

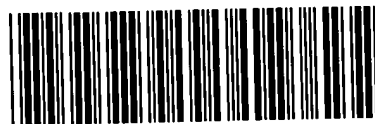
## **ASHBROOKE UNDERWRITING SERVICES LIMITED**

Company registration number: 01674675

### **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 DECEMBER 2020**

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## **ASHBROOKE UNDERWRITING SERVICES LIMITED**

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## **ASHBROOKE UNDERWRITING SERVICES LIMITED**

### **COMPANY INFORMATION**

#### **Directors**

Steven Gowland (appointed 21 May 2020)  
Andrew Morpeth (appointed 21 May 2020)  
Nadia Hoosen (resigned 21 May 2020)  
Jay Stewart (resigned 21 May 2020)  
Kathryn Thomas (resigned 21 May 2020)

#### **Company Secretary**

Jeremy Watt (appointed 21 May 2020)

#### **Registered Office**

8 Eagle Court  
London  
EC1M 5QD

#### **Independent Auditor**

LB Group Limited  
Number One  
Vicarage Lane  
London  
E15 4HF

## **ASHBROOKE UNDERWRITING SERVICES LIMITED**

### **STRATEGIC REPORT**

The directors present the audited annual report and financial statements of Ashbrooke Underwriting Services Limited ("the Company") for the period ended 31 December 2020.

#### **Principal Activity and Review of Business**

During the year ended 31 January 2009, the directors took the decision to cease to write all personal business lines and to cease to write commercial business lines in line with contract expiry. No new contracts have been written since February 2014 and the last of the Company's underwritten policies expired by 31 March 2016. The Company is in run-off and its principal activity is to manage its pre-existing claims to customers.

As at 31 December 2020 and throughout the period, the Company met the minimum capital funding requirements for non-Directive Insurance Firms. The company is not required to comply with Solvency II due to de-minimis limits, reflecting Article 4 ('Exclusion from scope due to size') of the Solvency II Directive.

The profit before taxation was £nil (2020: £16k) and the profit after taxation was £nil (2020: £12k).

#### **Restructuring and Sale**

On 19 December 2019, the previous owner of the Company, Automobile Association Developments Limited, signed a sale and purchase agreement for the sale of the Company to Bestpark International Limited as a going concern. This sale completed on 21 May 2020 following receipt of the requisite regulatory approvals.

As part of the sale and regulatory Change in Control process, the Company performed a series of restructuring steps which included the assignment of certain intercompany debts within the previous owners' group and a dividend distribution to the previous owner (Automobile Association Developments Limited) in the sum of £11.3m. The Regulatory Authorities approved the Change in Control application on 27 April 2020 following which the restructuring was effected immediately prior to completion which occurred on 21 May 2020.

Following completion, the accounting reference date was changed to 31 December to be co-terminus with its new owners' Group.

#### **Dividends**

A dividend of £11.3m was paid in accordance with the restructuring steps required as part of the Change in Control process which was approved on 27 April 2020 by the Regulatory Authorities (2019: £nil).

#### **Principal Risks and Uncertainties**

The Company is exposed to financial risk through its financial assets and liabilities, the most important components of which are: interest rate, currency, credit and liquidity risks. The Company does not use hedging or adopt hedge accounting for any type of transaction.

##### **Credit risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The area where the Company is exposed to significant credit risk is the reinsurer's share of technical liabilities. As primary insurer, the Company must discharge its liability even if a reinsurer fails to pay a claim. The Company has one treaty reinsurer, which is monitored on a regular basis to ensure its financial stability.

##### **Interest rate risk**

The Company's operations are not materially subject to the risk of interest rate fluctuations.

## **ASHBROOKE UNDERWRITING SERVICES LIMITED**

### **STRATEGIC REPORT**

#### **Liquidity Risk**

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

#### **Currency risks**

The Company is not exposed to foreign exchange risk.

#### **Insurance Risk**

Insurance risk is the risk that new claims may arise and that reserves on existing claims are inadequate. The Company seeks to mitigate this risk by regularly reviewing claim developments and carefully reviewing the adequacy of reserves including incurred but not reported ("IBNR") reserves. However, given that the Company is in late stage run off the insurance risk is very low.


#### **COVID-19**

The outbreak of COVID-19 in 2020 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 impact of COVID-19 is continuing to evolve at a fast pace and with the recent volatility in financial markets and the impact on asset and liability values, management continually monitor the situation and the likelihood of any impact on the Company.

The directors have considered possible outcomes for COVID-19 and at the time of writing, do not consider that there will be any material impact on the Company.

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

DocuSigned by:  
  
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Steven Gowland  
Director

31 March 2021

## **ASHBROOKE UNDERWRITING SERVICES LIMITED**

### **DIRECTORS' REPORT**

The directors present the audited annual report and financial statements of Ashbrooke Underwriting Services Limited ("the Company") for the period ended 31 December 2020.

The Company's registration number is **01674675**.

#### **Going Concern**

These financial statements have been prepared on a going concern basis.

The directors consider that the Company maintains an appropriate level of liquidity, sufficient to meet the demands of the business including any capital and servicing obligations of external debt liabilities.

In addition, the Company's assets are assessed for recoverability on a regular basis, and the directors consider that the Company is not exposed to losses on these assets which would affect their decision to adopt the going concern basis.

The directors have considered possible outcomes for COVID-19 and at the time of writing, do not consider that there will be any material impact on the Company.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties that lead to significant doubt upon the Company's ability to continue as a going concern. Thus the directors have continued to adopt the going concern basis of accounting in preparing these financial statements.

#### **Statement of Directors' Responsibilities**

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and applicable law) and FRS 103 *Insurance Contracts*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **ASHBROOKE UNDERWRITING SERVICES LIMITED**

### **DIRECTORS' REPORT**

#### **Directors**

The directors set out below held office during the course of the period:

Steven Gowland (appointed 21 May 2020)  
Andrew Morpeth (appointed 21 May 2020)  
Nadia Hoosen (resigned 21 May 2020)  
Jay Stewart (resigned 21 May 2020)  
Kathryn Thomas (resigned 21 May 2020)

#### **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.

#### **Statement as to Disclosure of Information to Auditor**

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

- so far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the period ended 31 December 2020 of which the auditor is unaware; and
- the director has taken all steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### **Auditor**

PwC LLP resigned as auditors following the change in control and sale and have been replaced by LB Group Limited.

This report was approved by the Board on and signed on its behalf by:

DocuSigned by:  
  
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Steven Gowland  
Director

31 March 2021

## **ASHBROOKE UNDERWRITING SERVICES LIMITED**

### **AUDITORS REPORT**

#### **Opinion**

We have audited the financial statements of Ashbrooke Underwriting Services Limited (the 'company') for the period ended 31 December 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including 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 company's affairs as at 31 December 2020 and of its profit for the period 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 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **Our approach to the audit**

**Audit Scope** – We scope the audit based on materiality, by financial statement line item. No scoping by location is required as there are no branches or other locations. As part of designing our audit we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where directors made judgements on a subjective basis for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls and the industry in which it operates.



## **ASHBROOKE UNDERWRITING SERVICES LIMITED**

### **AUDITORS REPORT**

#### **Key audit matters**

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

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

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

#### **Key audit matter**

2020 and post balance sheet date have been impacted by the continuing Covid-19 global pandemic resulting in significant economic disruption.

Management have ensured that the measurement of assets and liabilities reflects only the conditions that existed at the reporting date.

Management have concluded the company will maintain its solvency above requirements under current laws and regulations and the company continues to be a going concern. Although the situation continues to evolve at the time of signing, management do not expect there to be any material financial impact on the company.

#### **How our scope addressed this matter**

We assessed management's approach to the impact of Covid-19 on the company and the financial statements by performing the following procedures:

- obtained management's assessment on the continuing Covid-19 pandemic on going concern;
- We inspected the impact assessment provided to evaluate its consistency with our understanding of the operations of the company and the investment portfolio; and
- Examined the disclosures made by management in the financial statements and checked consistency of the disclosures with our knowledge of the company based on our audit and the other procedures.

Based on the work performed and the evidence obtained, we have not identified any facts that would suggest that the financial statements should not be prepared on a going concern basis and that the disclosure of the impact of the continuing Covid-19 pandemic in the financial statements is not appropriate.

#### **Our application of materiality**

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds of 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 in aggregate on the financial statements as a whole.

## **ASHBROOKE UNDERWRITING SERVICES LIMITED**

### **AUDITORS REPORT**

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

Overall materiality - £26,000.

How we determined it – 1% of total assets.

Rationale for benchmark applied – The company is in run-off and therefore we believe that total assets is the most appropriate benchmark as this reflects the primary objective of the Company, being to hold an asset position that provides sufficient solvency and cover over its liabilities.

We agreed with the directors that we would report to them misstatements identified during our audit above £1,300 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 the 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 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.

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 of 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 Company, the industry in which it operates and considered the risk of acts by the Company 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 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 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.

## **ASHBROOKE UNDERWRITING SERVICES LIMITED**

### **AUDITORS REPORT**

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;
- discussions 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 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 there 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.

#### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 our 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.

## **ASHBROOKE UNDERWRITING SERVICES LIMITED**

### **AUDITORS REPORT**

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 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 liquidate the 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed above.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Other matters which we are required to address**

We were appointed by the board of directors on 4 December 2020.


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

## **ASHBROOKE UNDERWRITING SERVICES LIMITED**

### **AUDITORS REPORT**

#### **Use of our report**

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

DocuSigned by:  
  
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31-03-21

**Richard Lane (Senior Statutory Auditor)**  
**For and on behalf of LB Group (Stratford)**  
**Chartered Accountants**  
**Statutory Auditors**

**Number One**  
**Vicarage Lane**  
**Stratford**  
**London**  
**E15 4HF**

**ASHBROOKE UNDERWRITING SERVICES LIMITED****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 DECEMBER 2020****TECHNICAL ACCOUNT – GENERAL BUSINESS**

	Notes	11 Months to 31 December 2020 £'000	12 Months To 31 January 2020 £'000
<b>CLAIMS INCURRED, NET OF REINSURANCE</b>			
Change in the gross provision for claims	3	25	-
Change in the provision for claims, reinsurer's share	3	(13)	-
Change in the net provision for claims		<u>12</u>	<u>-</u>
<b>CLAIMS INCURRED, NET OF REINSURANCE</b>		<u>12</u>	<u>-</u>
<b>BALANCE ON THE TECHNICAL ACCOUNT – GENERAL BUSINESS</b>		<u>12</u>	<u>-</u>

The accompanying notes are an integral part of this profit and loss account.

**ASHBROOKE UNDERWRITING SERVICES LIMITED****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 DECEMBER 2020****NON-TECHNICAL ACCOUNT**

	<b>Notes</b>	<b>11 Months to 31 December 2020 £'000</b>	<b>12 Months To 31 January 2020 £'000</b>
Balance on the technical account – general business		<b>12</b>	-
Investment Income	<b>4</b>	<b>8</b>	31
Administrative expenses		<b>(20)</b>	(15)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>-</b>	<b>16</b>
Tax on profit on ordinary activities	<b>6</b>	-	(4)
<b>PROFIT AFTER TAX</b>		<b>-</b>	<b>12</b>

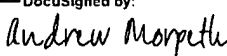
All income and expenditure arises from run off activities.

The accompanying notes are an integral part of this profit and loss account.

**ASHBROOKE UNDERWRITING SERVICES LIMITED****BALANCE SHEET**

	Notes	31 December 2020 £'000	31 January 2020 £'000
<b>ASSETS</b>			
<b>Investments</b>			
Holdings in collective investment schemes		-	4,083
<b>Reinsurers' share of technical provisions</b>			
Claims outstanding		6	19
<b>Debtors</b>			
Other debtors	8	75	9,822
Deferred tax assets	7,8	1	1
<b>Other Assets</b>			
Cash and Cash Equivalents		2,496	-
<b>TOTAL ASSETS</b>		<b>2,578</b>	<b>13,925</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	2,500	2,500
Profit and loss account		65	11,382
<b>SHAREHOLDER'S FUNDS</b>		<b>2,565</b>	<b>13,882</b>
<b>TECHNICAL PROVISIONS</b>			
Claims outstanding		13	38
		13	38
<b>CREDITORS</b>			
Corporation tax	10	-	5
<b>TOTAL LIABILITIES</b>		<b>2,578</b>	<b>13,925</b>

These financial statements were approved by the board of directors and signed on its behalf by:

DocuSigned by:  
  
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A G Morpeth  
 31 March 2021

COMPANY NUMBER 01674675

The accompanying notes are an integral part of these financial statements.



# ASHBROOKE UNDERWRITING SERVICES LIMITED

## STATEMENT OF CHANGES IN EQUITY

	<b>Called up Share Capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
At 1 February 2019	2,500	11,370	13,870
Profit for the year	-	12	12
At 31 January 2020	2,500	11,382	13,882
Profit for the period	-	-	-
Dividend paid in period	-	(11,317)	(11,317)
<b>At 31 December 2020</b>	<b>2,500</b>	<b>65</b>	<b>2,565</b>

The accompanying notes form an integral part of this statement of changes in equity.

## **ASHBROOKE UNDERWRITING SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020**

#### **1 Accounting policies**

##### **General information**

Ashbrooke Underwriting Services Limited ('The Company') is a private company limited by shares and incorporated in England and Wales, United Kingdom. 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 functional currency, being the currency of the primary economic environment in which the Company operates.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions, which have been complied with including notification of, and no objection to, the use of exemptions by the Company's shareholders. In preparing the financial statements the Company has taken advantage of the following exemptions:

- from disclosing key management personnel compensation as required by paragraph 7 of Section 33 *Related Party Disclosures*;
- from presenting a reconciliation of the number of shares outstanding at the beginning and end of the year as required by paragraph 12 of Section 4 *Statement of Financial Position*; and
- from presenting a statement of cash flows as required by Section 7 *Statement of Cash Flows*.

##### **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 ("FRS 103") 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.

##### **Critical accounting estimates and judgements**

The Company has written no new business since 2016 and has no current plans to write further business in the future. Due to the inactive nature of the Company and the very low reserves, there are no critical accounting estimates or judgements to be made by management in respect of these financial statements other than the technical provisions and reinsurer's share of the technical provisions. Each financial year/period end, management review and update the underlying assumptions for the calculation of the claims provision, to reflect the latest information available from solicitors. The primary judgement is to estimate the ultimate liability and reinsurance recovery arising from claims made.

##### **Going concern**

These financial statements have been prepared on a going concern basis.

##### **Interest income**

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

## **ASHBROOKE UNDERWRITING SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020**

#### **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 Company becomes party to the contractual provisions of the financial instrument. The Company holds only basic financial instruments, which comprise cash and cash equivalents, debtors and creditors. The Company 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.

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 each reporting date the Company 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 Company 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.

## **ASHBROOKE UNDERWRITING SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020**

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.

#### **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 period 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.

#### **Claims incurred**

Claims incurred comprise claims and related expenses paid in the financial year/period and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years.

#### **Claims outstanding provisions**

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date. The estimated cost of claims includes expenses to be incurred in settling claims. The Company 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.

A component of these estimation techniques is the estimation of the cost of notified but not paid claims. In estimating the cost of these the Company has regard to the claim circumstance as reported and information on the cost of settling claims with similar characteristics in previous periods.

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.

## **2 MOVEMENTS IN PRIOR YEAR'S PROVISION FOR CLAIMS OUTSTANDING**

This is the difference between the expected claim and actual claim settled. One claim has been settled during the year which amounted to a favourable movement in the provision for claims in the sum of £25k (2020: nil) which is offset by a reduction in the reinsurers share of claims in the sum of £13k, which meant that there was a net favourable movement in the year of £12k.

## **3 NET OPERATING INCOME**

The audit fees in the current period amounted to £3,000 for the audit of the financial statements (2020: £8,000).

The Company had no employees throughout the period (2020: nil).

**ASHBROOKE UNDERWRITING SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2020****4 INVESTMENT INCOME**

	2020 £'000	2020 £'000
Income from collective investment schemes	<u>8</u>	<u>31</u>

**5 DIRECTORS' EMOLUMENTS**

No directors were remunerated from the Company during the period (2020: £nil).

**6 TAX ON PROFIT ON ORDINARY ACTIVITIES**

The tax charge is made up as follows:

	2020 £'000	2020 £'000
<b>Current tax</b>		
- Group relief	-	3
<b>Deferred tax:</b>		
- Origination and reversal of temporary differences	-	1
<b>Total tax charge on ordinary activities</b>	<u>-</u>	<u>4</u>

The difference between the total current corporation tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2020 £'000	2020 £'000
Profit on ordinary activities before tax	<u>-</u>	<u>16</u>
Profit on ordinary activities multiplied at standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	-	3
Expenses not deductible for corporation tax	-	1
<b>Total tax charge</b>	<u>-</u>	<u>4</u>

**7 DEFERRED TAX ASSETS**

Deferred tax assets comprise:

	2020 £'000	2020 £'000
Temporary differences on:		
Deferred capital allowances	<u>1</u>	<u>1</u>

**ASHBROOKE UNDERWRITING SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2020**

	2020 £'000	2020 £'000
Deferred tax at 1 February	1	2
Profit and loss account	-	(1)
<b>Deferred tax at 31 December</b>	<b><u>1</u></b>	<b><u>1</u></b>

**8 OTHER DEBTORS**

	2020 £'000	2020 £'000
Amounts owed by group undertakings	75	9,822
Deferred tax asset (note 7)	<u>1</u>	<u>1</u>
	<b><u>76</u></b>	<b><u>9,823</u></b>

The amounts owed by group undertakings are unsecured, have no repayment terms and bear no interest.

The deferred tax asset is due in more than one year.

**9 CALLED UP SHARE CAPITAL**

	2020 £'000	2020 £'000
<b>Allotted, called up and fully paid</b>		
2,500,000 (2020: 2,500,000) ordinary shares of £1 each	<b><u>2,500</u></b>	<b><u>2,500</u></b>

**10 OTHER CREDITORS**

	2020 £'000	2020 £'000
Corporation tax	<u>-</u>	<u>5</u>
	<b><u>-</u></b>	<b><u>5</u></b>

**11 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's principal financial liability is the claims provision. The Company's principal financial assets are the cash at bank and in hand and intercompany debtors.

The Company is exposed to claims, interest rate, credit and liquidity risk. Management oversees these risks with support from the group treasury function, which ensures that the Company financial risks are identified, measured and managed in accordance with the group policies and risk objectives.

**Credit Risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company has no in-force insurance policies and there are no outstanding premiums, therefore there is no associated credit risk.

## **ASHBROOKE UNDERWRITING SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020**

As primary insurer, the Company must discharge its liability even if a reinsurer fails to pay a claim. The Company has one treaty reinsurer, which is monitored on a regular basis to ensure its financial stability.

Credit risk could arise from the counterparty of any money market funds or the intercompany debtor balances.

The Company assesses its counterparty exposure in relation to the investment of surplus cash and primarily uses published credit ratings to assess counterparty strength and therefore to define the credit limit for each counterparty, in accordance with approved treasury policies.

As a result of the change of ownership and the restructuring, the Company did not hold any investments at the period end.

The recoverability of intercompany debtor balances is assessed at each financial reporting period end. The fair value of the intercompany balances approximates the carrying value.

The Company's maximum exposure to credit risk for the components of the balance sheet at each reporting date is the carrying amount.

#### **Liquidity risk**

Liquidity risk is the risk that cash may not be available to pay obligations when due. The risk is managed centrally with investments made in line with the Group Treasury Policy and ongoing cashflow requirements monitored. In addition, the Company's money market fund investments are available at twenty-four hours' notice. The directors are satisfied that the Company is not subject to significant liquidity risk.

#### **Capital management**

The Company considers its capital to be its regulatory reserves, i.e. the capital resources under non-solvency II reporting. The company is not required to comply with Solvency II due to de-minimis limits, reflecting Article 4 ('Exclusion from scope due to size') of the Solvency II Directive, and only non-liability business has been written and does not exercise EEA passporting rights under the Solvency II directive. As the Company is in run-off, the capital balance is fairly static, fluctuating only due to investment income from the money market funds and movements in the claims provision. The policies and procedures for managing these are noted above.

On 17 July 2019 under the previous owners, the money market fund account holding the Company's solvency capital was closed at short notice by Deutsche Bank and the funds returned to an ordinary savings account held in the name of a fellow subsidiary company. A new money market fund account was therefore set up and the solvency capital was transferred to this new account on 16 August 2019. The Company was therefore in breach of its regulatory capital solvency requirement for one month before the funds were returned to the new money market fund held in the name of the Company.

## **12 ULTIMATE CONTROLLING PARTY AND PARENT UNDERTAKING**

The Company is a wholly owned subsidiary of Bestpark International Limited.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Ashbrooke Financial Group Limited. Copies of the group financial statements are available on request from 8 Eagle Court, London EC1M 5Q

## **13 EVENTS AFTER THE REPORTING PERIOD**

There were no post balance sheet events.