

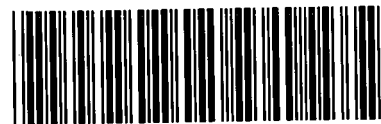
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**ARLINGTON GROUP ASSET MANAGEMENT LIMITED**

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**ANNUAL REPORT  
FOR THE YEAR ENDED  
31 DECEMBER 2017**

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**ARLINGTON GROUP ASSET MANAGEMENT LIMITED**

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**ARLINGTON GROUP ASSET MANAGEMENT LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	C. Cannon Brookes S. C. Catt R. Lockwood R. Ainger
<b>Company secretary</b>	R. Ainger
<b>Registered number</b>	02359077
<b>Registered office</b>	15 Whitehall London SW1A 2DD
<b>Trading Address</b>	1st Floor 47/48 Piccadilly London W1J 0DT
<b>Independent auditors</b>	F. W. Smith, Riches & Co. Chartered Accountants & Statutory Auditors 15 Whitehall London SW1A 2DD
<b>Bankers</b>	Bank of Scotland 33 Old Broad Street London EC2N 1HZ  HSBC 69 Pall Mall London SW1Y 5EY

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## ARLINGTON GROUP ASSET MANAGEMENT LIMITED

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### GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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#### Introduction

The directors are pleased to present their Strategic Report for the year ended 31 December 2017.

The Strategic Report is a statutory requirement under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and is intended to provide fair and balanced information that enables the directors to be satisfied that they have complied with section 172 of the Companies Act 2006 which sets out the directors' duty to promote the success of the company.

#### Principal activities

The principal activity of the Group is the provision of financial and advisory services to UK and overseas clients.

#### Business review

The directors are pleased with the overall performance for the period under review. Group turnover increased by 52% from £2,677,309 in 2016 to £4,060,294 in 2017. In addition, the value of the current asset investments increased by 523% from £247,934 in 2016 to £1,545,735 in 2017.

The above items contributed to the Group recording a profit for the year of £2,605,212, as compared to a profit of only £1,300,878 in 2016, an increase of 100%.

#### Principal risks and uncertainties

The performance of the Group is linked to the overall requirements for advisory and corporate finance services within the world markets.

The Group finances its operations through the generation of cash from operating activities and has no interest rate exposure on financial liabilities. Liquidity risk is managed through forecasting the future cash flow requirements of the business and maintaining sufficient cash at bank balances.

The Group's financial instruments comprise current asset investments, cash and cash equivalents, trade debtors, other debtors, trade creditors and other creditors. Current asset investments are constantly monitored to minimise the Group's exposure to valuation risk. Other financial risks are not considered to have a material impact on the assessment of the Group's assets, liabilities, financial position or result for the period.

This report was approved by the board on 20 April 2018 and signed on its behalf.

  
R. Ainger  
Director

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## ARLINGTON GROUP ASSET MANAGEMENT LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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The directors present their report and the financial statements for the year ended 31 December 2017.

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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'. 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 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 for the Group financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Results and dividends**

The Group's profit for the year, after taxation, amounted to £2,605,616 (2016 - £1,300,878).

During the year, interim dividends of £600,000 were paid. Subsequent to the year end, interim dividends of £850,961 have been paid.

#### **Directors**

The directors who served during the year were:

C. Cannon Brookes  
S. C. Catt  
R. Lockwood  
R. Ainger

The Company has purchased insurance to cover its directors and officers against liabilities arising against them in that capacity.

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## ARLINGTON GROUP ASSET MANAGEMENT LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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#### Future developments

There have been no significant changes in the Company's principal activities in the year under review. The subsidiary of the Company was dormant in the prior year, but has started trading in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's or the Group's activities in the coming year.

#### Financial instruments

The Group's financial instruments comprise current asset investments, cash and cash equivalents, trade debtors, other debtors, trade creditors and other creditors. Current asset investments are constantly monitored to minimise the Group's exposure to valuation risk. Other financial risks are not considered to have a material impact on the assessment of the Group's assets, liabilities, financial position or result for the period.

#### Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the 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 auditors are aware of that information.

#### Matters covered in the Group Strategic Report

The Group Strategic Report on page 2 contains details of the principal activities of the Group and includes a business review which provides information on the development of the Group's business during the year, together with details of the risks and uncertainties that affect the Group's business.

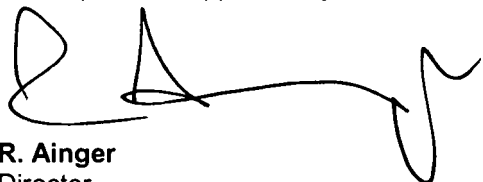
#### Post balance sheet events

There have been no significant events affecting the Group since the year end.

#### Auditors

The auditors, F. W. Smith, Riches & Co., will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 20 April 2018 and signed on its behalf.



**R. Ainger**  
Director

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## ARLINGTON GROUP ASSET MANAGEMENT LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARLINGTON GROUP ASSET MANAGEMENT LIMITED

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#### Opinion

We have audited the financial statements of Arlington Group Asset Management Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017, which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Group'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 Group's members those matters we are required to state to them in an Auditors' 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 Group and the Group's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, 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.

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## ARLINGTON GROUP ASSET MANAGEMENT LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARLINGTON GROUP ASSET MANAGEMENT LIMITED (CONTINUED)

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#### Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' 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.

#### Opinion 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 Group 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 Group 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 the 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 Group 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's 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.



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**ARLINGTON GROUP ASSET MANAGEMENT LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARLINGTON GROUP ASSET  
MANAGEMENT LIMITED (CONTINUED)**

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**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement on page 3, 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 liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' 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 Auditors' 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.



Martin J. Rooney (Senior Statutory Auditor)  
for and on behalf of **F. W. Smith, Riches & Co.**  
Chartered Accountants & Statutory Auditors  
15 Whitehall  
London  
SW1A 2DD

20 April 2018

**ARLINGTON GROUP ASSET MANAGEMENT LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
Turnover	3	4,060,294	2,677,309
Cost of sales		(505,422)	(748,546)
<b>Gross profit</b>		<b>3,554,872</b>	<b>1,928,763</b>
Administrative expenses		(1,251,469)	(470,252)
Other operating income	4	175,118	-
Other operating charges		765,702	173,824
<b>Operating profit</b>	5	<b>3,244,223</b>	<b>1,632,335</b>
Interest receivable and similar income		372	453
<b>Profit before tax</b>		<b>3,244,595</b>	<b>1,632,788</b>
Tax on profit	9	(638,979)	(331,910)
<b>Profit for the financial year</b>		<b>2,605,616</b>	<b>1,300,878</b>
<b>Profit for the year attributable to:</b>			
Owners of the parent		<b>2,605,616</b>	<b>1,300,878</b>

**ARLINGTON GROUP ASSET MANAGEMENT LIMITED**  
**REGISTERED NUMBER:02359077**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	10	38,069	26,872
		<u>38,069</u>	<u>26,872</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	825,766	276,999
Current asset investments	13	1,545,735	247,934
Cash at bank and in hand		1,209,403	851,986
		<u>3,580,904</u>	<u>1,376,919</u>
Creditors: amounts falling due within one year	14	(823,778)	(614,212)
<b>Net current assets</b>		<u>2,757,126</u>	<u>762,707</u>
<b>Total assets less current liabilities</b>		<u>2,795,195</u>	<u>789,579</u>
<b>Net assets</b>		<u><u>2,795,195</u></u>	<u><u>789,579</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	67,500	67,500
Share premium account	17	23,503	23,503
Capital redemption reserve	17	60,506	60,506
Profit and loss account	17	2,643,686	638,070
		<u>2,795,195</u>	<u>789,579</u>

The financial statements on pages 8 to 30 were approved and authorised for issue by the board on 20 April 2018 and were signed on its behalf by:

  
**R. Ainger**  
 Director

**ARLINGTON GROUP ASSET MANAGEMENT LIMITED**  
**REGISTERED NUMBER:02359077**

**COMPANY BALANCE SHEET**  
**AS AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	10	38,069	26,872
Investments	11	3	3
		<u>38,072</u>	<u>26,875</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	825,980	276,996
Current asset investments	13	1,545,735	247,934
Cash at bank and in hand		1,209,325	851,986
		<u>3,581,040</u>	<u>1,376,916</u>
Creditors: amounts falling due within one year	14	(823,778)	(614,212)
<b>Net current assets</b>		<u>2,757,262</u>	<u>762,704</u>
<b>Total assets less current liabilities</b>		<u>2,795,334</u>	<u>789,579</u>
<b>Net assets</b>		<u><u>2,795,334</u></u>	<u><u>789,579</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	67,500	67,500
Share premium account	17	23,503	23,503
Capital redemption reserve	17	60,506	60,506
Profit and loss account brought forward		638,070	174,063
Profit for the year		2,605,755	1,300,878
Dividends		(600,000)	(836,871)
		<u>2,643,825</u>	<u>638,070</u>
<b>Profit and loss account carried forward</b>		<u><u>2,795,334</u></u>	<u><u>789,579</u></u>

The financial statements on pages 8 to 30 were approved and authorised for issue by the board on 20 April 2018 and were signed on its behalf by:

  
**R. Ainger**  
 Director

ARLINGTON GROUP ASSET MANAGEMENT LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Equity attributable to owners of parent Company	Total equity
	£	£	£	£	£	£
At 1 January 2017	67,500	23,503	60,506	638,070	789,579	789,579
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	-	2,605,616	2,605,616	2,605,616
<b>Total comprehensive income for the year</b>	-	-	-	2,605,616	2,605,616	2,605,616
Dividends: Equity capital	-	-	-	(600,000)	(600,000)	(600,000)
<b>Total transactions with owners</b>	-	-	-	(600,000)	(600,000)	(600,000)
<b>At 31 December 2017</b>	<b>67,500</b>	<b>23,503</b>	<b>60,506</b>	<b>2,643,686</b>	<b>2,795,195</b>	<b>2,795,195</b>

ARLINGTON GROUP ASSET MANAGEMENT LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Equity attributable to owners of parent Company	Total equity
	£	£	£	£	£	£
At 1 January 2016	54,000	-	47,006	174,063	275,069	275,069
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	-	1,300,878	1,300,878	1,300,878
<b>Total comprehensive income for the year</b>	-	-	-	1,300,878	1,300,878	1,300,878
Dividends: Equity capital	-	-	-	(811,619)	(811,619)	(811,619)
Purchase of own shares	-	-	13,500	(25,252)	(11,752)	(11,752)
Shares issued during the year	27,000	23,503	-	-	50,503	50,503
Shares cancelled during the year	(13,500)	-	-	-	(13,500)	(13,500)
<b>Total transactions with owners</b>	13,500	23,503	13,500	(836,871)	(786,368)	(786,368)
<b>At 31 December 2016</b>	<b>67,500</b>	<b>23,503</b>	<b>60,506</b>	<b>638,070</b>	<b>789,579</b>	<b>789,579</b>

ARLINGTON GROUP ASSET MANAGEMENT LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017	67,500	23,503	60,506	638,070	789,579
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	2,605,754	2,605,754
<b>Total comprehensive income for the year</b>	-	-	-	2,605,754	2,605,754
Dividends: Equity capital	-	-	-	(600,000)	(600,000)
<b>Total transactions with owners</b>	-	-	-	(600,000)	(600,000)
<b>At 31 December 2017</b>	<b>67,500</b>	<b>23,503</b>	<b>60,506</b>	<b>2,643,824</b>	<b>2,795,333</b>

ARLINGTON GROUP ASSET MANAGEMENT LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2016	54,000	-	47,006	174,063	275,069
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	1,300,878	1,300,878
<b>Total comprehensive income for the year</b>	-	-	-	1,300,878	1,300,878
Dividends: Equity capital	-	-	-	(811,619)	(811,619)
Purchase of own shares	-	-	13,500	(25,252)	(11,752)
Shares issued during the year	27,000	23,503	-	-	50,503
Shares cancelled during the year	(13,500)	-	-	-	(13,500)
<b>Total transactions with owners</b>	13,500	23,503	13,500	(836,871)	(786,368)
<b>At 31 December 2016</b>	<b>67,500</b>	<b>23,503</b>	<b>60,506</b>	<b>638,070</b>	<b>789,579</b>



**ARLINGTON GROUP ASSET MANAGEMENT LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £	2016 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	2,605,616	1,300,878
<b>Adjustments for:</b>		
Depreciation of tangible assets	13,116	2,951
Loss on disposal of tangible assets	1,686	351
Interest received	(372)	(453)
Taxation charge	638,979	331,910
(Increase) in debtors	(548,767)	(204,536)
(Decrease)/increase in creditors	(97,630)	154,287
Net fair value (gains) recognised in P&L	(59,798)	(6,551)
Corporation tax (paid)	(331,782)	(95)
Profit on disposal of investments	(705,904)	(167,273)
Dividends received	(13,574)	-
<b>Net cash generated from operating activities</b>	<b>1,501,570</b>	<b>1,411,469</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(48,286)	(26,569)
Sale of tangible fixed assets	22,286	-
Purchase of short term listed investments	(1,955,053)	(304,349)
Sale of short term listed investments	1,422,954	324,753
Interest received	372	453
Dividends received	13,574	-
<b>Net cash from investing activities</b>	<b>(544,153)</b>	<b>(5,712)</b>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	-	50,503
Dividends paid	(600,000)	(811,619)
Repurchase of ordinary shares	-	(25,252)
<b>Net cash used in financing activities</b>	<b>(600,000)</b>	<b>(786,368)</b>
<b>Net increase in cash and cash equivalents</b>	<b>357,417</b>	<b>619,389</b>
Cash and cash equivalents at beginning of year	851,986	232,597
<b>Cash and cash equivalents at the end of year</b>	<b>1,209,403</b>	<b>851,986</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	1,209,403	851,986
	<b>1,209,403</b>	<b>851,986</b>

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## ARLINGTON GROUP ASSET MANAGEMENT LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1. Accounting policies

##### 1.1 Statement of compliance

The principal activity of the Group is the provision of financial and advisory services to UK and overseas clients.

Arlington Group Asset Management Limited is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is 15 Whitehall, London, SW1A 2DD. The principle place of business is 1st Floor, 47/48 Piccadilly, London, W1J 0DT.

##### 1.2 Basis of preparation of financial statements

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ("FRS 102") and the Companies Act 2006. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets measured at fair value through profit or loss.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 from disclosing its individual Profit and Loss Account.

##### 1.3 Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and its subsidiary undertaking made up to 31 December 2017.

In the prior year, the Company's subsidiary was dormant and consequently this is the first year of preparing consolidated financial statements.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where a subsidiary has different accounting policies to the Group, adjustments are made to the subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

All intra-Group transactions, balances, income and expenditure are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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1. Accounting policies (continued)

1.4 Revenue

Revenue is recognised to the extent that the Group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates and value added tax. The following criteria must also be met before revenue is recognised:

***Sale of services***

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

***Interest income***

Revenue is recognised as interest accrues using the effective interest method.

1.5 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows.

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## ARLINGTON GROUP ASSET MANAGEMENT LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1. Accounting policies (continued)

##### 1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use and dismantling and restoration costs.

Depreciation is calculated, using the straight line method, to allocate the cost of assets less their residual value over their estimated useful lives, as follows:

Fixtures and fittings	- 25% on cost
Computer equipment	- 33% on cost
Office equipment	- 25% on cost

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Group and the cost can be measured reliably. Repairs and maintenance costs are expensed as incurred.

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Profit and Loss Account and included in 'administrative expenses'.

##### 1.7 Investments

In the Company's financial statements investments in subsidiaries are measured at cost less accumulated impairment.

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## ARLINGTON GROUP ASSET MANAGEMENT LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1. Accounting policies (continued)

##### 1.8 Financial instruments

The Group have chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### *Short term debtors and creditors*

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Profit and Loss Account in 'administrative expenses'.

##### *Valuation of investments*

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Profit and Loss Account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and in hand.

##### *Loan notes*

Loan notes which are basic financial instruments are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently, they are measured at amortised cost using the effective interest method. Loan notes that are receivable within one year are not discounted.

##### *Offsetting*

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### 1.9 Operating leases

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases are charged to the Profit and Loss Account on a straight line basis over the period of the lease. Lease incentives are recognised over the lease term on a straight line basis.

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## ARLINGTON GROUP ASSET MANAGEMENT LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1. Accounting policies (continued)

##### 1.10 Foreign currency translation

###### *Functional and presentation currency*

The Group's functional and presentation currency is the pound sterling.

###### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Non monetary items measured at historical cost are translated using the exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and Loss Account under the heading to which they relate.

##### 1.11 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Profit and Loss Account. Current or deferred taxation assets and liabilities are not discounted.

###### *Current tax*

Current tax is the amount of corporation tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

###### *Deferred tax*

Deferred tax arises from timing differences that are differences between taxable profits and profit on ordinary activities before taxation as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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**1. Accounting policies (continued)**

**1.12 Share capital**

Ordinary shares are classified as equity.

**1.13 Distribution to equity holders**

Final dividends to the Group's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholder. These amounts are recognised in the profit and loss account. Interim dividends are recognised in the profit and loss account as paid.

**1.14 Related party transactions**

The Group discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned. Where appropriate transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group's financial statements.

**2. Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing the financial statements management are required to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from these estimates. The following judgement (apart from those involving estimates) has had the most significant effect on amounts recognised in the financial statements:

Investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment. The Group periodically assesses the adequacy of impairment provisions by making reference to the latest available financial information concerning the investments.

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**ARLINGTON GROUP ASSET MANAGEMENT LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**3. Turnover**

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
Income from the rendering of services	<u>4,060,294</u>	<u>2,677,309</u>

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	367,592	215,917
Rest of the world	<u>3,692,702</u>	<u>2,461,392</u>
	<u>4,060,294</u>	<u>2,677,309</u>

**4. Other operating income**

	2017 £	2016 £
License fee	<u>175,118</u>	<u>-</u>

**5. Operating profit**

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	13,116	2,951
Loss on disposal of fixed assets	1,686	351
Exchange differences	30,847	(11,462)
Other operating lease rentals	172,717	41,199
Change in fair value of financial instruments held at fair value through profit and loss	(59,798)	(6,551)
Profit on disposal of investments	<u>(705,904)</u>	<u>(167,273)</u>



**ARLINGTON GROUP ASSET MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**6. Auditors' remuneration**

	2017 £	2016 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	12,000	8,000
	<u>12,000</u>	<u>8,000</u>
<b>Fees payable to the Group's auditor and its associates in respect of:</b>		
Other services relating to taxation	1,900	1,000
All other services	9,125	-
	<u>9,125</u>	<u>-</u>

**7. Employees**

Staff costs, including directors' remuneration, were as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Wages and salaries	144,345	166,816	144,345	166,816
Social security costs	14,827	17,637	14,827	17,637
	<u>159,172</u>	<u>184,453</u>	<u>159,172</u>	<u>184,453</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	2016 No.
Employees	6	4
	<u>6</u>	<u>4</u>

**8. Directors' remuneration**

	2017 £	2016 £
Directors' emoluments	100,000	100,999
	<u>100,000</u>	<u>100,999</u>

During the year the Group purchased services totalling £75,000 (2016: £62,500) from RFA Consulting Limited, a company wholly owned by Ross Ainger, a director.

Directors' remuneration equates to Key Management Personnel compensation.

**ARLINGTON GROUP ASSET MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**9. Taxation**

	2017 £	2016 £
<b>Corporation tax</b>		
Current tax on profits for the year	638,979	331,816
Adjustments in respect of previous periods	-	94
<b>Total current tax</b>	<u>638,979</u>	<u>331,910</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>3,244,595</u>	<u>1,632,788</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	624,585	326,558
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	17,129	10,188
Capital allowances for year in excess of depreciation	(2,735)	(4,930)
Adjustments to tax charge in respect of prior periods	-	94
<b>Total tax charge for the year</b>	<u>638,979</u>	<u>331,910</u>

**Factors that may affect future tax charges**

Reduction in the UK corporation tax rate from 19% to 17% from 1 April 2020 was substantively enacted on 6 September 2016.

**ARLINGTON GROUP ASSET MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**10. Tangible fixed assets**

**Group and Company**

	Fixtures & fittings £	Office equipment £	Computer equipment £	Total £
<b>Cost or valuation</b>				
At 1 January 2017	9,339	784	41,505	51,628
Additions	47,071	-	1,215	48,286
Disposals	(22,287)	(450)	(25,145)	(47,882)
At 31 December 2017	<u>34,123</u>	<u>334</u>	<u>17,575</u>	<u>52,032</u>
<b>Depreciation</b>				
At 1 January 2017	-	675	24,081	24,756
Charge for the year on owned assets	7,488	-	5,628	13,116
Disposals	-	(341)	(23,568)	(23,909)
At 31 December 2017	<u>7,488</u>	<u>334</u>	<u>6,141</u>	<u>13,963</u>
<b>Net book value</b>				
At 31 December 2017	<u>26,635</u>	<u>-</u>	<u>11,434</u>	<u>38,069</u>
At 31 December 2016	<u>9,339</u>	<u>109</u>	<u>17,424</u>	<u>26,872</u>

All of the Group's tangible fixed assets are held in the Parent company.

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ARLINGTON GROUP ASSET MANAGEMENT LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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**11. Fixed asset investments**

**Subsidiary undertakings**

The following was a subsidiary undertaking of the Company:

<b>Name</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
Radix Capital Limited	Ordinary	100 %	Investment in overseas client

<b>Name</b>	<b>Registered office</b>
Radix Capital Limited	England & Wales

Radix Capital Limited is included in the consolidation. The Company's investment in Radix Capital Limited is by direct ownership.

**Company**

	<b>Shares in subsidiary companies £</b>
<b>Cost or valuation</b>	
At 1 January 2017	<u>3</u>
At 31 December 2017	<u>3</u>
<b>Net book value</b>	
At 31 December 2017	<u>3</u>
At 31 December 2016	<u>3</u>

**ARLINGTON GROUP ASSET MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**12. Debtors**

	<b>Group 2017 £</b>	Group 2016 £	<b>Company 2017 £</b>	Company 2016 £
Trade debtors	<b>528,008</b>	7,995	<b>528,008</b>	7,995
Amounts owed by group undertakings	-	-	<b>214</b>	-
Other debtors	<b>215,900</b>	168,332	<b>215,900</b>	168,332
Called up share capital not paid	-	3	-	-
Prepayments and accrued income	<b>81,858</b>	100,669	<b>81,858</b>	100,669
	<b>825,766</b>	276,999	<b>825,980</b>	276,996

**13. Current asset investments**

	<b>Group 2017 £</b>	Group 2016 £	<b>Company 2017 £</b>	Company 2016 £
Convertible loan to group undertakings	-	-	<b>83,407</b>	-
Held at fair value	<b>1,462,328</b>	247,934	<b>1,462,328</b>	247,934
Convertible loan	<b>83,407</b>	-	-	-
	<b>1,545,735</b>	247,934	<b>1,545,735</b>	247,934

The fair value of investments publicly traded on an active market is deemed to be the quoted market price. Where the market is not active, the fair value is deemed to be based upon the EBITDA or net asset value on winding up of the company, as appropriate.

Other investments that are not listed are held at cost less impairment as it is considered this is the fair value of the investment.

The loan is unsecured and bears interest at 5%.

**ARLINGTON GROUP ASSET MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**14. Creditors: Amounts falling due within one year**

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
Trade creditors	162	35,515	162	35,515
Corporation tax	638,979	331,815	638,979	331,815
Other taxation and social security	-	26,645	-	26,645
Other creditors	24,774	2,307	24,774	2,307
Accruals and deferred income	159,863	217,930	159,863	217,930
	<b>823,778</b>	<b>614,212</b>	<b>823,778</b>	<b>614,212</b>

**15. Financial instruments**

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
<b>Financial assets</b>				
Financial assets measured at fair value through profit or loss	1,462,329	247,934	1,462,329	247,934
Financial assets that are debt instruments measured at amortised cost	2,021,143	1,028,316	2,021,312	1,028,313
	<b>3,483,472</b>	<b>1,276,250</b>	<b>3,483,641</b>	<b>1,276,247</b>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	(168,800)	(255,753)	(168,800)	(255,753)
	<b>(168,800)</b>	<b>(255,753)</b>	<b>(168,800)</b>	<b>(255,753)</b>

Financial assets measured at fair value through profit or loss comprise current asset investments, valued using the quoted price at year end.

Financial assets that are debt instruments measured at amortised cost comprise cash and cash equivalents, trade debtors and certain other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, certain other creditors and certain accruals.

**ARLINGTON GROUP ASSET MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**16. Share capital**

	2017 £	2016 £
<b>Allotted, called up and fully paid</b>		
6 Ordinary A shares of £4,500 each	27,000	27,000
3 Ordinary B shares of £4,500 each	13,500	13,500
6 Ordinary C shares of £4,500 each	27,000	27,000
	<u>67,500</u>	<u>67,500</u>

There are three classes of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

**17. Reserves**

**Share premium account**

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

**Capital redemption reserve**

This reserve records the nominal value of shares repurchased by the company.

**Profit & loss account**

The profit and loss account is a distributable reserve.

**18. Commitments under operating leases**

At 31 December 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Not later than 1 year	153,425	153,425	153,425	153,425
Later than 1 year and not later than 5 years	447,490	600,915	447,490	600,915
	<u>600,915</u>	<u>754,340</u>	<u>600,915</u>	<u>754,340</u>

**19. Controlling party**

There was no ultimate controlling party in either 2016 or 2017.