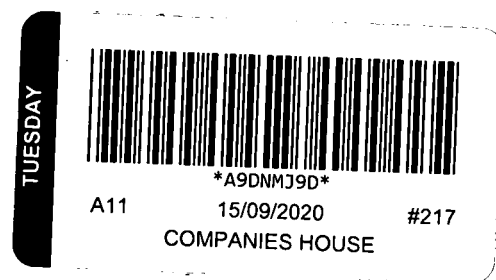


Prorendita Two Limited
Company Registration No. 05523887

Prorendita Two Limited
Group Financial Statements
For the year ended 31 December 2019



Prorendita Two Limited

Company Information

Directors	R Ireland D Gehl
Secretary	K Cathrall
Company number	05523887
Registered office	One City Place Queens Road Chester CH1 3BQ
Auditors	RSM UK Audit LLP Chartered Accountants One City Place Chester CH1 3BQ
Bankers	The Royal Bank of Scotland International Ltd 1 Glatigny Esplanade St Peter Port Guernsey GY1 4BQ
Investment Advisor	SL Investment Management Limited One City Place Queens Road Chester CH1 3BQ

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Strategic Report
For the Year ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Key performance indicators

The directors have determined that the following financial key performance indicators are the most effective measures of progress towards achieving the group's objectives.

	2019	2018
	£	£
Turnover	2,792,676	764,016
Profit/(loss) on ordinary activities before taxation	727,525	134,623
Surrender Values	0	2,619,572

Business review

At the start of the year, the group held a total of 87 traded endowment policies with a total surrender value of £2.6m. As planned, all of these policies were successfully sold during the course of 2019. The group therefore held no policies at year end.

As a result of selling all remaining policies in the portfolio, the trading activity of the group in 2019 was significantly higher than that experienced in 2018. The realised gains associated with the policy trading contributed towards a strong reported profit for the year. The 2019 profit was reduced by a one-off accrual for windup fees due to arise when the Partnership winds up in 2020. Without this one-off expense, administrative expenses during the year were lower than in 2018.

Cash generated from policy sales allowed the LP to pay capital withdrawals of £0.5m to the limited partners during the year, in line with the business plan. The net assets of the group increased by £0.2m during the year despite the £0.5m capital withdrawals. Total net assets were £1.9m at year-end.

Overall, the assets underlying the group's endowment policies namely; equities, bonds, commercial property and cash instruments, made positive investment returns during the year. The average with-profit fund investment return for 2019 was +10.8%, compared with -2.7% in 2018. The surrender values of the endowment policies held by the group enjoyed positive growth. The surrender values of the policies in the portfolio increased by 7.0% during the course of 2019 (2018: 8.5%).

Future developments

2020 will be the final year of trading for the group. The directors successfully sold all policies during 2019, resulting in 100% of the groups assets being held in cash at year end. All surplus cash will then be distributed to the limited partners during 2020.

Following the final capital distributions to be made during 2020, Prorendita Two Limited and Prorendita Two Limited Partnership will be dissolved in 2020, per the planned windup schedule.

Strategic Report
For the Year ended 31 December 2019

Risk Management

The group's strategy is to follow an appropriate risk policy, which effectively manages exposures related to the achievement of business objectives. The directors are responsible for approving the group's strategy and determining the appropriate level of risk. The key risks which the group faces are as follows:

Business performance risk

Business performance risk is the risk that the group may not perform as expected either due to internal factors or due to competitive pressures in the markets in which it operates. This risk is managed through a number of measures, principally: thorough and continuing research of the industry and its markets; ensuring the appropriate management team is in place; strategic and business planning; monthly reporting and variance analysis; financial controls; key performance indicators; and regular forecasting.

Business continuity risk

The group is dependent on its external service providers to ensure there is sufficient IT support and that all data is stored offsite. The service providers have alternative office space insurance should an unforeseen event occur with a disaster recovery team able to be housed and operational within 24 hours. Scenario and communication testing is conducted annually.

Maintaining standards of health and safety risk

The group is committed to ensuring a safe working environment is maintained. Health & Safety risks are managed by the group through the promotion of a health and safety culture and well defined care, health and safety policies together with training programmes for staff.

Financial and business control

Strong financial and business controls are necessary to ensure the integrity and reliability of financial and other information on which the group relies for day-to-day operations, external reporting and for longer term planning. The group exercises financial and business control through a combination of: qualified and experienced financial personnel; performance analysis; budgeting and cash flow forecasting; and clearly defined approval limits.

Strategic Report
For the Year ended 31 December 2019

Financial Risk Management

The group's operations have exposed it to a variety of financial risks that include the effects of credit risk and liquidity risk.

Credit risk

The group's objective is to minimise the risks of bad debts and their consequential effects on the financial performance of the group. The directors ensure that checks are carried out on potential customers before sales are made. Debts are monitored on an on-going basis identifying those that have exceeded their credit terms and appropriate action taken to recover amounts owed and limit the effects on the financial performance of the group.

Liquidity risk

The Directors ensure that the group has sufficient available funds for operations through regular assessment of required cash levels.

This report was approved by the board on 11th May 2020 and signed on its behalf by



R Ireland
Director

Directors' Report
For the Year ended 31 December 2019

The Directors present their report and financial statements for the year ended 2019.

Principal activities

The principal activity of the group is the trading of endowment policies.

Results and dividends

The trading results for the year and the group's and company's financial position at the end of the year are shown in the attached financial statements.

The directors of the company have not recommended the payment of a dividend.

Matters of strategic importance

Future developments and financial risk management objectives as required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the separate Strategic Report in accordance with section 414C(11) of the Companies Act 2006.

Directors

The directors who served during the year were:

R Ireland
R Wiktor (resigned 31.01.2020)
D Gehl (appointed 01.02.2020)

Provision of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditor

The auditor, RSM UK Audit LLP are deemed to be reappointed under section 487(2) of the companies act 2006

This report was approved by the board on 11th May 2020 and signed on its behalf by



R Ireland
Director

Statement of Directors' Responsibilities for the Year ended 31 December 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 group and the company and of the profit or loss of the group for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

Opinion

We have audited the financial statements of Prorendita Two Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of financial position, the Consolidated statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of Matter – non going concern basis

We draw attention to Note 1.3 to the financial statements which describes the preparation of the financial statements on a non-going concern basis. As described in Note 1.3 the company plans to cease trading in the next 12 months and the directors have concluded that it is no longer appropriate to prepare the financial statements on a going concern basis.

There have been no material adjustments made to the financial statements as a result of the application of the non-going concern basis of accounting.

Our opinion is not modified in respect of this matter.

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 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.

Independent Auditor's report to the members of Prorendita Two Limited

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Prorendita Two Limited

Independent Auditor's report to the members of Prorendita Two Limited

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.

RSM UK Audit LLP

Michael Fairhurst (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
One City Place
Queens Road
Chester
CH1 3BQ

Date 12 May 2020

Consolidated Statement of Total Comprehensive Income for the year ended 31 December 2019

	<i>Note</i>	<i>2019</i> £	<i>2018</i> £
Turnover	3	2,792,676	764,016
Cost of sales		(1,930,066)	(557,174)
Gross profit		862,610	206,842
Administrative expenses		(71,364)	(90,524)
Exceptional administrative expenses	13	(63,721)	18,305
Operating profit / (loss)	4	727,525	134,623
Profit / (loss) on ordinary activities before taxation		727,525	134,623
Tax on profit on ordinary activities	7	-	-
Profit / (loss) on ordinary activities after taxation and total comprehensive income for the year		727,525	134,623
Non-controlling interests		(727,525)	(134,623)
Profit on ordinary activities after taxation and total comprehensive income attributable to the members of the parent company		-	-

Consolidated Statement of Financial Position as at 31 December 2019

	Note	£	2019 £	£	2018 £
Current assets					
Stocks	10	-		1,869,736	
Debtors	11	-		80,045	
Cash at bank and in hand		<u>2,387,350</u>		<u>139,118</u>	
		2,387,350		2,088,899	
Creditors: amounts falling due within one year	12	<u>(488,868)</u>		<u>(55,876)</u>	
			<u>1,898,482</u>		<u>2,033,023</u>
Provision for liabilities and charges	13		-		(362,066)
Net assets			<u>1,898,482</u>		<u>1,670,957</u>
Capital and Reserves					
Called up share capital	14		17,000		17,000
Profit and loss account			-		-
Attributable to owners of the parent			17,000		17,000
Attributable to non-controlling interests			1,881,482		1,653,957
Total Equity			<u>1,898,482</u>		<u>1,670,957</u>

The notes on pages 15 to 25 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11th May 2020.

Robert Ireland

R Ireland
Director

Company Statement of Financial Position as at 31 December 2019

	Note	£	2019 £	£	2018 £
Fixed assets					
Fixed asset investments	9	-	-	-	-
Current assets					
Debtors	11	31,539	21,419		
Cash at bank and in hand		<u>1,483</u>	<u>3,615</u>		
		33,022	25,034		
Creditors: amounts falling due within one year	12	<u>(16,022)</u>	<u>(8,034)</u>		
Net current assets			<u>17,000</u>		<u>17,000</u>
Net assets			<u>17,000</u>		<u>17,000</u>
Capital and Reserves					
Called up share capital	14	17,000	17,000		
Profit and loss account		<u>-</u>	<u>-</u>		
Total equity			<u>17,000</u>		<u>17,000</u>

As permitted by S408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's profit and total comprehensive income for the year was £nil (2018 - £nil).

The financial statements on pages 9 to 25 were approved and authorised for issue by the board and were signed on its behalf on 11th May 2020.

Robert Ireland

R Ireland
Director

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

	Controlling interests Share capital £	Profit and loss account £	NCI £	Total £
Balance at 1 January 2018	17,000	-	2,269,334	2,286,334
Profit for the year	-	-	134,623	134,623
Total comprehensive income for the year	-	-	134,623	134,623
Transactions with owners				
Capital withdrawn	-	-	(750,000)	(750,000)
Total transactions with owners	-	-	(750,000)	(750,000)
Balance at 31 December 2018	17,000	-	1,653,957	1,670,957
Profit for the year	-	-	727,525	727,525
Total comprehensive income for the year	-	-	727,525	727,525
Transactions with owners				
Capital withdrawn	-	-	(500,000)	(500,000)
Total transactions with owners	-	-	(500,000)	(500,000)
Balance at 31 December 2019	17,000	-	1,881,482	1,898,482

Company Statement of Changes in Equity for the year ended 31 December 2019

	<i>Note</i>	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
Balance at 1 January 2018		17,000	-	17,000
Profit for the year		-	-	-
Total comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>
 Balance at 31 December 2018		17,000	-	17,000
Profit for the year		-	-	-
Total comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>
 Balance at 31 December 2019		<u>17,000</u>	<u>-</u>	<u>17,000</u>

Consolidated Statement of Cash Flows for the year ended 31 December 2019

	Note	2019 £	2018 £
OPERATING ACTIVITIES			
Cash generated from operations	15	2,748,232	736,495
NET CASH FROM OPERATING ACTIVITIES		<u>2,748,232</u>	<u>736,495</u>
FINANCING ACTIVITIES			
Withdrawal of capital		(500,000)	(750,000)
NET CASH USED IN FINANCING ACTIVITIES		<u>(500,000)</u>	<u>(750,000)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		2,248,232	(13,505)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		139,118	152,623
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u><u>2,387,350</u></u>	<u><u>139,118</u></u>

Notes to the financial statements
For the year ended 31 December 2019

1. Accounting Policies

1.1 General information

Prorendita Two Limited ("the company") is a private limited company by shares domiciled and incorporated in England and Wales with registered number: 05523887.

The address of the Company's registered office and principal place of business is One City Place, Queens Road, Chester CH1 3BQ.

The group consists of Prorendita Two Limited and all of its subsidiaries.

The company's and the group's principal activities are included in the directors report.

1.2 Basis of accounting

These consolidated and company financial statements are prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), including the Large and Medium sized companies and Groups (Accounts and Reports) Regulations 2008 and under the historical cost convention.

Monetary amounts in these financial statements are rounded to the nearest whole £1, except where otherwise indicated.

1.3 Non-going concern basis of preparation

The group is in the process of a planned closure by the end of 2020. The directors review cash flow forecasts to ensure that costs and cash flow are controlled and managed and that the cash reserves of the group are maintained, with final distributions planned for 2020.

The financial statements have been drawn up on a basis other than going concern due to the planned cessation of trading in the next 12 months. No material adjustments arise as a result of applying the non-going concern basis.

1.4 Basis of consolidation

The group financial statements include the results of Prorendita Two Limited and its subsidiary undertaking drawn up to 31 December 2019.

All intra-group transactions and balances between group companies are eliminated on consolidation.

The company's profit for the year and total comprehensive income for the year was £nil (2018 – nil).

Prorendita Two Limited Partnership has been included as a subsidiary undertaking because Prorendita Two Limited exercises a dominant influence over Prorendita Two Limited Partnership as a consequence of day to day management control resting with Prorendita Two Limited the general partner of Prorendita Two Limited Partnership.

Company Statement of Comprehensive Income

In accordance with exemptions allowed by Section 408 of the Companies Act 2006 the company has not presented its own statement of comprehensive income, as it prepares group accounts and the company's individual statement of financial position, which shows the company's profit or loss for the financial year.

Notes to the financial statements
For the year ended 31 December 2019

1.5 Reduced disclosures

In accordance with the reduced disclosure regime of FRS 102, the company has taken advantage of the exemptions from the following disclosure requirements;

- Section 7 'Statement of Cash Flows' presentation of a Cash Flow statement and related notes and disclosures.
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income

1.6 Turnover

Turnover comprises income from the completion of sales of traded endowment policies, policy death claims and policies surrendered during the year. Policies are recognised in turnover on the contract date for tertiary sales and instruction date communicated to life offices for deaths and policy surrenders.

1.7 Cost of sales

Cost of sales comprises the cost of traded endowment policies sold and related life office and administrative fees.

1.8 Investments

In the separate accounts of the company, interests in subsidiaries, are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Interests in subsidiaries, are assessed for impairment at each reporting date. Any impairments losses or reversals of impairment losses are recognised immediately in profit or loss.

1.9 Stocks

Stock is valued at the lower of cost and estimated selling prices less costs to sell. Cost includes the cost of policies acquired together with life office charges, fixed fees, agent's commission, premiums paid and commission. Policies are included in stock at the date when the purchase is settled for direct contracts and on contract date for tertiary purchases. Estimated selling price less costs to sell, is the estimated price at which stocks can be realised in the normal course of business which will be based on the estimated surrender value of policies. At each reporting date the group assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price is recognised as an impairment loss in profit or loss.

1.10 Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Corporation tax is payable based on the profits chargeable to tax of Prorendita Two Limited. Profits attributable to Prorendita Two Limited Partnership are assessed on the individual investors of PRORENDITA ZWEI GmbH & Co. KG. and therefore excluded from group accounts.

Notes to the financial statements
For the year ended 31 December 2019

1.10 Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income or expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the Company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.11 Functional and presentational currency

The consolidated financial statements are presented in sterling which is also the functional currency of the company.

1.12 Capital withdrawals

Capital withdrawals represent amounts transferred to PRORENDITA ZWEI GmbH & Co. KG. in accordance with the partnership agreement.

1.13 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument, and are offset only when the group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade and group debtors

Trade and group debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Notes to the financial statements
For the year ended 31 December 2019

1.13 Financial instruments (continued)

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Trade and other creditors

Trade and other creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value at each reporting date. Fair value gains and losses are recognised in profit and loss.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

1.14 Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amount required to settle the obligation.

Notes to the financial statements

For the year ended 31 December 2019

2. Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The net realisable value of stock is based on estimates of surrender value at year end. The assumptions used in this calculation are derived from analysis of actual life office quoted surrender values which are obtained on a rolling basis. Observed surrender value movements since the date of the latest life office quoted value are applied to all policies in the portfolio to calculate an estimated surrender value as at the reporting date. In aggregate, the estimated surrender value of the portfolio was within 1% of the latest life office quoted values, which were between two and three months old on average.

Performance fee provision

The performance fee provision is based on estimates of future investment performance of the assets, which are outside the control of management.

The performance fee in the current year has moved to a creditor: £425,787 (2018 provision £363,066) as there was a contractual obligation at 31 December 2019.

3. Turnover

Sales were made in the following geographical markets:

	2019 £	2018 £
United Kingdom	2,792,676	764,016

	2019 £	2018 £
An analysis of the group's turnover by class of business as follows:-		
Value of traded endowment policy exits completed	2,792,676	764,016

Notes to the financial statements
For the year ended 31 December 2019

4. Operating profit

The operating profit is stated after charging:

	Group 2019 £	Group 2018 £
Auditor's remuneration – audit	8,280	8,400
Auditor's remuneration – non-audit – tax compliance fees	9,948	8,580

5. Staff costs

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

	Group 2019 £	Group 2018 £
Wages and salaries	19,900	19,900
Social security costs	-	-
Pension costs	-	-
	<u>19,900</u>	<u>19,900</u>

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

	Group 2019 Number	Group 2018 Number
Administration	<u>3</u>	<u>3</u>

6. Directors' remuneration

	2019 £	2018 £
Emoluments	7,200	7,200
Sums paid to third parties for directors services	7,200	7,200
	<u>14,400</u>	<u>14,400</u>

Notes to the financial statements
For the year ended 31 December 2019

7. Taxation

	Group 2019	Group 2018
	£	£
<i>Analysis of tax charge in the year</i>		
UK corporation tax charge on profit for the year	-	-
Adjustments in respect of prior periods	-	-
Total current tax	<u>-</u>	<u>-</u>
Total deferred tax	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	<u>-</u>	<u>-</u>

8. Profit attributable to members of the parent company

	2019	2018
	£	£
Dealt with in the financial statements of the parent company	-	-
Retained by subsidiary undertaking	-	-
	<u>-</u>	<u>-</u>

9. Fixed asset investments

	Company 2019	Company 2018
	£	£
Cost and Net Book Value At 31 December	<u>-</u>	<u>-</u>

Subsidiary Undertaking

The subsidiary undertaking included in the consolidated financial statements is Prorendita Two Limited Partnership of which Prorendita Two Limited acts as a general partner. Prorendita Two Limited Partnership trades endowment policies and its principal place of business is at:
One City Place, Queens Road, Chester CH1 3BQ.

Notes to the financial statements
For the year ended 31 December 2019

10. Stocks

	Group 2019	Group 2018	Company 2019	Company 2018
	£	£	£	£
Endowment life policies	-	1,869,736	-	-

11. Debtors

	Group 2019	Group 2018	Company 2019	Company 2018
	£	£	£	£
Trade debtors	-	78,278	-	-
Amounts owed by group undertakings	-	-	31,539	21,419
Prepayments and accrued income	-	1,767	-	-
	-	80,045	31,539	21,419

12. Creditors: Amounts falling due within one year

	Group 2019	Group 2018	Company 2019	Company 2018
	£	£	£	£
Trade creditors	2,369	2,243	1,369	31
Social security and other taxes	92	92	92	92
Accruals	60,620	53,221	14,561	7,911
Performance fee	425,787	-	-	-
Other creditors	-	320	-	-
	488,868	55,876	16,022	8,034

Notes to the financial statements
For the year ended 31 December 2019

13. Provisions for liabilities

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Performance fee as at 1 Jan 2019	-	380,371	-	-
(reduction)/ addition in year	-	(18,305)	-	-
Performance fee as at 31 Dec 2019	-	362,066	-	-

The performance fee provision is based on estimates of future investment performance of the assets, which are outside the control of management.
The performance fee in the current year has moved to a creditor: £425,787 as there was a contractual obligation at year end.

14. Share capital and reserves

Company	2019 £	2018 £
Allotted, called up and fully paid		
17,000 Ordinary Shares of £1 each	17,000	17,000

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

Reserves

Reserves of the group and company represent the following:

Profit and loss account

Cumulative profit and loss net of distributions to owners

Notes to the financial statements
For the year ended 31 December 2019

15. Reconciliation of profit after tax to net cash used in operations	2019 £	2018 £
Profit/ (loss) after tax	727,525	134,623
OPERATING CASH FLOWS BEFORE MOVEMENT IN WORKING CAPITAL	727,525	134,623
Decrease in stock	1,869,736	468,345
Decrease in debtors	80,045	127,806
Increase/(Decrease) in trade and other creditors	432,992	24,026
(Decrease) in provisions and other liabilities	(362,066)	(18,305)
	2,020,707	601,872
Cash generated from operations	2,748,232	736,495

16. Ultimate parent undertaking

Prorendita Two Limited is 100% owned by PRORENDITA ZWEI GmbH & Co. KG, a partnership registered in Germany. The limited partners of PRORENDITA ZWEI GmbH & Co. KG are individual investors who collectively have 100% control, but none of whom individually hold more than 25% of the control. Therefore, there is no ultimate controlling party.

PRORENDITA ZWEI GmbH & Co. KG is the parent undertaking of the smallest and largest group of which the company is a member and for which group financial statements are prepared. Copies of the parent's consolidated financial statements, which include the company, may be obtained from the company secretary, Berliner Allee 27-29, 40212 Düsseldorf.

17. Non-controlling interests

The subsidiary entity Prorendita Two Limited Partnership has minority interests representing 100% of the profit share per the partnership agreement of this partnership. Prorendita Two Limited exercises control over Prorendita Two Limited Partnership, but is not entitled to a profit share in the limited partnership.

18. Remuneration of key management personnel

The total remuneration of the directors and managers who are considered to be the key management personnel of the group was £14,400 (2018 - £14,400).

Notes to the financial statements
For the year ended 31 December 2019

19. Related party transactions

Group and company

PRORENDITA ZWEI GmbH & Co. KG, the parent undertaking of Prorendita Two Limited and the limited partner of Prorendita Two Limited Partnership, withdrew capital amounting to £500,000 (2018: £750,000) during the period.

Prorendita Two Limited Partnership

Disclosure of transactions with subsidiaries who are not wholly owned are management charges of £40,120 (2018: £33,344).

Amounts owed by the subsidiary at the year end are £31,539 (2018: £21,419).

SL Investment Management Limited

A director of SL Investment Management Limited is also a director of Prorendita Two Limited.

During the year the group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and balances outstanding at 31 December, are as follows:

2019	Sales to related party	Fees incurred with related party	Amounts owed from related party	Amounts owed to related party
Related party	£	£	£	£
SL Investment Management Limited				
Administration & accounting services	-	502,396	-	453,156
2018	Sales to related party	Fees incurred with related party	Amounts owed from related party	Amounts owed to related party
Related party	£	£	£	£
SL Investment Management Limited				
Administration & accounting services	-	62,610	-	36,090

The 2019 fees incurred and amounts owed include the entire performance fee as per note 14, as this only became a liability in the current year. This was previously a provision and therefore the movement has gone through the statement of comprehensive income year on year.