# Asta Underwriting Management Ltd

## Annual Report and Financial Statements for the Year Ended 2017



Registered Number: 09193729

Registered Office: 5th Floor
Camomile Court
23 Camomile Street
London
EC3A 7LL

# Asta Underwriting Management Ltd

## Annual Report and Financial Statements for the Year Ended 31 December 2017

# Asta Underwriting Management Ltd

## Directors and Officers

**Directors:**
J M Tighe
S P A Norton
S Fisher
J Struck

**Secretary:**
C Chow

**Registered Office:**
5th Floor
Camomile Court
23 Camomile Street
London
EC3A 7LL

**Auditors:**
Ernst & Young LLP
25 Churchill Place,
London
E14 5EY

# Asta Underwriting Management Ltd

## Strategic Report for the Year Ended 31 December 2017

The directors present their Strategic Report on Asta Underwriting Management Ltd (AUML) for the year to 31 December 2017.

### Review of the business

AUML is a managing general agent regulated by the Financial Conduct Authority (FCA) to act as an agent for underwriting capital providers in the provision of insurance services. AUML's principle activity is to provide underwriting services and oversight, which it does through Appointed Representatives ("AR"), who perform the underwriting under the management control framework provided by AUML. The immediate parent of AUML is Asta Insurance Markets Ltd (AIM).

### Results and performance

During 2017, AUML provided services to three businesses, Pelican Underwriting One Ltd ("PUOL"), Overark Ltd and its subsidiary Overark Services Ltd (together "Overark") and Arma Underwriting Limited ("Arma").

PUOL is an AR of AUML, which primarily wrote a book of solicitors PI insurance. It also looked to expand its business by launching new products for chauffeurs and the Central Association of Agricultural Valuers. Overark is a new AR of AUML, which looked to establish a new innovative product for insurance of Housing Associations. Arma is a new associate in the Asta group, which is a Dubai based MGA authorised to underwrite by the DFSA. Asta provides administrative and regulatory oversight services to Arma.

In 2016, turnover included a recharge of £920k in respect of one-off costs to Asta Capital Limited ("ACL") following the transfer of the company's investments to ACL.

The loss on ordinary activities before taxation for the company for the year ended 31 December 2017 amounts to £590k (2016: £67k) full details of which are set out in the Statement of Comprehensive Income on page 12 and the related notes. No dividend has been paid during the period.

The key performance indicators for the company are:-

| | 2017<br>£'000 | 2016<br>£'000 |
|---|---|---|
| Turnover | 414 | 1,241 |
| Loss on ordinary activities before taxation | (590) | (67) |
| Net liabilities | (841) | (367) |

### Strategy

The primary objective of AUML is to grow the Asta footprint in the MGA market by developing a 'best in class' service to its appointed representatives and underwriting capital providers and by ensuring that the underwriting is performed in a controlled and well-regulated manner.

It is anticipated that the growth of the business will be measured as we look to work with selected MGA's to build underwriting businesses through joint ventures and strategic partnerships with underwriting teams and capital partners.

### Risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in interest rates, credit risk and liquidity risk. The board of directors consider the exposure to these risks to be minimal.

## Risk management (cont'd)

Interest risk is minimal, as the company's only material exposure is in regard to the inter company balances held with other group companies. As the interest rates used for inter company balances is based on the LIBOR and agreed fixed rates. There are no fixed rates deposits held and interest rate risk is minimal.

AUML's principal financial assets are trade and other receivables and therefore the company's credit risk is primarily attributable to its trade receivables and intercompany receivables. The credit risk on cash balances is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Liquidity risk arises if the company cannot meet its liabilities as they fall due, owing to a shortfall in cash. To mitigate this risk the Board reviews cash flow projections regularly and uses intercompany loans from fellow subsidiaries.

The company also faces operational risks in providing services covering people, systems and external events and the risk that the company does not develop future business.

Operational risk is the risk that errors caused by people, processes, systems and external events lead to losses for the company. The company seeks to manage this risk through the use of detailed procedures manuals and a structured programme of testing of processes and systems by internal audit. Business continuity and disaster recovery plans are in place and are regularly updated and tested through the Asta group.

Reputational risks are those faced by the company if the company's brand is damaged and it is usually correlated to other risks. The loss of reputation could have serious consequences to the business. The company has strong relationships with its client base which significantly reduces this risk. The company is very protective of its brand and makes every effort to ensure it has the resources and expertise to be able to deliver an excellent service to its clients thus minimising the exposure to reputational risk.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. AUML is required to comply with the requirements of the Financial Conduct Authority (FCA). The company's operating model is constantly monitored and developed to ensure all regulatory requirements and changes are executed.

## Business environment

An environment over the last decade of low interest rates and lack of alternative investment opportunities, when combined with the lack of major catastrophe losses created an environment of excessive capital in the insurance market, which in turn lead to a sustained period of low premium levels. When coupled with the increasing regulation introduced by Solvency II, this has led to increased pressure on insurance company results. Against this backdrop there has been a continued demand for insurance businesses to diversify their portfolios. The recent hurricane losses in 2017, whilst being the largest year of natural catastrophe losses to date for this entity, has not been enough to turn the market as a whole and the low premium levels have continued into the start of 2018. Asta continue to believe that its development of the MGA business is well timed to meet with the future market need.

## Future developments

Arma obtained slip capacity for its fourth and final class of business in February 2018 and is now looking to build its underwriting volumes quickly through 2018, which will directly increase the income of AUML. In addition, ACL sold PUOL on the 28th February to Manchester Underwriting Management, a specialist MGA. AUML will continue to develop its MGA business services by identifying a number of carefully selected innovative opportunities to launch new MGAs for the foreseeable future in a controlled manner.

### Employment policies

The company remains committed to keeping all employees fully informed about matters relating to the business. This includes ensuring that staff are fully aware of Asta's values: Excellence, Collaboration and Adaptability and the standards of behaviours expected in meeting these. The Executive Team hold regular staff presentations providing updates on business development, financial performance and operational challenges. The company's intranet, 'the Hive', is continually maintained and categorised into: Internal Updates, Asta in the News, Learning & Development (training) and Presentations & Documents. The Hive also provides access to 'Asta Gov', a library of Asta's policies and procedures. As well as having the ability to provide feedback to the senior management either directly or through their managers, staff can leave comments and suggestions on the Hive.

The company has established a learning and development framework committed to offering staff every opportunity to reach their maximum potential for their own benefit and that of the company. This commitment is achieved through policies and procedures which provide opportunities for development which are fair and non-discriminatory. The commitment to training and the provision of facilities and support for employees taking professional examinations remains central to the company's philosophy.

The company's policy is that all staff receive equal opportunities in employment, training and career development and are treated with respect and dignity. Therefore, the company has signed up to the Lloyd's Diversity and Inclusion (D & I) Charter and supports market initiatives, including the annual Dive In Festival raising awareness of D & I issues.

Asta Insurance Markets Ltd also has a comprehensive health and safety policy which is publicised to staff through its handbook and on staff notice boards.

Asta Insurance Markets Ltd, a company registered in England and Wales, is the immediate holding company of AMA. Its accounts are available to the public and may be obtained from 5th Floor, Camomile Court, 23 Camomile Street, London, EC3A 7LL.

By Order of the Board

C Chow
Company Secretary
14 March 2018

# Asta Underwriting Management Ltd

## Directors' Report for the Year Ended 31 December 2017

**Registered No. 09193729**

The directors have pleasure in submitting their annual report and the audited financial statements, together with the Auditor's Report for the year ended 2017.

### Risk management

The risks faced by the business are discussed in the Strategic Report.

### Future developments

Likely future developments in the business are discussed in the Strategic Report.

### Going concern basis

The principal risks and uncertainties of the business have been addressed within the Strategic Report. The company has considered budgets and forecasts to determine financial resources and as a consequence, the directors believe that the company is well placed to manage its business risks successfully and continue in operational existence for the foreseeable future despite the current uncertain economic outlook. The Statement of Financial Position shows a net deficit but management have chosen to adopt a going concern basis as the subordinated loan from Asta Insurance Markets Ltd (AIM) is not repayable on demand. The subordinated loan was made in agreement with the FCA to meet regulatory requirements, and the loan can only be repaid out of AUML's reserves or if it has been replaced with external capital.

### Directors

The current directors of the company are shown on page 2 of these accounts.

### Employment policies

The company's employment policies are discussed in the Strategic Report.

### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Re-appointment of auditors

The company has elected to dispense with its obligation to appoint the auditor and accordingly, Ernst & Young LLP shall be deemed reappointed as auditor for 2018.

By order of the board

C Chow
Company Secretary
14 March 2018

## Asta Underwriting Management Ltd

### Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, 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 and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

# Independent Auditor's Report to the Members of Asta Underwriting Management Ltd

**Opinion**
We have audited the financial statements of Asta Underwriting Management Ltd for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss 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 below. 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, 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.

**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.

**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 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.

## Independent Auditor's Report to the Members of Asta Underwriting Management Ltd (cont'd)

**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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 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.

## Independent Auditor's Report to the Members of Asta Underwriting Management Ltd (cont'd)

**Responsibilities of directors**
As explained more fully in the directors' responsibilities statement set out on page 6, 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.

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

Ernst & Young LLP

Stuart Wilson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
26 March 2018

# Asta Underwriting Management Ltd

## Statement of Comprehensive Income for the Year Ended 31 December 2017

| | Note | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| **Turnover** | 2 | 414 | 1,241 |
| Administrative expenses | 3 | (984) | (1,288) |
| **Loss on ordinary activities before investment income, interest and taxation** | 4 | (570) | (47) |
| Interest receivable and similar income | | 42 | 34 |
| Interest payable and similar charges | 7 | (62) | (54) |
| **Loss on ordinary activities before taxation** | | (590) | (67) |
| Tax on loss on ordinary activities | 8 | 116 | (34) |
| **Loss for the financial period** | | (474) | (101) |

All transactions are derived from continuing operations.

There are no recognised gains or losses other than those included in the Statement of Comprehensive Income for the period, and accordingly no separate Statement of Other Comprehensive Income is given.

## Statement of Changes in Equity
## for the Year Ended 31 December 2017

| | Called-up capital £'000 | Profit and loss account £'000 | Total equity £'000 |
|---|---|---|---|
| At 1 January 2016 | - | (266) | (266) |
| Loss for the period | - | (101) | (101) |
| At 31 December 2016 | - | (367) | (367) |
| Loss for the year | - | (474) | (474) |
| At 31 December 2017 | - | (841) | (841) |

## Statement of Financial Position
## at 31 December 2017

| | Note | 2017 £'000 | 2017 £'000 | 2016 £'000 | 2016 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 9 | | 125 | | - |
| Tangible assets | 10 | | 113 | | 182 |
| Investments | 11 | | - | | - |
| | | | 238 | | 182 |
| **Current assets** | | | | | |
| **Debtors:** Amounts falling due within one year | 12 | 817 | | 272 | |
| Cash at bank and in hand | | 986 | | 752 | |
| | | 1,803 | | 1,024 | |
| **Creditors:** Amounts falling due within one year | 13 | 1,904 | | 1,186 | |
| **Net current liabilities** | | | (101) | | (162) |
| **Total assets less current liabilities** | | | 137 | | 20 |
| **Creditors:** Amounts falling due after one year | 13 | | 978 | | 387 |
| **Net Liabilities** | | | (841) | | (367) |
| **Capital and reserves** | | | | | |
| Called up share capital | 14 | | - | | - |
| Profit and loss account | | | (841) | | (367) |
| | | | (841) | | (367) |

S P A Norton
Director
~~5th Floor~~, Camomile Court, 23 Camomile Street, London, EC3A 7LL
Company Registration Number: 09193729
14 March 2018

# Notes to the Financial Statements at 31 December 2017

## 1. Accounting policies

### Statement of compliance

Asta Underwriting Management Ltd is a limited liability company incorporated in England. The Registered Office is 5th Floor, Camomile Court, 23 Camomile Street, London, EC3A 7LL.

The financial statements have been prepared in compliance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), as it applies to the financial statements of the company for the year ended 31 December 2017 and in accordance with the provisions of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations.

### Basis of preparation

The financial statements of Asta Underwriting Management Ltd were authorised for issue by the board of directors on 27 February 2018. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

Even though the Statement of Financial Position shows a net deficit, the going concern basis has been adopted (see the Directors Report on page 6).

### Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts *recognised in the financial statements.*

The following are the company's key source of estimation uncertainty:

### Taxation

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 8.

### Rendering of services

Revenue from fees recoverable for services provided is recognised on an accruals basis, and when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

***Significant accounting policies***

**Intangible assets**

Costs relating to the development of computer software for internal use is carried at cost less accumulated amortisation and any recognized impairment loss.

These costs are amortised in equal annual amounts over the estimated useful life of the software, which is in line with computer equipment (3 years). Management judgement is involved in determining the appropriate internal costs to capitalise and the amount involved.

**Tangible assets**

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

- Computer equipment - 3 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

**Revenue recognition**

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

**Interest income**

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

**Dividends**

Revenue is recognised when the company's right to receive payment is established.

**Provisions for liabilities**

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that 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, except that:

- where there are differences between amounts that can be deducted for tax for assets and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Deferred tax (cont'd)**

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the date of the Statement of Financial Position.

***Equity investments***

Equity investments are recognised initially at fair value which is normally the transaction price. Subsequently they are recognised at cost less impairment until a reliable measure of fair value becomes available.

If a reliable measure of fair value is no longer available, the equity instrument's fair value on the last date the instrument was reliably measurable is treated as the cost of the instrument.

**Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

**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 income statement in other operating expenses.

**Pensions and other post-retirement benefits**

The group operates a defined contribution pension scheme. Contributions to the defined contribution scheme are recognised in the statement of comprehensive income in the period in which they become payable.

**Interest-bearing loans**

Equity investments are recognised initially at fair value which is normally the transaction price. Subsequently they are recognised at cost less impairment until a reliable measure of fair value becomes available.

If a reliable measure of fair value is no longer available, the equity instrument's fair value on the last date the instrument was reliably measurable is treated as the cost of the instrument.

**Cashflow**

Under FRS paragraph 1.11 and 1.12, the company is exempt from the requirement to prepare a cash flow statement on the grounds that ACL, a company registered in the United Kingdom, publishes consolidated financial statements which include the affairs of this company (see note 18).

**Related parties**

The company has taken advantage of section 33.1A contained in FRS 102 not to disclose related party transactions or balances with wholly owned entities which form part of the group. The consolidated financial statements of ACL within which this company's affairs are included, can be obtained from the address shown in note 18 on page 25.

## 2. Turnover

Turnover represents the aggregate of external fee income and management fees charged for the provision of goods and services to other companies in the group.

Fee income is reflected net of value added tax and is billed in accordance with the terms of the contractual agreement with clients on a basis applicable to specific terms and conditions of individual contracts.

Credit is taken for fee income in the period in which it is chargeable to clients.

Income is recognised on an accruals basis and comprises commission and fees for services provided.

| | 2017<br>£'000 | 2016<br>£'000 |
|---|---|---|
| Turnover comprises: | | |
| Commission income | 150 | 237 |
| Outsource income | 23 | - |
| Other income | 241 | 1,004 |
| | 414 | 1,241 |

All turnover arises from business conducted in the United Kingdom.

Other income in 2016 contains associated costs related to the transfer of AUML investments to ACL.

## 3. Administrative Expenses

| | 2017<br>£'000 | 2016<br>£'000 |
|---|---|---|
| Administrative Expenses comprises: | | |
| Salaries and other related costs | 451 | 811 |
| Office Rent, Rates and Services | 23 | 33 |
| Computer Costs | 241 | 141 |
| Depreciation of owned assets | 98 | 68 |
| Amortisation of intangible assets | 33 | - |
| Sundry Expenses | 138 | 235 |
| | 984 | 1,288 |

## Notes to the Financial Statements at 31 December 2017 (cont'd)

### 4. Operating Loss

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| This is stated after charging: | | |
| Amortisation of intangible assets | 33 | - |
| Depreciation of owned assets | 98 | 68 |
| Auditor's remuneration for audit services | 6 | 8 |
| Auditor's remuneration for non-audit services | 3 | 5 |

### 5. Staff costs

All staff are employed by AIM. The average monthly number of employees (including executive directors) was:

| | 2017 No. | 2016 No. |
|---|---|---|
| Management | 1 | 1 |
| | 1 | 1 |

The aggregate remuneration comprised:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Wages and salaries | 424 | 400 |
| Other pension costs | 66 | 52 |
| Social security costs | 51 | 50 |
| | 541 | 502 |

Staff Costs includes employees disclosed in other Asta group member accounts but charged to these accounts and capital staff costs.

Other pension costs include only those items included within operating costs. Items reported elsewhere have been excluded.

Pension costs of £3k were accrued at 31 December 2017 (2016: £Nil).

## 6. Directors' remuneration

| | 2017<br>£'000 | 2016<br>£'000 |
|---|---|---|
| Non-Executive remuneration | 76 | 75 |
| Company contributions to directors' defined contribution scheme | - | - |
| | 76 | 75 |

| | Number | Number |
|---|---|---|
| The number of directors who are members of a defined contribution pension scheme | - | - |

J M Tighe and S P A Norton were paid in respect of their services to the Asta group as a whole. J M Tighe and S P A Norton's remuneration is disclosed in the accounts of ACL and charged in the accounts of Asta Managing Agency Ltd.

S Fisher's remuneration is disclosed and charged in these accounts.

## 7. Interest payable and similar charges

| | 2017<br>£'000 | 2016<br>£'000 |
|---|---|---|
| Interest payable on inter-company loans | 62 | 54 |

## 8. Taxation on loss on ordinary activities

(a) Tax on loss on ordinary activities
The tax charge is made up as follows:

| | 2017<br>£'000 | 2016<br>£'000 |
|---|---|---|
| Current tax: | | |
| UK Group Relief / Corporation tax at 19.25% (2016: 20%) | (125) | 5 |
| Tax underprovided in previous years | 3 | 7 |
| Total tax (credit) / charge | (122) | 12 |

| | 2017<br>£'000 | 2016<br>£'000 |
|---|---|---|
| Deferred tax: | | |
| Origination and reversal of timing differences | 14 | (11) |
| Effect of decreased tax rate on deferred tax balance | (5) | (1) |
| Prior year adjustment | (3) | 34 |
| Deferred tax | 6 | 22 |

| | 2017<br>£'000 | 2016<br>£'000 |
|---|---|---|
| Current tax | (122) | 12 |
| Deferred tax | 6 | 22 |
| Tax on loss on ordinary activities | (116) | 34 |

## 8. Taxation on loss on ordinary activities (cont'd)

(b) *Factors affecting the total tax charge*
The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are reconciled below:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Loss on ordinary activities before tax | (589) | (67) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%). | (113) | (13) |
| Expenses not deductible for tax purposes | 2 | 7 |
| Prior year under provision | 3 | 7 |
| Deferred fixed assets – prior year | (3) | 34 |
| Effect of rate change on deferred tax | (5) | (1) |
| Capital allowances | - | - |
| Total tax (credit) / expense | (116) | 34 |

A reduction in the UK corporation tax rate from 20% to 19% was substantively enacted in October 2015 and took effect from 1 April 2017. In the Finance Act 2016, the government enacted a further reduction to the main rate of corporation tax, reducing this to 19% from 1 April 2017 and 17% from 1 April 2020.

## 9. Intangible assets

| | Computer Software Development Expenditure £'000 | Total £'000 |
|---|---|---|
| **Cost** | | |
| At 1 January 2017 | - | - |
| Additions during the period | 158 | 158 |
| At 31 December 2017 | 158 | 158 |
| **Amortisation** | | |
| At 1 January 2017 | - | - |
| Charge for the period | 33 | 33 |
| At 31 December 2017 | 33 | 33 |
| **Net Book Value** | | |
| At 31 December 2017 | 125 | 125 |
| At 31 December 2016 | - | - |

These assets arise on the internal development of computer software being amortised evenly over the estimated useful life of the software, which is 3 years. This estimation is in line with the computer software useful life.

Management analyse staff costs with the use of their staff recording system to determine the appropriate internal costs to capitalise.

## 10. Tangible fixed assets

| | Computers Furniture and Office Equipment £'000 | Total £'000 |
|---|---|---|
| **Cost** | | |
| At 1 January 2017 | 279 | 279 |
| Additions during the period | 29 | 29 |
| At 31 December 2017 | 308 | 308 |
| **Depreciation** | | |
| At 1 January 2017 | 97 | 97 |
| Charge for the period | 98 | 98 |
| At 31 December 2017 | 195 | 195 |
| **Net Book Value** | | |
| At 31 December 2017 | 113 | 113 |
| At 31 December 2016 | 182 | 182 |

## 11. Investments

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Subsidiary undertakings | - | - |

Details of the investments in which the company held 20% or more of the nominal value of any class of share capital during the year are as follows:

| Name of company | Holding | Proportion of voting rights and shares held | Nature of business |
|---|---|---|---|
| Subsidiary undertakings | | | |
| Asta Blue Line Services Ltd (ABL) | Ordinary shares | 100% | Dormant company |

On 30 May 2017, AUML invested in 100 ordinary shares at a value of £1 in ABL. Its registered office address is Camomile Court, 23 Camomile Street, London, England, EC3A 7LL. The company was incorporated on the day of the investment and therefore no assets, liabilities or goodwill was acquired.

## 12. Debtors

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade debtors | 67 | 11 |
| Amount owed by subsidiary undertaking | 560 | 253 |
| Other Debtors | - | 7 |
| Corporation tax | 64 | - |
| Prepayments and accrued income | 126 | 1 |
| | 817 | 272 |

## 13. Creditors

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Amounts owed by parent undertaking | 64 | 27 |
| Amounts owed to subsidiary undertaking | - | - |
| Amounts owed to fellow subsidiary undertakings | 1,766 | 647 |
| Other creditors | 62 | 455 |
| Corporation tax | - | 12 |
| Deferred tax liability | - | 15 |
| Accruals and deferred income | 12 | 30 |
| | 1,904 | 1,186 |
| **Amounts falling due after one year:** | | |
| Subordinated Loan | 950 | 380 |
| Deferred tax liability | 28 | 7 |
| | 978 | 387 |

The deferred tax liability has been recognised in respect of fixed asset timing differences netted against deferred tax asset pension payment timing differences.

| **Reconciliation of deferred tax** | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Deferred tax liability in respect of fixed assets timing difference | 29 | 22 |
| Deferred tax asset in respect of pension payment timing difference | (1) | - |
| | 28 | 22 |

| | £'000 | £'000 |
|---|---|---|
| Opening balance for the period | 22 | - |
| Origination and reversal of timing differences | 14 | (11) |
| Effect of decreased tax rate on deferred tax balance | (5) | (1) |
| Prior year adjustments | (3) | 34 |
| Closing balance for the period | 28 | 22 |

The subordinated loan is an intercompany loan from Asta Insurance Markets Ltd (AIM) to meet FCA regulatory requirements. The interest rate is 3.6% margin rate above the Barclays bank base rate.

## 14. Allotted and issued share capital

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Authorised, called up and fully paid:** | | |
| 100 Ordinary 'A' shares of £1 each | - | - |
| | - | - |

## 15. Retirement Benefit Schemes

**Defined contribution schemes**
A defined contribution scheme is in operation with contributions from both the company and the employee via salary sacrifice. Employees are offered Company contributions ranging from 10% to 17% and can be dependent on the age of the employee and the level of contributions that the employee voluntarily makes. All contributions are fully expensed to the statement of comprehensive income as they become due.

The pension cost charge for the year to the defined contribution scheme, amounted to £66k (2016: £52k).

Pension costs of £3k were accrued at 31 December 2017 (2016: £Nil).

## 16. Related party transactions

During the year AUML entered into transactions, in the ordinary course of business, with other related parties not wholly owned by the business.

Transactions entered into and trading balances outstanding at 31 December 2017 were as follows:

| | Amounts owed from related parties £'000 | Amounts owed to related parties £'000 |
|---|---|---|
| Entities over which the group has joint control or significant influence | | |
| 2017 | 627 | - |
| 2016 | 264 | - |

**Key management personnel**
All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel. Total remuneration in respect of these individuals is £76k (2016: £296k).

Certain key management personnel were paid in respect of their services to the Asta group as a whole. Their remuneration is disclosed in other group company accounts (see note 5).

**Intra-group related transactions**
The company has taken advantage of the exemption under FRS102 33.1A from having to disclose intra-group related party transactions for any subsidiaries which are wholly owned.

## 17. Events after the reporting period

**MGAs**

Asta Capital Limited sold Pelican Underwriting One Ltd on the 28th February 2018.

## 18. Controlling party

The company's immediate parent company is Asta Insurance Markets Ltd (AIM), a company incorporated in Great Britain and registered in England and Wales.

The results of the company are consolidated in ACL, a company registered in the United Kingdom. At the Statement of Financial Position date, ACL was AUML's ultimate parent company, and the parent of the smallest and largest group into which the company's results are consolidated.

The ACL accounts to 31 December 2017 are available to the public and may be obtained from 5th Floor, Camomile Court, 23 Camomile Street, London, EC3A 7LL.

ACL is controlled by a consortium comprising Paraline International Limited, Skuld Investments Limited and ACHP plc (formerly Pro Global Insurance Solutions plc).