hand	-	8,441	-	8,441
TOTAL	180	8,957	8,648	13,786

31 st December 2018 - Group	AA	A	Not Rated	Carrying Amount
	2018 £000	2018 £000	2018 £000	2018 £000
Deposits with ceding undertakings	151	222	5	378
Reinsurers' 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
Loan Notes	-	-	3,951	3,951
Other debtors	-	-	99	99
Investments	-	-	450	450
Cash at bank and in hand	-	9,132	-	9,132
TOTAL	165	9,739	4,682	14,586

31st December 2019 - Bestpark	AA	A	Not Rated	Carrying Amount
	2019 £000	2019 £000	2019 £000	2019 £000
Deposits with ceding undertakings	141	210	5	356
Investment	-	-	600	600
Reinsurers' share of technical provisions	34	14	-	48
Debtors arising out of direct insurance operations	-	-	79	79
Debtors arising out of reinsurance operations	5	292	123	420
Other debtors	-	-	4,063	4,063
Cash at bank and in hand	-	8,428	-	8,428
TOTAL	180	8,944	4,870	13,994

31st December 2018 - Bestpark	AA	A	Not Rated	Carrying Amount
	2018 £000	2018 £000	2018 £000	2018 £000
Deposits with ceding undertakings	151	222	5	378
Reinsurers' 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
Other debtors	-	-	4,702	4,702
Cash at bank and in hand	-	9,110	-	9,110
TOTAL	165	9,717	4,884	14,766

C.4 LIQUIDITY RISK

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. The Group seeks to mitigate this risk by maintaining sufficient cash to meet its obligations as they fall due.

C.5 OPERATIONAL RISK

Operational risk is identified, assessed and monitored by the Risk & Regulatory Committee with oversight from the Board, and recorded on the Risk Register. See the Risk Management System above for further detail. There have been no material changes to the operational risks the Group is exposed to over the reporting period. The impact of COVID-19 is continuing to evolve at a fast pace and the Group is monitoring the situation closely but does not expect there to be any material financial impact on the Group at the time of writing.

Key operational risks are:

a) Material service provider risk

The risk that a material service provider fails to meet its contractual obligations or goes into liquidation is mitigated by having an Outsourcing Policy which includes that:

- contracts must be in place with all material service providers to the Group;
- appropriate risk assessment and due diligence must be conducted before entering into a new outsourcing arrangement;
- service providers' stability and performance are monitored regularly; and
- contingencies must be considered.

b) Regulatory & legal risk

This risk is mitigated by having sound corporate governance and internal controls. Internal controls are regularly monitored and are also subject to internal review. Regulatory compliance is reviewed quarterly. If any recurrent issues are identified, additional or changes to existing controls will be considered to resolve the root cause.

c) Reputational risk

The risk of a legal or regulatory breach, poor customer service, or market/jurisdiction insurer failures might give the Group a bad reputation, affecting its standing within the Insurance Market. The mitigation of a legal or regulatory breach is described above. Poor customer service is mitigated by ensuring that all Group employees and contractors have suitable experience and qualifications where necessary.

d) Claims Risk

Insurance risk is the risk that new claims may arise and that reserves on existing claims may prove to be inadequate. The Group seeks to mitigate this risk by regularly reviewing claims developments and carefully reviewing the adequacy of its reserves including Incurred But Not Reported ("IBNR").

C.6 OTHER MATERIAL RISK

The Group reviews and conducts tests where necessary to identify the implications of risks and consider potential adverse scenarios and how to mitigate such risks. These have been explained in the previous sections. Ashbrooke has conducted some stress testing of the risks identified, their mitigation and, ultimately, whether there is any material impact on the financial position and solvency of the Group and its insurance subsidiary, Bestpark. The Group is able to keep its Solvency II capital ratio and that of Bestpark materially above 100% so the SCR requirement is not breached.

There are no other material risks identified within the Group.

C.7 ANY OTHER INFORMATION

Not required.

D.1 ASSETS

The Group held the following assets valued on both UK GAAP and Solvency II bases:

As At 31 December 2019 Asset Class	UK GAAP Value £000	Reclassify for SII Purposes £000	Adjusted Value £000	Solvency II Value £000	Difference £000	Note
Tangible Fixed Assets	4	-	4	4	-	-
Investments	600	3,752	4,352	4,352	-	D.1.2
Goodwill/(Negative Goodwill)	14	-	14	-	(14)	D.1.1
Reinsurance Recoverables	48	-	48	48	-	
Deposits with Cedents	356	-	356	356	-	
Insurance Receivables	79	(5)	74	74	-	D.1.3
Reinsurance Receivables	420	-	420	420	-	
Cash and Cash Equivalents	8,441	-	8,441	8,441	-	
Other Assets	3,842	(3,752)	90	90	-	D.1.2
TOTAL ASSETS	13,804	(5)	13,799	13,785	(14)	

Notes:

D.1.1 – Goodwill/(Negative Goodwill) is not recognised in the calculation of Solvency II (SII) Values.

D.1.2 – Loans to third parties as noted in the statutory accounts are reclassified for the purposes of Solvency II values as investments.

D.1.3 – Reallocation to Insurance Payables

As At 31 December 2018 Asset Class	UK GAAP Value £000	Reclassify for SII Purposes £000	Adjusted Value £000	Solvency II Value £000	Difference £000	Note
Tangible Fixed Assets	5	-	5	5	-	
Investments	450	4,033	4,483	4,483	-	E.1.2
Goodwill/(Negative Goodwill)	27	-	27	-	(27)	E.1.1
Reinsurance Recoverables	67	-	67	67	-	
Deposits with Cedents	378	-	378	378	-	
Insurance Receivables	57	-	57	57	-	
Reinsurance Receivables	451	-	451	455	4	
Cash and Cash Equivalents	9,132	-	9,132	9,132	-	
Other Assets	4,051	(4,033)	18	17	(1)	E.1.2
TOTAL ASSETS	14,618	0	14,618	14,594	(24)	

Notes:

E.1.1 – Goodwill/(Negative Goodwill) is not recognised in the calculation of Solvency II (SII) Values.

E.1.2 – Loans to third parties as noted in the statutory accounts are reclassified for the purposes of Solvency II values as investments

Bestpark held the following assets valued on both UK GAAP and Solvency II bases:

As At 31 December 2019 Asset Class	UK GAAP Value £000	Reclassify for SII Purposes £000	Adjusted Value £000	Solvency II Value £000	Difference £000	Note
Reinsurance Recoverables	48	-	48	48	-	
Investments	600	3,990	4,590	4,590		D.1.2
Deposits with Cedents	356	-	356	356	-	
Insurance Receivables	79	(5)	74	74	-	D.1.3
Reinsurance Receivables	420	-	420	420	-	
Cash and Cash Equivalents	8,428	-	8,428	8,428	-	
Other Assets	4,063	(3,990)	73	73	-	D.1.2
TOTAL ASSETS	13,994	(5)	13,989	13,989	-	

D.1.2 - Loans to third parties as noted in the statutory accounts are reclassified for the purposes of Solvency II values as investments.

D.1.3 – Reallocation to Insurance Payables

As At 31 December 2018 Asset Class	UK GAAP Value £000	Reclassify for SII Purposes £000	Adjusted Value £000	Solvency II Value £000	Difference £000	Note
Reinsurance Recoverables	67	-	67	67	-	
Deposits with Cedents	378	-	378	378	-	
Insurance Receivables	57	-	57	57	-	
Reinsurance Receivables	451	-	451	455	4	D.1.4
Cash and Cash Equivalents	9,110	-	9,110	9,110	-	
Other Assets	4,704	-	4,704	4,703	(1)	
TOTAL ASSETS	14,767	-	14,767	14,770	3	

D.1.4 – Rounding differences

AVL held the following assets valued on a UK GAAP basis. AVL is not in itself subject to Solvency II and is not required to report separately any Solvency II values:

TOTAL ASSETS	2019 £'000	2018 £000
Fixed Assets	4	5
Investments	-	450
Cash and Cash Equivalents	13	22
Other Assets	2,433	4,239
TOTAL ASSETS	2,450	4,716

The Solvency II valuation principles applied to assets are in line with UK GAAP, namely:

a) Fixed assets

These are valued at the lower of their amortised cost or net realisable value.

b) Goodwill

This 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 19.24. The Group Board assesses 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. Goodwill is ignored for Solvency II purposes.

c) Insurance and Reinsurance Recoverables and Receivables

Valued based on the best estimate of the recoverable value, discounted to present value where the expected recovery is greater than one year. Reclassified for solvency purposes to net off technical provisions.

d) Cash and equivalents

Valued at the amount held at the period end, translated using the year end exchange rates where appropriate.

e) Prepayments

Valued based on the estimated unused benefit as at 31 December 2019.

f) Investments

Valued at fair value.

g) Other assets

Valued based on the best estimate of the recoverable or realisable value.

D.2 TECHNICAL PROVISIONS

The GAAP accounts of both the Group and its insurance subsidiary, Bestpark, include provisions for claims incurred based on earned premiums which consider all reasonably foreseeable best estimates. This includes reserves for claims incurred plus a provision for IBNR claims. The Group and Bestpark also consider any amounts recoverable from reinsurance contracts in respect of its claims reserves and IBNR. All data in below relates to both the Group and Bestpark unless stated.

Under UK GAAP reporting, the constituent elements to the changes to the Technical Provisions are as follows:

CLASS	Total 31/12/19 £000	Total 31/12/18 £000	Net M'ment £000
Accident and Health	-	-	-
Marine Aviation and Transport	-	-	-
Fire and Other Damage To Property	4	5	(1)
Third Party Liability	1,118	1,424	(306)
Miscellaneous and Pecuniary Loss	226	436	(210)
Treaty	490	596	(106)
TOTAL	1,838	2,461	(623)

For the purposes of Solvency II, technical provisions are broken down in slightly different categories than those used in UK GAAP reporting, and then adjusted in accordance with standard calculations as follows:

Technical Provisions	£000	Gross UK GAAP 2019	SII Adjust emnt	ENID	Discount- ing	SII Best Estimate	Risk Margin	Gross SII 2019
Marine, aviation, transport	-	-	-	-	-	-	-	-
Fire and other property damage	33	-	-	-	-	33	3	36
Third-party liability	1,058	-	-	5	(5)	1,058	115	1,173
Credit and suretyship	505	-	-	1	1	507	51	558
Miscellaneous	10	-	-	-	-	10	1	11
Non-proportional casualty reinsurance	59	-	-	-	-	59	6	65
Non-proportional property reinsurance	73	-	-	-	(1)	72	7	79
Medical expense	-	-	-	-	-	-	-	-
Sub-Total	1,738	-	-	6	(5)	1,740	183	1,922
ULAE provision	100	-	-	-	-	100	-	100
Sub-Total	1,838	-	-	6	(5)	1,840	183	2,022
Claims handling provision **	-	-	-	-	-	-	-	-
TOTAL	1,838	-	-	6	(5)	1,840	183	2,022

** - The Claims Handling provision is not included within the technical provisions in GAAP

Technical Provisions	£000	Gross UK GAAP 2018	SII Adjust emnt	ENID	Discount- ing	SII Best Estimate	Risk Margin	Gross SII 2018
Marine, aviation, transport	-	-	-	-	-	-	-	-
Fire and other property damage	34	-	-	-	-	34	1	35
Third-party liability	1,366	-	6	(13)	1,359	93	1,452	
Credit and suretyship	685	-	2	(2)	685	32	717	
Miscellaneous	117	-	-	-	117	6	123	
Non-proportional casualty reinsurance	84	-	-	(1)	83	4	87	
Non-proportional property reinsurance	75	-	-	(2)	73	2	75	
Medical expense	-	-	-	-	-	-	-	-
Sub-Total	2,361	-	8	(18)	2,351	139	2,490	
ULAE provision	100	-	-	-	100	-	100	
Sub-Total	2,461	-	8	(18)	2,451	139	2,590	
Claims handling provision **	-	-	-	-	-	-	-	
TOTAL	2,461	-	8	(18)	2,451	139	2,590	

** - The Claims Handling provision is not included within the technical provisions in GAAP

D.2.1 Explanations for SII Adjustments

a) ENID

A loading for Events Not In Data (“ENID”) was included, which allows for possible events that have not occurred in the Group’s experience to date, but that could arise in the future.

An ENID loading was applied to each class of business and was calculated using industry methodology. The ENID loading was slightly higher for the credit and suretyship due to specific claims, and for third party liability due to the uncertainty of the Employers Liability claims.

b) Discounting

The projected cash flows were discounted using risk free rate yield curves as at 31st December 2019, as published by EIOPA, according to the currencies and expected timing of the cash flows. Some of the discount rates used were negative (EUR, SEK), which meant that discounting these cash flows increased the Solvency II best estimate.

c) Risk Margin

A risk margin has been calculated for each line of business, which involves projecting a reference SCR for each future year until the business has run-off and calculating the expected cost of providing eligible own funds equal to the value of those SCR. The approach used is method 2 in guideline 61 from EIOPA’s “Guidelines on the valuation of technical provisions”.

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.

D.3 OTHER LIABILITIES

A. As at 31st December 2019 the Group recorded the following liabilities:

Category	£000	UK GAAP	Reclassify for SII Purposes	Adjusted Value	Solvency II	Difference	Explanation
Accruals	108		-	108	108	-	None required
Insurance and Intermediaries Payable	-		(5)	(5)	(5)	-	D.1.3
Reinsurance Payables	6		-	6	6	-	None required
Other Liabilities	-		-	-	-	-	None required

D1.3 – Reallocation to Insurance Payables

As at 31st December 2019 Bestpark recorded the following liabilities:

Category	£000	UK GAAP	Reclassify for SII Purposes	Adjusted Value	Solvency II	Difference	Explanation
Accruals	91		-	91	91	-	None required
Insurance and Intermediaries Payable	-		(5)	(5)	(5)	-	D.1.3
Reinsurance Payables	6		-	6	6	-	None required
Other Liabilities	-		-	-	-	-	None required

D1.3 – Reallocation to Insurance Payables

As at 31st December 2018 the Group recorded the following liabilities:

Category	£000	UK GAAP	Reclassify for SII Purposes	Adjusted Value	Solvency II	Difference	Explanation
Accruals	160		-	160	160	-	None required
Insurance and Intermediaries Payable	22		-	22	22	-	None required
Reinsurance Payables	11		-	11	11	-	None required
Other Liabilities	-		-	-	-	-	None required

As at 31st December 2018 Bestpark recorded the following liabilities:

Category	£000	UK GAAP	Reclassify for SII Purposes	Adjusted Value	Solvency II	Difference	Explanation
Accruals	121		-	121	121	-	None required
Insurance and Intermediaries Payable	22		-	22	22	-	None required
Reinsurance Payables	11		-	11	11	-	None required
Other Liabilities	-		-	-	-	-	None required

D.4 ALTERNATIVE METHODS OF VALUATION

Not Applicable for the Group or subsidiaries.

D.5 ANY OTHER INFORMATION

The full comparison of the UK GAAP and SII Balance sheet for Group is as follows:

	UK GAAP Value £000	Reclassify for SII Purposes £000	Adjusted UK GAAP Value £000	Solvency II Value £000	Difference £000	Note – See Section:
ASSETS						
<i>Tangible Fixed Assets</i>	4	-	4	4	-	
<i>Investments</i>	600	3,752	4,352	4,352	-	D.1.2
<i>Goodwill/(Negative Goodwill)</i>	14	-	14	-	(14)	D.1.1
<i>Reinsurance Recoverables</i>	48	-	48	48	-	
<i>Deposits with Cedents</i>	356	-	356	356	-	
<i>Insurance Receivables</i>	79	(5)	74	74	-	D.1.3
<i>Reinsurance Receivables</i>	420	-	420	420	-	
<i>Cash and Cash Equivalents</i>	8,441	-	8,441	8,441	-	
<i>Other Assets</i>	3,842	(3,752)	90	90	-	D.1.2
TOTAL ASSETS	13,804	(5)	13,799	13,785	(14)	
LIABILITIES						
<i>Technical Provisions</i>	1,838	-	1,838	2,022	(184)	D.2
<i>Claims Handling Provision</i>	-	-	-	-	-	
<i>Accruals</i>	108	-	108	108	-	
<i>Insurance and Intermediary Payables</i>	-	(5)	(5)	(5)	-	D.1.3
<i>Reinsurance Payables</i>	6	-	6	6	-	
<i>Other Liabilities</i>	-	-	-	-	-	
TOTAL LIABILITIES	1,952	(5)	1,947	2,132	(184)	
Net Assets/Surplus	11,852	-	11,852	11,653	(198)	

See Section D.2 for full details of Sii adjustments to technical provisions

E.1 OWN FUNDS

As at 31st December 2019 the own funds of Group and Bestpark were as follows:

Own Fund Item Group	Tier	Group 2019	%	Group 2018	%
		£'000		£'000	
Share Capital	1	20	0.17%	20	0.17%
Reconciliation Reserve	1	11,633	99.83%	11,791	99.83%
TOTAL		11,653	100.00%	11,213	100.00%

Own Fund Item Bestpark	Tier	Bestpark 2019	%	Bestpark 2018	%
		£'000		£'000	
Share Capital	1	5,250	44.21%	5,250	43.65%
Reconciliation Reserve	1	6,625	55.79%	6,775	56.35%
TOTAL		11,875	100.00%	12,025	100.00%

There has been no material changes in the objectives, policies, and processes employed by the Group for managing its own funds. There have been no distributions made to the shareholders of Group and Bestpark during the year.

E.2 SOLVENCY REQUIREMENT AND MINIMUM CAPITAL REQUIREMENTS

As at 31st December 2019 the SCR and MCR requirements of Group and Bestpark were as follows:

Group	2019		2018	
	£000	Own Fund Cover	£000	Own Fund Cover
SCR	2,671	4.36	4,151	2.85
MCR	3,187	3.66	3,288	3.59

Bestpark	2019		2018	
	£000	Own Fund Cover	£000	Own Fund Cover
SCR	2,802	4.24	4,508	2.67
MCR	3,187	3.73	3,288	3.59

There has been no non-compliance with SCR or MCR during the course of the period in either Group or Bestpark. The decrease in Bestpark's SCR in the year relates to the reduction in the intercompany balances and the reduction in the mix of own funds in foreign currencies.

As at 31 December 2019, the SCR of Group and Bestpark is made up as follows:

Risk Category	Sub Risk Category	Group £000	Group £000	Bestpark £000	Bestpark £000
Market	Currency	256		256	
	Interest rate	15		15	
	Equity	294		294	
	Spread	253		260	
	Concentration	1,982		2,130	
	Diversification	(719)		(731)	
Total Market Risk			2,081		2,224
Counterparty	Type 1	299		299	
	Type 2	440		440	
	Diversification	(46)		(46)	
Total Counterparty Risk			693		693
Health Underwriting Risk			-		-
Non-Life Underwriting Risk			570		570
Operational Risk			55		55
Diversification			(728)		(740)
TOTAL SCR			2,671		2,802

As at 31 December 2018, the SCR of Group and Bestpark were made up as follows:

Risk Category	Sub Risk Category	Group £000	Group £000	Bestpark £000	Bestpark £000
Market	Currency	1,853		1,853	
	Interest rate	23		14	
	Equity	193		-	
	Spread	313		141	
	Concentration	2,844		3,377	
	Diversification	(1,728)		(1,512)	
Total Market Risk			3,498		3,873
Counterparty	Type 1	346		345	
	Type 2	457		457	
	Diversification	(51)		(51)	
Total Counterparty Risk			752		751
Health Underwriting Risk			-		-
Non-Life Underwriting Risk			766		766
Operational Risk			74		74
Diversification			(939)		(956)
TOTAL SCR			4,151		4,508

SCR figures have been calculated using the standard formula with no simplified calculations being used.

The MCR of Bestpark is the absolute floor value of Euro 3.7m at the GBP/Euro exchange rate as at 31st October 2019 which was 0.86135 as published by the PRA (2018: 0.88873). This conversion gives an MCR of £3.187m as at 31st December 2019 (2018: £3.288m). The absolute floor value is applicable as it exceeds 45% of Bestpark's SCR.

E.3 USE OF THE DURATION- BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

The Group and Bestpark have not used the duration-based equity risk sub-module.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

The Group and Bestpark use the standard formula.

**GROUP
SOLVENCY AND FINANCIAL
CONDITION REPORT
AS AT
31st DECEMBER 2019**

APPENDIX 1

**ASHBROOKE FINANCIAL GROUP LIMITED –
AUDITED FINANCIAL STATEMENTS FOR THE
YEAR TO 31 DECEMBER 2019**

ASHBROOKE FINANCIAL GROUP LIMITED

Company registration number: 09678901

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

CONTENTS	Page
Company Information	1
Group Strategic Report	2 - 3
Directors' Report	4
Directors Responsibilities Statement	5
Independent Auditor's Report	6 - 11
Consolidated Statement of Comprehensive Income	12
Consolidated Balance Sheet	13
Company Balance Sheet	14
Consolidated and Company Statement of Changes in Equity	15
Consolidated Statement of Cash Flows	16
Notes to the Financial Statements	17 - 37

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 2019

The directors present their Strategic Report for the year ended 31 December 2019.

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 pre tax loss for the year was £(0.1)m (2018: Profit £1.4m) and the loss after taxation was £(0.1)m (2018: Profit £1.4m).

On 19 December 2019, the Company's subsidiary, BIL, signed sale and purchase agreements with a third party for the acquisition of two insurance companies which are in solvent run off. Completion of the acquisitions was subject, inter alia, to regulatory consent for the change in control which was received on 27 April 2020 and completion of the two acquisitions occurred on 21 May 2020.

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 decreased to £11.9m at 31 December 2019 (2018: £12.0m) under FRS102. 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 small 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.

ASHBROOKE FINANCIAL GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The outbreak of COVID-19 has resulted in a pandemic causing significant disruption across the globe. The impact on society is reflected in business closure, restrictions on movement, home working and cancellations of sporting and other events. This is expected to lead to an economic downturn.

The recent volatility in financial markets and the impact on asset and liability values is being monitored by management and has currently been assessed as resulting in no exposure to potential claims arising from COVID-19 and no material impact on solvency capital of the Group or any of its subsidiaries. As a result of the low levels of active claims, the Group and its subsidiaries remain in a robust position and the directors expect solvency to be maintained above requirements under current laws and regulations. The impact of COVID-19 is continuing to evolve at a fast pace but we do not expect there to be any material financial impact on the Group at the time of writing.

Financial risk management

The Group is exposed to financial risk through its financial assets, liabilities, reinsurance assets and policyholder liabilities. The 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 applied by the Company

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 net adverse 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 applied by the Group.

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. However, given that BIL is in very late stage run off, the insurance risk is very low.

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

Steven Gowland
Director



Steven Gowland (Jun 8, 2020 14:42 GMT+1)

8 June 2020

ASHBROOKE FINANCIAL GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Incorporation and principal activities

Ashbrooke Financial Group Limited was incorporated on 9 July 2015 and commenced trading on 19 February 2016. The principal activities of 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 of insurance operations and management consulting to the international reinsurance market.

Dividends

The directors do not recommend the payment of a dividend in the year (2018: £nil).

Directors

The directors who served during the year were:

Steven Gowland
Andrew Morpeth

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, BIL, particularly those in relation to liability and financial institutions business. These could vary materially from the amounts currently estimated and exceed the financial resources of the Group. However, the 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. Financial risk management and future developments are covered within the Strategic Report. The directors have considered possible outcomes for COVID-19 and do not consider that there will be any material impact on the Company

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.

Brexit

The directors have considered possible outcomes for Brexit and do not consider that there will be any material impact on the Company in any of the possible scenarios.

Matters covered in the Strategic Report

As permitted in paragraph 1A of Schedule 7 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 2 and 3. These matters relate to the financial risk management disclosures and likely future business development.

ASHBROOKE FINANCIAL GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting 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:



Steve Gowland { Jun 8, 2020 14:42 GMT+1 }

Steven Gowland
Director

8 June 2020

ASHBROOKE FINANCIAL GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHBROOKE FINANCIAL GROUP LIMITED FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 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 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

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 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.

ASHBROOKE FINANCIAL GROUP LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHBROOKE FINANCIAL GROUP LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 and associated disclosures (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. The provision for gross claims outstanding was £1,838k (2018: £2,461k).</p> <p>The group's underwriting subsidiary operated as an insurance company underwriting direct and reinsurance risks in the London market, and ceased to accept new business in November 2002. Since 2002 the principal activity of the group has been administration of existing business in force and settlement of outstanding claims.</p> <p>As the underwriting subsidiary continues to run-off, the outstanding case reserves (claims incurred and reported but not settled) represent the predominate proportion of the overall provision for claims outstanding. The provision for gross claims outstanding (reported and provision for claims handling cost) was £1,604k (2018: £2,003k) with claims incurred but not reported of £234k (2018: £458k).</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. 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 outstanding reported claims to ascertain the appropriateness of the booked reserves, including specific case reserves and reserve movements; • We assessed the continued appropriateness of prior year reserve movements through assessment of current year development and communications with claims handlers regarding reserves which have moved but have not been fully settled; • We involved our actuarial specialists in assessing the underwriting subsidiary's estimate of claims provisions at the balance sheet date, including the appropriateness of settlement patterns compared to market benchmarks; • 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; and • We reviewed the disclosures in the financial statements in respect of technical provisions. <p>Key observations:</p> <p>We found the technical claims provisions established by the group to be reasonable.</p> <p>Disclosures pertaining to technical claims provisions are clear that there is uncertainty surrounding the ultimate cost of insurance claims and that they are subject to litigation in a variety of jurisdictions.</p>

ASHBROOKE FINANCIAL GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHBROOKE FINANCIAL GROUP LIMITED FOR THE YEAR ENDED 31 DECEMBER 2019

	Management has included specific disclosure regarding certain long running proceedings within Note 17. We found the disclosures in respect of technical provisions to be acceptable.
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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.

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

Overall materiality	Our overall materiality was £480,000 for the group, and £800 for the parent company
How we determined it	4% of consolidated net assets for the group, and 4% of parent company net assets
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. Performance materiality of £360,000 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, including extent to which the audit was considered capable of detecting irregularities, including fraud.

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our 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 group and parent company, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

ASHBROOKE FINANCIAL GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHBROOKE FINANCIAL GROUP LIMITED FOR THE YEAR ENDED 31 DECEMBER 2019

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements.

In identifying and assessing risks of material misstatement in respect to irregularities including non-compliance with laws and regulations, our procedures included but were not limited to:

- at planning stage, we gained an understanding of the legal and regulatory framework applicable to the group and parent company, the industry in which it operates and considered the risk of acts by the group which were contrary to the applicable laws and regulations;
- we discussed with the directors the policies and procedures in place regarding compliance with laws and regulations;
- we discussed amongst the engagement team the identified laws and regulations, and remained alert to any indications of non-compliance; and
- during the audit, we focused on areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussions with the directors (as required by auditing standards), from inspection of the group's and parent company's regulatory and legal correspondence and review of minutes of directors' meetings in the year. We identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory requirements of the Prudential Regulatory Authority and the Financial Conduct Authority. We also considered those other laws and regulations that have a direct impact on the preparation of financial statements, such as the Companies Act 2006.

Our procedures in relation to fraud included but were not limited to:

- inquiries of management whether they have knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risk related to fraud;
- discussion amongst the engagement team regarding risk of fraud such as opportunities for fraudulent manipulation of financial statements, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the provisions for the settlement of future claims, and significant one-off or unusual transactions; and
- addressing the risk of fraud through management override of controls by performing journal entry testing.

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 remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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 fraud, are discussed under "Key audit matters" within this report.

Our group audit scope included an audit of the group and parent company 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 group 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.

ASHBROOKE FINANCIAL GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHBROOKE FINANCIAL GROUP LIMITED FOR THE YEAR ENDED 31 DECEMBER 2019

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.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to

ASHBROOKE FINANCIAL GROUP LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHBROOKE FINANCIAL GROUP LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2019**

liquidate the group and the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

Following the recommendation of the Board of Directors, we were appointed by those charged with governance on 16 February 2017 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 December 2016 to 31 December 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the Board of Directors.

Use of the audit report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body for our audit work, for this report, or for the opinions we have formed.



Sam Porritt (Jun 8, 2020 14:53 GMT+1)

Sam Porritt (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London E1W 1DD

8 June 2020

ASHBROOKE FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	<u>2019</u>	<u>2018</u>
		<u>£'000</u>	<u>£'000</u>
TECHNICAL ACCOUNT - GENERAL BUSINESS			
Earned Premiums, net of reinsurance			
Gross premiums written	3	4	6
Outward reinsurance premiums	3	-	-
Change in the gross provision for unearned premiums		-	-
Change in the provision for unearned premiums, reinsurers' share		-	-
Allocated investment return transfer from the non - technical account	4	-	-
Total Technical income		<u>4</u>	<u>6</u>
Claims Incurred, Net Of Reinsurance			
Claims Paid			
Gross Amount		67	(495)
Reinsurers' share		14	27
Net claims paid		<u>81</u>	<u>(468)</u>
Change in Provision For claims			
Gross amount	17,19	566	1,568
Reinsurer's share	17,19	(19)	(227)
Net Change in Provision for Claims		<u>547</u>	<u>1,341</u>
Net operating expenses	5	(821)	(846)
Total Technical Charges		<u>(193)</u>	<u>27</u>
Balance on Technical Account		<u>(189)</u>	<u>33</u>
NON TECHNICAL ACCOUNT			
Balance on Technical Account – General Business		(189)	33
Investment Income	4	237	261
Investment Income Allocated to Technical Account		-	-
<i>Other Income</i>			
Amortisation of negative goodwill	11	-	865
Foreign Exchange (Losses)/Gains	8	(147)	236
Other Charges including Value Adjustments	11	(14)	(14)
Profit on Ordinary Activities Before Taxation		<u>(113)</u>	<u>1,381</u>
Income tax expense	10	-	-
Profit For The Financial Period		<u>(113)</u>	<u>1,381</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		<u>(113)</u>	<u>1,381</u>

The notes on pages 17 to 37 form an integral part of these financial statements.

ASHBROOKE FINANCIAL GROUP LIMITED

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

ASSETS	Note	2019	2018
Intangible Assets		£'000	£'000
Positive Goodwill	11	14	27
Negative Goodwill	11	-	-
		<u>14</u>	<u>27</u>
Investments	25	<u>600</u>	<u>450</u>
Reinsurers' share of technical provisions			
Provision for unearned premiums	17	-	-
Claims outstanding	17,19	48	68
		<u>48</u>	<u>68</u>
Debtors			
Debtors arising out of direct insurance operations	13	79	57
Debtors arising out of reinsurance operations	13	776	829
Other debtors	13	3,842	4,050
		<u>4,697</u>	<u>4,936</u>
Other assets			
Tangible Assets	12	5	5
Cash and cash equivalents	14	8,441	9,132
		<u>8,446</u>	<u>9,137</u>
Prepayments and accrued income			
Other prepayments and accrued income		-	-
		<u>-</u>	<u>-</u>
TOTAL ASSETS		<u>13,804</u>	<u>14,618</u>
LIABILITIES			
Capital and reserves			
Called up share capital	16	20	20
Profit and loss account		11,832	11,945
Total shareholders' funds		<u>11,852</u>	<u>11,965</u>
Technical provisions			
Provision for unearned premiums	17	-	-
Claims outstanding	17,19	1,838	2,461
		<u>1,838</u>	<u>2,461</u>
Creditors			
Creditors arising out of direct insurance operations		-	22
Creditors arising out of reinsurance operations		6	11
Other creditors		-	-
		<u>6</u>	<u>33</u>
Accruals and deferred income		<u>109</u>	<u>159</u>
TOTAL OF LIABILITIES AND SHAREHOLDERS' EQUITY		<u>13,804</u>	<u>14,618</u>

The financial statements were approved by the board of directors on 8 June 2020 and were signed on its behalf by:

Andrew Morpeth
Andrew Morpeth (Jun 8, 2020 14:57 GMT+1)

Andrew Morpeth
Director

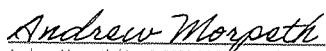
The notes on pages 17 to 37 form an integral part of these financial statements.

ASHBROOKE FINANCIAL GROUP LIMITED

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2019

ASSETS	Note	2019 £'000	2018 £'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	<u>20</u>	<u>20</u>
Profit and loss account		<u>-</u>	<u>-</u>
Total shareholders' funds		<u><u>20</u></u>	<u><u>20</u></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 8 June 2020 and were signed on its behalf by:


Andrew Morpeth (Jun 8, 2020 14:57 GMT+1)

Andrew Morpeth
Director

Company Registration No 09678901

The notes on pages 17 to 37 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 2019**

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	-	11,945	11,945
Other comprehensive income			
Total comprehensive income	<u>20</u>	<u>11,945</u>	<u>11,965</u>
At 31 December 2018	20	11,945	11,965
Loss for the year	-	(113)	(113)
Other comprehensive income	-	-	-
Total comprehensive income	<u>-</u>	<u>(113)</u>	<u>(113)</u>
At 31 December 2019	<u><u>20</u></u>	<u><u>11,832</u></u>	<u><u>11,852</u></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 2018	20	-	20
Profit for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2019	<u><u>20</u></u>	<u><u>-</u></u>	<u><u>20</u></u>

Reserves

Profit and loss account

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

The notes on pages 17 to 37 form an integral part of these financial statements.

ASHBROOKE FINANCIAL GROUP LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019	2018
	£'000	£'000
Net cash from operating activities		
(Loss)/Profit on Ordinary Activities Before Taxation	(113)	1,381
Interest receivable	(237)	(261)
Goodwill Adjustment	11	(851)
Depreciation	2	5
Unrealised Foreign Exchange (gains)/losses	147	(236)
<i>Adjustments to Reconcile Cash Flows Used in Operating Activities</i>		
Reinsurers share of Technical Account	17,19	19
Debtors Arising From Direct Insurance Activities	13	(17)
Debtors Arising From Reinsurance Activities	13	53
Other Debtors		209
Technical Provisions	17,19	(623)
Creditors Arising From Direct Insurance Activities		(27)
Creditors Arising From Reinsurance Activities		(5)
Other Creditors		(51)
Taxation paid		-
Net cash absorbed by operating activities	(629)	(1,738)
Cash flow from investing activities		
Purchase of Tangible Assets	(1)	(2)
Purchase of Investments	(150)	-
Interest received	237	261
Net cash from investing activities	86	259
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)	(543)	(1,479)
Unrealised Foreign Exchange gains/(losses)	(147)	236
Net decrease in cash at bank and in hand	(691)	(1,243)
Cash and cash equivalents at the beginning of the year	9,132	10,375
Cash and cash equivalents at the end of the year	8,441	9,132

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

The notes on pages 17 to 37 form an integral part of these financial statements.

ASHBROOKE FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 (2018: £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 2019

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. The directors have considered possible outcomes for Brexit and do not consider that there will be any material impact on the Company in any of the possible scenarios. The directors have considered possible outcomes for COVID-19 and do not consider that there will be any material impact on the Company.

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 2019

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 Group holds non-convertible preference shares recognised as a non-derivative financial instruments that is the equity of the issuer, which is measured at cost less impairment as it is not publicly traded and fair value cannot otherwise be measured reliably. There has been £nil impairment in 2019 (2018:nil). See disclosure in Note 25.

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 2019

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

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 claims provisions are estimated based upon contractual agreements at the reporting date. 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 Company'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 2019

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 2019 in the percentages set out in note 11.

ASHBROOKE FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 £'000	Gross earned premiums 2019 £'000	Gross claims incurred 2019 £'000	Reinsurance balance 2019 £'000
Direct insurance	-	-	605	(5)
Reinsurance	4	4	27	-
	<u>4</u>	<u>4</u>	<u>632</u>	<u>(5)</u>

By class of business-
Direct insurance:

Accident & health	-	-	-	-
Marine, aviation and transport	-	-	-	-
Fire and other damage to property	-	-	-	-
Third party liability	-	-	467	31
Miscellaneous & pecuniary loss	-	-	139	(36)
	<u>-</u>	<u>-</u>	<u>605</u>	<u>(5)</u>

	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>

The reinsurance gross written premium received in the year relates to historical premium withheld in error by brokers. Gross administrative costs of £875k relate to direct insurance (2018: £863k).

ASHBROOKE FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4 INVESTMENT INCOME

	2019	2018 £'000
Income from cash at bank	62	58
Income from loans (note 18)	175	203
	<u>237</u>	<u>261</u>

5 NET OPERATING EXPENSES

	2019 £'000	2018 £'000
Administrative expenses	875	863
Release of irrecoverable debtors and creditors	(54)	(17)
	<u>821</u>	<u>846</u>

6 INVESTMENT EXPENSES AND CHARGES

	2019 £'000	2018 £'000
Investment management expenses	<u>-</u>	<u>-</u>

7 EMPLOYEES AND DIRECTORS' REMUNERATION

Staff Costs for the period were as follows:

	2019 £'000	2018 £'000
Wages and Salaries	481	471
Social Security Costs	56	55
Other Pension Costs	71	65
	<u>608</u>	<u>591</u>

The total average number of employees, including directors, in the period was 6 (2018: 6).

The remuneration of the Directors was as follows:

	2019 £'000	2018 £'000
Wages and Salaries	200	200
Fees	35	40
Defined contribution pension payments	43	41
	<u>278</u>	<u>281</u>

The remuneration of the highest paid director included wages and salaries of £100K (2018: £100k) and defined contribution pension payments of £40K (2018: £39.5K).

ASHBROOKE FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

8 OTHER INCOME AND EXPENSES

	2019	2018
	£'000	£'000
Foreign Exchange (loss)/profit	(147)	236

9 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2019	2018
	£'000	£'000
(Loss)/Profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration		
- fees payable for the audit of the company financial statements	5	5
- fees payable for the audit of the subsidiaries' financial statements	26	26
- fees payable for audit related assurance services	2	2
	33	33

10 TAXATION

Analysis of profit or loss charge	2019	2018
	£'000	£'000
Current tax on loss/profit on ordinary activities	-	-

Factors affecting current tax charge

(Loss)/Profit on ordinary activities before tax	(113)	1,381
UK corporation tax at 19% (2018: 19%)	(21)	262
Adjustments for items not chargeable to Corporation Tax		
Tax losses utilised/Increased	21	(262)
Total tax on profit on ordinary activities	-	-

The Group has unutilised tax losses of approximately £0.5m as at 31 December 2019 (2018: £0.4m). 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.

ASHBROOKE FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

11 GOODWILL

	Negative Goodwill	Goodwill	Total
	£'000	£'000	£'000
Cost			
At 1 January 2019	(5,764)	68	(5,696)
As at 31 December 2019	<u>(5,764)</u>	<u>68</u>	<u>(5,696)</u>
Accumulated (amortisation)/release			
At 1 January 2019	5,764	(41)	5,723
Amortisation charge for the period	-	(13)	(13)
As at 31 December 2019	<u>5,764</u>	<u>(54)</u>	<u>5,710</u>
<i>Carrying amount at 31 December 2019</i>	<u>-</u>	<u>14</u>	<u>14</u>

	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 2018	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>

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' assessed the timetable for the run off of BIL and spread the release of negative goodwill over the three year period to 31 December 2018.

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 2019

12 TANGIBLE ASSETS AND INVESTMENTS

Tangible Assets

	<i>Computer equipment</i> £'000	<i>Furniture and fittings</i> £'000	<i>Total</i> £'000
Cost			
As at 1 January 2019	11	7	18
Additions	-	1	1
As at 31 December 2019	<u>11</u>	<u>8</u>	<u>19</u>
Depreciation			
As at 1 January 2019	(10)	(3)	(13)
Additions	(1)	(1)	(2)
As at 31 December 2019	<u>(11)</u>	<u>(4)</u>	<u>(15)</u>
Carrying amount at 31 December 2019	<u>-</u>	<u>4</u>	<u>4</u>
Carrying amount at 31 December 2018	<u>1</u>	<u>4</u>	<u>5</u>

13 DEBTORS

	Group 2019 £'000	Company 2019 £'000
<i>Amounts due within one year</i>		
Debtors arising out of direct insurance operations	79	-
Debtors arising out of reinsurance operations	776	-
Loan notes	2,517	-
Other Debtors	90	-
	<u>3,462</u>	<u>-</u>
<i>Amounts due after year</i>		
Debtors arising out of direct insurance operations	-	-
Debtors arising out of reinsurance operations	-	-
Loan notes	1,235	-
Other Debtors	-	-
	<u>1,235</u>	<u>-</u>

ASHBROOKE FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

13 DEBTORS (CONTINUED)

	Group 2018 £'000	Company 2018 £'000
<i>Amounts due within one year</i>		
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>
<i>Amounts due after one year</i>		
Debtors arising out of direct insurance operations	-	-
Debtors arising out of reinsurance operations	-	-
Loan notes	-	-
Other Debtors	-	-
	<u>-</u>	<u>-</u>

Two loan notes were issued in November 2017 to a related party, as further described in Note 24: these consisted of a secured loan of £1,335k (2018: £1,485k), interest bearing at 7% (2018: 10%) and repayable over the course of five years which remains outstanding as at the year-end; and an unsecured loan of £2,300k (2018: £2,300k), interest bearing at 2.5% and repayable on demand which was repaid in March 2019. In March 2019 a loan note was issued to a connected party further described in Note 24 and as at the end of the year the amount owed was £2,417k (2018: £Nil) – this loan is on demand and bears interest at 2.5% per annum. Accrued interest balances for the loan notes were £Nil at year end (2018: £167k).

Debtors arising out of reinsurance operations includes deposits with ceding undertakings of £356k (2018: £378k).

14 CASH AT BANK AND CASH EQUIVALENTS

	Group 2019 £'000	Company 2019 £'000
Cash at bank and in hand	3,439	-
Cash Equivalents	5,002	-
	<u>8,441</u>	<u>-</u>
	Group 2018 £'000	Company 2018 £'000
Cash at bank and in hand	3,887	-
Cash Equivalents	5,245	-
	<u>9,132</u>	<u>-</u>

Cash equivalents comprise £5.0m of short term liquidity funds (2018: £5.3m).

ASHBROOKE FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

15 Investments in subsidiary undertakings

Company	£'000
Investments in subsidiary undertakings	
Cost as at 1 January 2019	211
Net book value at 31 December 2019	211

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. On 19 December 2019, the Company's subsidiary, BIL, signed sale and purchase agreements with a third party for the acquisition of two insurance companies which are in solvent run off. Completion of the acquisitions is subject, inter alia, to regulatory consent for the change in control.

16 SHARE CAPITAL

	2019 £'000	2018 £'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 2019

17 ANALYSIS OF UNEARNED PREMIUMS PROVISION AND CLAIMS OUTSTANDING

	Provision for unearned premiums		Claims Outstanding		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Gross amount						
At 1 January	-	-	2,461	4,061	2,461	4,061
Exchange difference	-	-	(57)	18	(57)	18
Change in the provisions	-	-	(566)	(1,618)	(566)	(1,618)
At 31 December	-	-	1,838	2,461	1,838	2,461
Reinsurance amount						
At 1 January	-	-	(68)	(485)	(68)	(485)
Exchange difference	-	-	1	(1)	1	(1)
Change in the provisions	-	-	19	418	19	418
At 31 December	-	-	(48)	(68)	(48)	(68)
Net technical provisions						
At 1 January	-	-	2,393	3,576	2,393	3,576
Exchange difference	-	-	(56)	17	(56)	17
Change in the provisions	-	-	(547)	(1,200)	(547)	(1,200)
At 31 December	-	-	1,790	2,393	1,790	2,393

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 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. However, it should be noted that BIL is in very late stage run off (having entered run off in 2002) and as a result its outstanding liabilities are relatively small in terms of numbers of claims, their value and the limited number of active classes and so any volatility is minimal.

18 Amounts owed to group companies

	2019 £'000	2018 £'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.

ASHBROOKE FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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. There remains some uncertainty surrounding the ultimate cost of insurance claims to the Group. At 31 December 2019 reserves for claims outstanding were £1.8m (2018: £2.5m) and expected reinsurance recoveries totalled £0.1m (2018: £0.1m). 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.

ASHBROOKE FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

20 INSURANCE RISK MANAGEMENT (CONTINUED)

	Pre-tax Profit 2019 £'000	Shareholder Equity 2019 £'000	Pre-tax Profit 2018 £'000	Shareholder Equity 2018 £'000
5% increase in operating expenses				
Gross	(44)	(44)	(43)	(43)
Net	(44)	(44)	(43)	(43)
5% increase in claims value				
Gross	(5)	(5)	(7)	(7)
Net	(2)	(2)	(2)	(2)

Claims outstanding are claims incurred but not settled, which includes claims incurred but not yet reported of £0.2m (2018: £0.4m).

There remains uncertainty surrounding the ultimate cost of insurance claims to the Group. At 31 December 2019 reserves for claims outstanding were £1.8m (2018: £2.5m) and expected reinsurance recoveries totalled £0.1m (2018: £0.1m).

The Group has 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 6 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
2019	627

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.

ASHBROOKE FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

20 INSURANCE RISK MANAGEMENT (CONTINUED)

Concentration of insurance risk by geographical location:

	Gross		Reinsurance		Net	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
UK	677	737	(31)	-	646	737
Europe	969	1,521	(10)	(50)	959	1,471
Other	192	203	(7)	(18)	185	185
Total	1,838	2,461	(48)	(68)	1,790	2,393

Concentration of insurance risk by class of business:

	Gross		Reinsurance		Net	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Accident & health	-	-	-	-	-	-
Marine, aviation and transport	-	-	-	-	-	-
Fire and other damage to property	4	5	(2)	(4)	2	1
Third party liability	1,118	1,424	(35)	(3)	1,083	1,421
Miscellaneous & pecuniary loss	226	436	(11)	(61)	215	375
Treaty	490	596	-	-	490	596
Total	1,838	2,461	(48)	(68)	1,790	2,393

21 FINANCIAL INSTRUMENTS

Category of financial instruments

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

	2019 £'000	2018 £'000
Financial assets		
<i>Measured at amortised cost</i>		
- Deposits with ceding undertakings	356	378
- Cash at bank and in hand	8,441	9,132
- Investments	600	450
<i>Measured at undiscounted amount receivable</i>		
- Debtors arising out of direct insurance operations	79	57
- Debtors arising out of reinsurance operations	420	451
- Other debtors	90	99
- Loan notes	3,752	3,951
- Reinsurers share of technical income	48	68
Total financial assets	13,786	14,586

ASHBROOKE FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

21 FINANCIAL INSTRUMENTS (CONTINUED)

Measured at undiscounted amount payable

- Creditors arising out of direct insurance operations	-	22
- Creditors arising out of reinsurance operations	6	11
- Other creditors	108	160
Total financial liabilities	114	193

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

These risks are considered in more detail in the Strategic Report on Page 3

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 2019 £'000	A 2019 £'000	Not rated 2019 £'000	Carrying amount 2019 £'000
Reinsurer's share of technical provisions	34	14	-	48
Debtors arising out of direct insurance operations	-	-	79	79
Debtors arising out of reinsurance operations	5	292	123	420
Deposits with Ceding Undertakings	141	210	5	356
Loan Notes	-	-	3,752	3,752
Other Debtors	-	-	89	89
Cash at bank and in hand	-	8,441	-	8,441
Investments	-	-	600	600
	180	8,957	8,648	13,786

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

	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
	165	9,739	4,682	14,586

ASHBROOKE FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2019	Past due less than 30 days 2019	Past due 31 to 60 days 2019	Past due 61 to 90 days 2019	Past due more than 90 days 2019	Past due and impaired 2019	Carrying amount 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reinsurer's share of technical provisions	48	-	-	-	-	-	48
Debtors arising out of direct insurance operations	-	-	12	67	-	-	79
Debtors arising out of reinsurance operations	34	1	385	-	-	-	420
Deposits with Ceding Undertakings	-	-	-	-	356	-	356
Loan notes	3,752	-	-	-	-	-	3,752
Other debtors	89	-	-	-	-	-	89
Cash at bank and in hand	8,441	-	-	-	-	-	8,441
Investments	600	-	-	-	-	-	600
	12,964	1	397	67	356	-	13,786

	Neither past due nor impaired 2018	Past due less than 30 days 2018	Past due 31 to 60 days 2018	Past due 61 to 90 days 2018	Past due more than 90 days 2018	Past due and impaired 2018	Carrying amount 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'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
	13,975	-	192	41	378	-	14,586

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.

ASHBROOKE FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019</i>	<i>3 months to 1 year 2019</i>	<i>1 - 5 years 2019</i>	<i>5+ years 2019</i>	<i>Total 2019</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Claims outstanding	30	760	1,048	-	1,838
Creditors arising out of direct insurance operations	-	-	-	-	-
Creditors arising out of reinsurance operations	6	-	-	-	6
Other creditors	108	-	-	-	108
	<u>144</u>	<u>760</u>	<u>1,048</u>	<u>-</u>	<u>1,952</u>

	<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>

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 loss in the period (2018: gain).

At 31 December 2019, the Group held approximately £0.5m (2018: £3.5m) in US denominated assets, £0.1m (2018: £4.8m) in Euro denominated assets and £0.7m (2018: £0.8m) in Swedish Kroner denominated assets in excess of the estimated liabilities in these currencies. As at 31 December 2019, 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 £0.2m and £0.2m (2018: £0.9m, £0.75m) 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.

ASHBROOKE FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 £11.9m (2018: £12.0m) at 31 December 2019 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 £1.34m (2018: £4.0m) to Tunestore Digital Limited, a holding company that is under the same common control as the ultimate controlling party of the Company. The secured loan of £1.34m (2018: £1.48m) is interest bearing at 7% per annum and is repayable over a five year period. The Group also has a loan to a director for the sum of £2.4m (2018: £Nil) which is interest bearing at the rate of 2.5% and repayable on demand and is expected to be repaid during the course of 2020.

The Group holds £0.6m (2018: £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 Group provided a loan to c-burn Systems Limited, a wholly owned subsidiary of Tunestore Digital Limited. The amount outstanding at the year-end was £73k (2018: £82k) 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.

25 INVESTMENTS

The Group had the following non derivative investments as at 31 December 2019.

	<i>Preference Shares £'000</i>	<i>Total Investments £'000</i>
As at 1 January 2019	450	450
Additions at Cost	150	150
Impairment Adjustments	-	-
Carrying amount at 31 December 2019	<u>600</u>	<u>600</u>
Carrying amount at 31 December 2018	<u>450</u>	<u>450</u>

The preference shares are not listed and are held at cost less impairment.

ASHBROOKE FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

26 POST BALANCE SHEET EVENTS

The outbreak of COVID-19 has resulted in a pandemic causing significant disruption across the globe. The impact on society is reflected in business closure, restrictions on movement, home working and cancellations of sporting and other events. This is expected to lead to an economic downturn.

The recent volatility in financial markets and the impact on asset and liability values is being monitored by management and has currently been assessed as resulting in no exposure to potential claims arising from COVID-19 and no material impact on solvency capital of the Company or its subsidiaries. As a result of the low levels of active claims, the Company and Group remain in a robust position and we expect solvency to be maintained above requirements under current laws and regulations. The impact of COVID-19 is continuing to evolve at a fast pace but we do not expect there to be any material financial impact on the Company or the Group at the time of writing. COVID19 has been classified as a non-adjusting event for accounting purposes.

On 19 December 2019, the Group signed sale and purchase agreements with a third party for the acquisition of two insurance companies which are in solvent run off. Completion of the acquisitions was subject, inter alia, to regulatory consent for the change in control which was received on 27 April 2020 and completion of the two acquisitions occurred on 21 May 2020. The net effect of the completion of these two transactions is an increase in net asset value of approximately £0.8m.

There have been no other post balance sheet events.

27 CONTROLLING PARTY

Ashbrooke Financial Group Limited was the parent undertaking of the smallest and largest group of undertakings at 31 December 2019. The controlling party of the Company is Mr S Gowland.

**GROUP
SOLVENCY AND FINANCIAL
CONDITION REPORT
AS AT
31st DECEMBER 2019**

**APPENDIX 2
QUANTITATIVE REPORTING
TEMPLATES -
GROUP**

Assets

0 Intangible assets	
0 Deferred tax assets	
0 Pension benefit surplus	
0 Property, plant & equipment held for own use	
0 Investments (other than assets held for index-linked and unit-linked contracts)	
0 Property (other than for own use)	
0 Holdings in related undertakings, including participations	
1 Equities	
1 Equities - listed	
1 Equities - unlisted	
1 Bonds	
1 Government Bonds	
1 Corporate Bonds	
1 Structured notes	
1 Collateralised securities	
1 Collective Investments Undertakings	
1 Derivatives	
2 Deposits other than cash equivalents	
2 Other investments	
2 Assets held for index-linked and unit-linked contracts	
2 Loans and mortgages	
2 Loans on policies	
2 Loans and mortgages to individuals	
2 Other loans and mortgages	
2 Reinsurance recoverables from:	
2 Non-life and health similar to non-life	
2 Non-life excluding health	
3 Health similar to non-life	
f Life and health similar to life, excluding health and index-linked and unit-linked	
3 Health similar to life	
3 Life excluding health and index-linked and unit-linked	
3 Life index-linked and unit-linked	
3 Deposits to cedants	
3 Insurance and intermediaries receivables	
3 Reinsurance receivables	
3 Receivables (trade, not insurance)	
3 Own shares (held directly)	
4 Amounts due in respect of own fund items or initial fund called up but not yet paid in	
4 Cash and cash equivalents	
4 Any other assets, not elsewhere shown	
5 Total assets	

Liabilities

5 Technical provisions – non-life	
5 Technical provisions – non-life (excluding health)	
5 TP calculated as a whole	
5 Best Estimate	
5 Risk margin	
5 Technical provisions - health (similar to non-life)	
5 TP calculated as a whole	
5 Best Estimate	
5 Risk margin	
6 Technical provisions - life (excluding index-linked and unit-linked)	
6 Technical provisions - health (similar to life)	
6 TP calculated as a whole	
6 Best Estimate	
6 Risk margin	
6 Technical provisions – life (excluding health and index-linked and unit-linked)	
6 TP calculated as a whole	
6 Best Estimate	
6 Risk margin	
6 Technical provisions – index-linked and unit-linked	
7 TP calculated as a whole	
7 Best Estimate	
7 Risk margin	
7 Contingent liabilities	
7 Provisions other than technical provisions	
7 Pension benefit obligations	
7 Deposits from reinsurers	
7 Deferred tax liabilities	
7 Derivatives	
8 Debts owed to credit institutions	
8 Financial liabilities other than debts owed to credit institutions	
8 Insurance & intermediaries payables	
8 Reinsurance payables	
8 Payables (trade, not insurance)	
8 Subordinated liabilities	
8 Subordinated liabilities not in Basic Own Funds	
8 Subordinated liabilities in Basic Own Funds	
8 Any other liabilities, not elsewhere shown	
9 Total liabilities	
0 Excess of assets over liabilities	

Solvency II**value**

00010

0	
0	
0	
3	
4,352	
0	
0	
0	
600	
0	
600	
0	
0	
0	
0	
0	
0	
0	
3,752	
0	
0	
0	
0	
0	
48	
48	
48	
0	
0	
0	
0	
0	
356	
74	
420	
0	
0	
0	
8,441	
90	
13,784	

Solvency II**value**

00010

2,023	
2,023	
0	
1,840	
183	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
108	
-5	
6	
0	
0	
0	
0	
0	
2,132	
11,653	

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)				Line of Business for: accepted non-proportional reinsurance		Total
	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Miscellaneous financial loss	Casualty	Property	
	C0070	C0080	C0090	C0120	C0140	C0160	C0200
Premiums written							
1 Gross - Direct Business	0	0	0	0			0
1 Gross - Proportional reinsurance accepted	0	0	0	0			0
1 Gross - Non-proportional reinsurance accepted					0	0	0
1 Reinsurers' share	0	0	0	0	0	0	0
2 Net	0	0	0	0	0	0	0
Premiums earned							
2 Gross - Direct Business	0	0	0	0			0
2 Gross - Proportional reinsurance accepted	0	0	0	0			0
2 Gross - Non-proportional reinsurance accepted					0	0	0
2 Reinsurers' share	0	0	0	0	0	0	0
3 Net	0	0	0	0	0	0	0
Claims incurred							
3 Gross - Direct Business	-1	-425	-136	16			-545
3 Gross - Proportional reinsurance accepted	0	0	0	0			0
3 Gross - Non-proportional reinsurance accepted					78	-2	76
3 Reinsurers' share	0	0	0	0	0	0	0
4 Net	-1	-425	-136	16	78	-2	-469
Changes in other technical provisions							
4 Gross - Direct Business	0	0	0	0			0
4 Gross - Proportional reinsurance accepted	0	0	0	0			0
4 Gross - Non- proportional reinsurance accepted					0	0	0
4 Reinsurers'share	0	0	0	0	0	0	0
5 Net	0	0	0	0	0	0	0
5 Expenses incurred	0	879	0	0	0	0	879
2 Other expenses							8
3 Total expenses							887

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector					
R Ordinary share capital (gross of own shares)	20	20		0	
R Non-available called but not paid in ordinary share capital at group level	0	0		0	
R Share premium account related to ordinary share capital	0	0		0	
R Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
R Subordinated mutual member accounts	0		0	0	0
R Non-available subordinated mutual member accounts at group level	0		0	0	0
R Surplus funds	0	0			
R Non-available surplus funds at group level	0	0			
R Preference shares	0		0	0	0
R Non-available preference shares at group level	0		0	0	0
R Share premium account related to preference shares	0		0	0	0
R Non-available share premium account related to preference shares at group level	0		0	0	0
R Reconciliation reserve	11,633	11,633			
R Subordinated liabilities	0		0	0	0
R Non-available subordinated liabilities at group level	0		0	0	0
R An amount equal to the value of net deferred tax assets	0				0
R The amount equal to the value of net deferred tax assets not available at the group level	0				0
R Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R Non available own funds related to other own funds items approved by supervisory authority	0	0	0	0	0
R Minority interests (if not reported as part of a specific own fund item)	0	0	0	0	0
R Non-available minority interests at group level	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
Deductions					
R Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities whereof deducted according to art 228 of the Directive 2009/138/EC	0	0	0	0	0
R Deductions for participations where there is non-availability of information (Article 229)	0	0	0	0	0
R Deduction for participations included by using D&A when a combination of methods is used	0	0	0	0	0
R Total of non-available own fund items	0	0	0	0	0
R Total deductions	0	0	0	0	0
R Total basic own funds after deductions	11,653	11,653	0	0	0
Ancillary own funds					
R Unpaid and uncalled ordinary share capital callable on demand	0			0	
R Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	0			0	
R Unpaid and uncalled preference shares callable on demand	0			0	0
R A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R Non available ancillary own funds at group level	0			0	0
R Other ancillary own funds	0			0	0
R Total ancillary own funds	0			0	0
Own funds of other financial sectors					
R Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies – total	0	0	0	0	
R Institutions for occupational retirement provision	0	0	0	0	0
R Non regulated entities carrying out financial activities	0	0	0	0	
R Total own funds of other financial sectors	0	0	0	0	0
Own funds when using the D&A, exclusively or in combination of method 1					
R Own funds aggregated when using the D&A and combination of method	0	0	0	0	0
R Own funds aggregated when using the D&A and a combination of method net of IGT	0	0	0	0	0
Consolidated Group SCR					
R Minimum consolidated Group SCR	2,671				
R Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A)					
R Ratio of Eligible own funds to Minimum Consolidated Group SCR	4.3624				
R Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	11,653	11,653	0	0	0
R SCR for entities included with D&A method					
R Group SCR	2,671				
R Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	4.3624				
Reconciliation reserve					
R Excess of assets over liabilities	11,653				
R Own shares (held directly and indirectly)	0				
R Forseeable dividends, distributions and charges	0				
R Other basic own fund items	20				
R Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R Other non available own funds	0				
R Reconciliation reserve before deduction for participations	11,633				
Expected profits					
R Expected profits included in future premiums (EPIFP) - Life business	0				
R Expected profits included in future premiums (EPIFP) - Non- life business	0				
R Total Expected profits included in future premiums (EPIFP)	0				

	Gross solvency capital requirement
	C0110
Market risk	2,081
Counterparty default risk	693
Life underwriting risk	0
Health underwriting risk	0
Non-life underwriting risk	570
Diversification	-728
Intangible asset risk	0
Basic Solvency Capital Requirement	2,616
	C0100
Calculation of Solvency Capital Requirement	
Operational risk	55
Loss-absorbing capacity of technical provisions	0
Loss-absorbing capacity of deferred taxes	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
Solvency capital requirement excluding capital add-on	2,671
Capital add-on already set	0
Solvency capital requirement	2,671
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	0
Total amount of Notional Solvency Capital Requirements for remaining part	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
Diversification effects due to RFF nSCR aggregation for article 304	0
Minimum consolidated group solvency capital requirement	2,671
Information on other entities	
Capital requirement for other financial sectors (Non-insurance capital requirements)	0
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	0
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	0
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non-regulated entities carrying out financial activities	0
Capital requirement for non-controlled participation requirements	0
Capital requirement for residual undertakings	0
Overall SCR	
SCR for undertakings included via D and A	0
Solvency capital requirement	2,671

C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	Criteria of influence					Inclusion in the		Group solvency Method used and under method 1, treatment of the undertaking	
								% capital share	% used for the establishment of	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO		Date of decision if art. 214 is
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	213800H2RH83LXP17G35	LEI	Bestpark International Limited	2	Limited	2	Prudential Regulation Authority	100.0000	100.0000	100.0000		1	1.0000	1		1
GB	738073	SC	Ashbrooke Financial Group Limited	5	Limited	2	Prudential Regulation Authority					1		1		1
GB	6393937	SC	Ashbrooke Ventures Limited	99	Limited	2		100.0000	100.0000	100.0000		1	1.0000	1		1

**GROUP
SOLVENCY AND FINANCIAL
CONDITION REPORT
AS AT
31st DECEMBER 2019**

**APPENDIX 2
QUANTITATIVE REPORTING
TEMPLATES -
BESTPARK**

Assets

003	Intangible assets	
004	Deferred tax assets	
005	Pension benefit surplus	
006	Property, plant & equipment held for own use	
007	Investments (other than assets held for index-linked and unit-linked contracts)	
008	Property (other than for own use)	
009	Holdings in related undertakings, including participations	
010	Equities	
011	Equities - listed	
012	Equities - unlisted	
013	Bonds	
014	Government Bonds	
015	Corporate Bonds	
016	Structured notes	
017	Collateralised securities	
018	Collective Investments Undertakings	
019	Derivatives	
020	Deposits other than cash equivalents	
021	Other investments	
022	Assets held for index-linked and unit-linked contracts	
023	Loans and mortgages	
024	Loans on policies	
025	Loans and mortgages to individuals	
026	Other loans and mortgages	
027	Reinsurance recoverables from:	
028	Non-life and health similar to non-life	
029	Non-life excluding health	
030	Health similar to non-life	
031	Life and health similar to life, excluding health and index-linked and unit-linked	
032	Health similar to life	
033	Life excluding health and index-linked and unit-linked	
034	Life index-linked and unit-linked	
035	Deposits to cedants	
036	Insurance and intermediaries receivables	
037	Reinsurance receivables	
038	Receivables (trade, not insurance)	
039	Own shares (held directly)	
040	Amounts due in respect of own fund items or initial fund called up but not yet paid in	
041	Cash and cash equivalents	
042	Any other assets, not elsewhere shown	
050	Total assets	

Liabilities

051	Technical provisions – non-life	
052	Technical provisions – non-life (excluding health)	
053	TP calculated as a whole	
054	Best Estimate	
055	Risk margin	
056	Technical provisions - health (similar to non-life)	
057	TP calculated as a whole	
058	Best Estimate	
059	Risk margin	
060	Technical provisions - life (excluding index-linked and unit-linked)	
061	Technical provisions - health (similar to life)	
062	TP calculated as a whole	
063	Best Estimate	
064	Risk margin	
065	Technical provisions – life (excluding health and index-linked and unit-linked)	
066	TP calculated as a whole	
067	Best Estimate	
068	Risk margin	
069	Technical provisions – index-linked and unit-linked	
070	TP calculated as a whole	
071	Best Estimate	
072	Risk margin	
073	Contingent liabilities	
074	Provisions other than technical provisions	
075	Pension benefit obligations	
076	Deposits from reinsurers	
077	Deferred tax liabilities	
078	Derivatives	
079	Debts owed to credit institutions	
080	Financial liabilities other than debts owed to credit institutions	
081	Insurance & intermediaries payables	
082	Reinsurance payables	
083	Payables (trade, not insurance)	
084	Subordinated liabilities	
085	Subordinated liabilities not in Basic Own Funds	
086	Subordinated liabilities in Basic Own Funds	
087	Any other liabilities, not elsewhere shown	
090	Total liabilities	
100	Excess of assets over liabilities	

Solvency II value	
C0010	
0	
0	
0	
0	
4,590	
0	
0	
600	
0	
600	
0	
0	
0	
0	
0	
0	
0	
0	
3,990	
0	
0	
0	
0	
0	
48	
48	
48	
0	
0	
0	
0	
0	
356	
74	
420	
0	
0	
0	
8,428	
74	
13,989	
Solvency II value	
C0010	
2,023	
2,023	
0	
1,840	
183	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
91	
-5	
6	
0	
0	
0	
0	
0	
2,114	
11,875	

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)				Line of Business for: accepted non-proportional reinsurance		Total
	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Miscellaneous financial loss	Casualty	Property	
	C0070	C0080	C0090	C0120	C0140	C0160	C0200
Premiums written							
011 Gross - Direct Business	0	0	0	0			0
012 Gross - Proportional reinsurance accepted	0	0	0	0			0
013 Gross - Non-proportional reinsurance accepted					0	0	0
014 Reinsurers' share	0	0	0	0	0	0	0
020 Net	0	0	0	0	0	0	0
Premiums earned							
021 Gross - Direct Business	0	0	0	0			0
022 Gross - Proportional reinsurance accepted	0	0	0	0			0
023 Gross - Non-proportional reinsurance accepted					0	0	0
024 Reinsurers' share	0	0	0	0	0	0	0
030 Net	0	0	0	0	0	0	0
Claims incurred							
031 Gross - Direct Business	-1	-425	-136	16			-545
032 Gross - Proportional reinsurance accepted	0	0	0	0			0
033 Gross - Non-proportional reinsurance accepted					78	-2	76
034 Reinsurers' share	0	0	0	0	0	0	0
040 Net	-1	-425	-136	16	78	-2	-469
Changes in other technical provisions							
041 Gross - Direct Business	0	0	0	0			0
042 Gross - Proportional reinsurance accepted	0	0	0	0			0
043 Gross - Non-proportional reinsurance accepted					0	0	0
044 Reinsurers' share	0	0	0	0	0	0	0
050 Net	0	0	0	0	0	0	0
050 Expenses incurred	0	879	0	0	0	0	879
120 Other expenses							0
130 Total expenses							879

R0 **Technical provisions calculated as a whole**
R0 Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for
05 expected losses due to counterparty default associated to TP as a whole
Technical provisions calculated as a sum of BE and RM
Best estimate
Premium provisions
R0 Gross
R0 Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected
14 losses due to counterparty default
R0 Net Best Estimate of Premium Provisions
Claims provisions
R0 Gross
R0 Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected
24 losses due to counterparty default
R0 Net Best Estimate of Claims Provisions
R0 **Total Best estimate - gross**
R0 **Total Best estimate - net**
R0 **Risk margin**
Amount of the transitional on Technical Provisions
R0 Technical Provisions calculated as a whole
R0 Best estimate
R0 Risk margin
Technical provisions - total
R0 Technical provisions - total
R0 Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for
33 expected losses due to counterparty default - total
R0 Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

Direct business and accepted proportional reinsurance				Accepted non-proportional		Total Non-Life obligation
Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Miscellaneous financial loss	Non-proportional casualty reinsurance	Non-proportional property reinsurance	
C0080	C0090	C0100	C0130	C0150	C0170	C0180
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
33	1,158	507	10	59	72	1,840
2	35	4	4	0	4	48
31	1,123	503	6	59	69	1,792
33	1,158	507	10	59	72	1,840
31	1,123	503	6	59	69	1,792
3	115	51	1	6	7	183
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
36	1,273	558	11	65	79	2,023
2	35	4	4	0	4	48
34	1,238	555	7	65	76	1,975

Linear formula component for non-life insurance and reinsurance obligations

	C0010
KU0 10 MCRNL Result	233

Net (of reinsurance/SPV) best estimate and TP calculated as a whole Net (of reinsurance) written premiums in the last 12 months

	C0020	C0030
R00 Medical expenses insurance and proportional reinsurance	0	0
R00 Income protection insurance and proportional reinsurance	0	0
R00 Workers' compensation insurance and proportional reinsurance	0	0
R00 Motor vehicle liability insurance and proportional reinsurance	0	0
R00 Other motor insurance and proportional reinsurance	0	0
R00 Marine, aviation and transport insurance and proportional reinsurance	0	0
R00 Fire and other damage to property insurance and proportional reinsurance	31	0
R00 General liability insurance and proportional reinsurance	1,123	0
R01 Credit and suretyship insurance and proportional reinsurance	503	0
R01 Legal expenses insurance and proportional reinsurance	0	0
R01 Assistance and proportional reinsurance	0	0
R01 Miscellaneous financial loss insurance and proportional reinsurance	6	0
R01 Non-proportional health reinsurance	0	0
R01 Non-proportional casualty reinsurance	59	0
R01 Non-proportional marine, aviation and transport reinsurance	0	0
R01 Non-proportional property reinsurance	69	0

Linear formula component for life insurance and reinsurance obligations

	C0040
KU2 00 MCRL Result	0

Net (of reinsurance/SPV) best estimate and TP calculated as a whole Net (of reinsurance/SPV) total capital at risk

	C0050	C0060
R02 Obligations with profit participation - guaranteed benefits	0	0
R02 Obligations with profit participation - future discretionary benefits	0	0
R02 Index-linked and unit-linked insurance obligations	0	0
R02 Other life (re)insurance and health (re)insurance obligations	0	0
R02 Total capital at risk for all life (re)insurance obligations	0	0

Overall MCR calculation

	C0070
R03 Linear MCR	233
R03 SCR	2,802
R03 MCR cap	1,261
R03 MCR floor	701
R03 Combined MCR	701
R03 Absolute floor of the MCR	3,187

	C0070
R04 Minimum Capital Requirement	3,187

