# ASCOT REINSURANCE COMPANY LIMITED
## (FORMERLY ATHERTON BERMUDA REINSURANCE LIMITED)

# FINANCIAL STATEMENTS

# FOR THE PERIOD FROM INCEPTION ON 8 SEPTEMBER 2016 TO 31 DECEMBER 2017

**Statement of Executive Directors' and Management's Responsibilities**

The executive directors and management are responsible for preparing the financial statements in accordance with applicable law and regulations. Company law requires the executive directors and management to prepare financial statements for each financial year. Under that law the executive directors and management have prepared 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 (FRS 102).

Under company law the executive directors and management 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 and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable laws and 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 executive directors and management are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with 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.

**Statement of disclosure of information to the auditors**

Each of the persons who is an executive director of the Company at the date of this report confirms that:

- as far as each executive director is aware, there is no information relevant to the audit of the annual financial statements for the period ended 31 December 2017 of which the auditors are unaware, and;
- the executive directors have taken all steps that they ought to have taken in their duty as executive directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board of Directors

A Brooks
Director
21 March 2018

**Independent auditor's report to the directors of Ascot Reinsurance Company Limited**

**Report on the audit of the non-statutory financial statements**

**Opinion**

In our opinion the non-statutory financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

We have audited the non-statutory financial statements of Ascot Reinsurance Company Limited (the 'company') which comprise:

- 
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in shareholders' equity;
- the cash flow statement;
- the summary of significant accounting policies; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation of the company financial statements is 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), and the provisions of the Companies Act 2006 that would have applied were these statutory financial statements.

**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 non-statutory financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the non-statutory 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.

**Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the non-statutory financial statements is not appropriate; or
- the directors have not disclosed in the non-statutory 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 non-statutory financial statements are authorised for issue.

We have nothing to report in respect of these matters.

**Other information**

The executive directors and management are responsible for the other information. The other information comprises the information included in the annual report, other than the non-statutory financial statements and our auditor's report thereon. Our opinion on the non-statutory financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

**Independent auditor's report to the directors of Ascot Reinsurance Company Limited (continued)**

In connection with our audit of the non-statutory financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-statutory 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 non-statutory 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 respect of these matters.

**Responsibilities of directors**
As explained more fully in the executive directors' and management's responsibilities statement, the executive directors and management are responsible for the preparation of the non-statutory financial statements and for being satisfied that they give a true and fair view, and for such internal control as the executive directors and management determine is necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-statutory financial statements, the executive directors and management 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 non-statutory financial statements**
Our objectives are to obtain reasonable assurance about whether the non-statutory 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 non-statutory financial statements.

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

**Use of our report**

This report is made solely for the exclusive use of the directors and solely for the purpose of shareholder information. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the report or this engagement.

Andrew Downes (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
21 March 2017

## Ascot Reinsurance Company Limited
## Statement of Financial Position
## as at 31 December 2017
(Expressed in thousands of U.S. dollars)

| | Note | 2017 |
|---|---|---|
| **ASSETS** | | |
| **Investments** | | |
| Financial investments (Cost US$1,397,714) | *13* | **1,398,080** |
| **Debtors** | | |
| Other debtors | *5* | **9,762** |
| **Other Assets** | | |
| Cash at bank and in hand | | **90,774** |
| Accrued interest | | **2,435** |
| **TOTAL ASSETS** | | **1,501,051** |
| **LIABILITIES** | | |
| **Capital and reserves** | | |
| Called up share capital | *8* | **120** |
| Additional paid in capital | *8* | **1,499,428** |
| Retained earnings | | **1,381** |
| | | **1,500,929** |
| **Creditors** | | |
| Other creditors | *6* | **122** |
| **TOTAL LIABILITIES** | | **1,501,051** |

The notes on pages 6 to 14 form an integral part of the financial statements.

The financial statements on pages 2 to 14 were approved at a meeting of the Board of Directors and signed on its behalf by:

J Roberts
Director
21 March 2018

A Brooks
Director

## Ascot Reinsurance Company Limited
## Statement of Comprehensive Income
## for the period ended 31 December 2017

(Expressed in thousands of U.S. dollars)

| | *Note* | 2017 |
|---|---|---|
| Investment income | *9* | **1,838** |
| Operating expenses | | **(457)** |
| **Net income for the financial period** | | **1,381** |

The notes on pages 6 to 14 form an integral part of the financial statements.

## Ascot Reinsurance Company Limited
## Statement of Changes in Shareholders' Equity
## for the period ended 31 December 2017
(Expressed in thousands of U.S. dollars)

| | *Note* | Called-up share capital | Additional capital | Retained earnings | Total Equity |
|---|---|---|---|---|---|
| **Balance as at 8 September 2016** | | - | - | - | - |
| Capital contributed from parent | 8 | 120 | 1,499,428 | - | **1,499,548** |
| Net income for the financial period | | - | - | 1,381 | **1,381** |
| **Balance as at 31 December 2017** | | **120** | **1,499,428** | **1,381** | **1,500,929** |

## Ascot Reinsurance Company Limited
## Statement of Cash Flows
## for the period ended 31 December 2017
(Expressed in thousands of U.S. dollars)

| | Note | 2017 |
|---|---|---|
| **Net cash outflow from operating activities** | *12* | **(10,694)** |
| **Cash flow from investing activities** | | |
| Acquisition of investments | | (1,398,080) |
| **Net cash used in investing activities** | | **(1,398,080)** |
| **Cash flow from financing activities** | | |
| Issued share capital | | 1,499,548 |
| **Net cash generated from financing activities** | | **1,499,548** |
| Net increase in cash at bank and in hand | | 90,774 |
| Cash at bank and in hand at beginning of the period | | - |
| **Cash at bank and in hand at end of the period** | | **90,774** |

**Notes to the financial statements**

## 1. Nature of Business

Ascot Reinsurance Company Limited (ARCL) was incorporated in Bermuda on 8 September 2016. ARCL was registered by the Bermuda Monetary Authority on 20 November 2017 as a Class 3B Bermuda reinsurer. ARCL received an A rating from A M Best on 27 November 2017. The Company did not enter into any insurance contracts in the period.

The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda.

ARCL is a part of the Ascot Group Limited (AGL) group.

The Company changed its name from Atherton Bermuda Reinsurance Limited to Ascot Reinsurance Company Limited on 14 June 2017.

## 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

***Basis of preparation***

The financial statements have been prepared on the going concern basis, the accounting policies as set out below, and in accordance with applicable accounting standards in the United Kingdom (FRS 102). In selecting appropriate accounting policies and the disclosures needed to help users to understand the accounting policies adopted and how they have been consistently applied, consideration has been given to the provision of FRS 102.

The period covered by these financial statements is from 8 September 2016 (date of incorporation) to 31 December 2017 for the purposes of showing income and expenses in the statement of comprehensive income; the statement of financial position has been produced as at 31 December 2017.

The Company has taken advantage of certain exemptions available to it as a qualifying entity

***Foreign currency***

*Functional and presentation currency*

The functional currency is the currency of the primary economic environment in which the entity operates. The Company's functional currency is the US Dollars. The Company's presentation currency is US Dollars.

*Transactions and balances*

At each period end foreign currency monetary items are translated using the closing rate.

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 statement of comprehensive income.

***Financial investments***

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

**Notes to the financial statements (continued)**

**2. Summary of significant accounting policies (continued)**

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

***Financial investments (continued)***

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Other financial assets, including debt securities which are not classed as short-term investments, are initially measured at fair value which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the statement of comprehensive income, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

***Investment return***

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments carried at fair value through the statement of comprehensive income are calculated as the difference between net sales proceeds and purchase price. In the case of investments included at amortised cost, realised gains and losses are calculated as the difference between sale proceeds and their latest carrying value. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

***Lease Commitments***

The rentals payable and any lease incentives under operating leases are charged on a straight line basis to the statement of comprehensive income over the period of the lease. ARCL entered into an operating lease in respect of Suite 1A and 1B 27/29 Richmond Road, Pembroke HM08, Bermuda commencing 1 January 2018 and expiring 31 December 2022. This agreement includes a rent free amount of USD109,152 which will be spread over the full term of the lease.

***Dividends***

Interim dividends are recognised when paid and final dividends are recognised as a liability when they are approved by members passing a written resolution. There were no dividends paid in the period.

**Notes to the financial statements (continued)**

## 3. Risk management

### *a. Overview*

The Ascot risk management programme is made up of three key elements which all contribute to managing the risks faced:

*Risk governance – the control and management of risk and capital management*
*Risk appetite – the measurement of risk taken*
*Risk register – details of the risks, controls, responsibilities and reporting*

The ultimate governance of risk management and capital management for ARCL is with the Board of Directors. All aspects of the risk management framework have been approved by the Board of Directors. Details of the governance of risk management are described more fully below.

Our approach is that every member of staff contributes to the overall risk management of the company; this is stressed to new joiners during their induction program. The business is controlled by the diligence of staff in their day to day activities, with the overlay of monitoring reports and committees contributing to the management of risk at Ascot. We have created a positive risk management culture at Ascot, whereby all staff members understand their roles and the importance to the success of the business in carrying out those roles; furthermore, this culture allows individuals to raise issues or areas where they believe improvements could be made with more senior members of staff and thus all areas of the business are constantly looking at ways to self-improve and better align actual practices with risk appetite.

The following areas of risk focus on those that have an impact on or a potential impact on the financial assets and liabilities of the Company. Areas such as operational and group risk are not discussed further under this section.

### *b. Insurance risk*

Insurance risk for general insurance refers to fluctuations in the timing, frequency, and severity of insured events relative to the expectations at the time of underwriting. Insurance risk can also refer to fluctuations in the timing and amount of claim settlements. Some specific examples of insurance risk include variations in the amount or frequency of claims or the unexpected occurrence of multiple claims arising from a single cause (such as the "9-11" terrorism attack, and the world financial/economic crisis of 2008). Insurance risk also includes the potential for expense overruns relative to pricing or provisioning assumptions.
The key components of Insurance risk for Ascot are:

- Underwriting risk (including cycle, gross losses, pricing)
  The risk arising from uncertainties about the ultimate amount of net cash flows from premiums, commissions, claims and claims settlement expenses paid under a contract (prospective in nature).

- Claims management
  The risk arising from the uncertainties associated with the quantum of claims that will be paid out on policies underwritten.

- Catastrophes & aggregation and reinsurance risk
  The risk arising from concentration of exposures by industry, geography, line of business, a single insured or single insured event, and, in particular:
  - Risk arising from concentration of exposures exposed to catastrophe perils;
  - Clash risk, or risks arising from exposures in which multiple insureds suffer losses from the same occurrence, or the same cause of loss, such as a wild fire, a train crash, or a batch of component parts.

**Notes to the financial statements (continued)**

**3. Risk management (continued)**

- Reserving risk
  The risk that the estimation of future claims payments in respect of earned premium is incorrect.

Ascot has a number of policies in place for identifying the various elements of insurance risk and mitigating the potential downside from these risks. These include:

- The classes and characteristics of insurance business that Ascot is prepared to accept

- The underwriting (including catastrophe underwriting) criteria that Ascot intends to adopt, including how these can influence its rating and pricing decisions;

- Ascot's approach to limiting significant aggregations of Insurance risk, including aggregation from concentration of catastrophe perils, for example, by setting aggregate limits and/or loss assessment that can be underwritten firm-wide, in each region, in each country, in each country by line of business, or for one insured for Ascot's in-force portfolio;

- Ascot's approach to monitor overall aggregate risk profile at the firm-wide level, by region, by country and by profit centre on a regular basis; and its procedures of reporting material changes in current or prospective aggregate risk to the Board;

- Ascot's approach to pricing long-term insurance contracts, including the determination of the appropriate level of any renewable premium;

- Ascot's approach to managing its expense levels, including acquisition costs, recurring costs, and one-off costs, taking account of the margins available in both the prices for products and in the technical provisions in the balance sheet;

- Ascot's approach to assess the effectiveness of its risk transfer arrangements and manage the residual or transformed risks. For example, how it intends to handle disputes over contract wordings, and potential pay-out delays;

- A summary of the data and information to be collected and reported on underwriting, claims, and risk control (including internal accounting records), management reporting requirements, and external data for risk assessment purposes;

- The risk measurement and analysis techniques to be used for setting underwriting premiums, technical provisions in the balance sheet, and assessing capital requirements; and

- Ascot's approach to stress testing and scenario analysis of its exposures

Ascot will identify, assess/measure, control, mitigate and monitor Insurance risk in line with the strategy and risk appetite set by the Board.

The Board sets the Annual Business Plan which considers the performance of the portfolio, the external environment, proposed line sizes and reinsurance structure, the rating environment, and other factors.

On an ongoing basis, there are:

- Processes for identifying the underwriting risks associated with a particular policyholder or a group of policyholders. For example, processes for collecting information on the claims histories of insureds, including whether they have made any potentially false or inaccurate claims, to identify possible adverse selection or moral hazard problems;

- Processes for establishing underwriting and distribution procedures that must be followed by all classes of business and all types of distribution channels; these procedures should include details in respect of the information that must be gathered in order to assess the level of Insurance Risk that a particular contract brings to Ascot;

**Notes to the financial statements (continued)**

**3. Risk management (continued)**

- Processes for identifying aggregations of risk that may give rise to a large catastrophic loss. Specific information can include, for example, risk address, locations value, construction, year built, occupancy, and number of stories. Policy information and reinsurance information must be gathered in order to assess the level of additional aggregate exposure and enable the calculation of marginal contribution to modelled loss assessment risk that a particular account or contract brings to Ascot.

***c. Credit risk***

Credit risk is the risk of default of a counterparty or obligor including the risk of default under mitigating contracts like reinsurance, financial instruments, guarantees and premium payments from policyholders. It also includes the assessment and management of the aggregation or concentration of credit risk, whether by counterparty, industry or rating. Two major risks associated with credit risk relate to 1) the inability or 2) unwillingness of a counterparty to perform its contractual obligations in a timely manner.

**Credit risk: ability to pay**

Credit risk is mitigated through the application of detailed counterparty credit assessments. The maximum exposure to counterparty credit risk analysed by credit quality is detailed below:

| As at 31 December 2017 | AAA | AA | A | BBB | Unrated | Total |
|---|---|---|---|---|---|---|
| | | | $'000s | | | |
| Financial investments | 895,425 | 188,998 | 258,097 | 55,560 | - | **1,398,080** |
| Cash at bank and in hand | - | - | 90,774 | - | - | **90,774** |
| Other debtors * | - | - | - | - | 12,197 | **12,197** |
| **Total credit risk** | **895,425** | **188,998** | **348,871** | **55,560** | **12,197** | **1,501,051** |

*Other debtors comprise: Amounts owed from related companies and accrued interest.

**Credit risk: willingness to pay**

Unwillingness to perform contractual requirements also gives rise to credit risk. The company seeks to mitigate risk from this source by:

- Working to ensure that contractual terms are fit for purpose and that full disclosure of relevant information is made, and
- Exerting significant contractual and other credit control measures in pursuit of premium and reinsurance recoveries due.

| At 31 December 2017 | Not yet due | 0-90 Days | 91-180 Days | 181-365 Days | 366+ Days | Total |
|---|---|---|---|---|---|---|
| | | | $'000s | | | |
| Financial investments | 1,398,080 | - | - | - | - | **1,398,080** |
| Cash at bank and in hand | 90,774 | - | - | - | - | **90,774** |
| Other debtors * | 12,197 | - | - | - | - | **12,197** |
| **Total credit risk** | **1,501,051** | - | - | - | - | **1,501,051** |

*Other debtors comprise: Amounts owed from related companies and accrued interest.

**Notes to the financial statements (continued)**

**3. Risk management (continued)**

*d. Market Risk*

Market risk is defined as the potential loss in value or earnings arising from changes in the values at which assets and liabilities may be traded as a result of external market and economic factors including:

*Changes in the overall level of interest rates;*
*Change in the shape of yield curve;*
*Changes in the overall level of credit spreads;*
*Changes in the shape of the credit spread curve; and*
*Exchange rate movements*

**Market risk: interest rate risk**

The majority of the Investment portfolio is made up of debt securities and other fixed income securities. An increase of 100 basis points in interest yields, with all other variables constant, would decrease the valuation of the investments by an estimated $7.1m and the impact on the result would be a decrease of $7.1m. A comparable decrease in interest rates would increase the valuation of the investments by an estimated $6.4m and increase the result by the same amount.

**Market risk: currency risk**

Foreign exchange risk is the risk that the value of future cash flows in the business will fluctuate due to changes in foreign exchange rates.

ARCL will maintain four separate currency funds: Sterling, Euros, United States dollars and Canadian dollars and seeks to ensure an approximate currency match of assets and liabilities.

The carrying value of total assets and total liabilities categorised by currency is as follows.

| At 31 December 2017 | GBP | USD | EUR | CAD | Other | Total |
|---|---|---|---|---|---|---|
| | | | $'000s | | | |
| Financial Investments | - | 1,398,080 | - | - | - | 1,398,080 |
| Cash at bank and in hand | 1 | 90,771 | 1 | 1 | - | 90,774 |
| Other debtors * | - | 12,197 | - | - | - | 12,197 |
| **Assets analysed** | **1** | **1,501,048** | **1** | **1** | **-** | **1,501,051** |
| Other Creditors ** | 16 | 106 | - | - | - | 122 |
| **Liabilities analysed** | **16** | **106** | **-** | **-** | **-** | **122** |
| **Net assets analysed** | **(15)** | **1,500,942** | **1** | **1** | **-** | **1,500,929** |

*Other debtors comprise: Amounts owed from related companies and accrued interest.
**Other creditors comprise: Amounts owed to related companies and accruals.

*e. Liquidity Risk*

Liquidity risk is the risk that Ascot is forced to sell assets at a potentially disadvantageous time in order to meet outgoing cash flow and collateral requirements. To manage this risk, the Company's investments are relatively short-term to match the expected tail of the future claims. The following tables show the undiscounted expected timing of future cash flows in the Company.

## Notes to the financial statements (continued)

### 3. Risk management (continued)

| At 31 December 2017 | < 1 Year | 1 – 2 Years | 2 – 5 Years | > 5 Years | Total |
|---|---|---|---|---|---|
| | | | $'000s | | |
| Financial investments | 895,425 | 188,998 | 258,097 | 55,560 | 1,398,080 |
| Cash at bank and in hand | 90,774 | - | - | - | 90,774 |
| Other Debtors* | 12,197 | - | - | - | 12,197 |
| **Assets analysed** | **998,396** | **188,998** | **258,097** | **55,560** | **1,501,051** |
| Other creditors** | 122 | - | - | - | 122 |
| **Liabilities analysed** | **122** | **-** | **-** | **-** | **122** |
| **Net assets analysed** | **998,274** | **188,998** | **258,097** | **55,560** | **1,500,929** |

*Other debtors comprise: Amounts owed from related companies and accrued interest.
**Other creditors comprise: Amounts owed to related companies and accruals.

### 4. Financial Instruments

For financial instruments held at fair value in the statement of financial position, an analysis for each class of financial instrument is shown in the table below in the fair value hierarchy based on the inputs to the valuation techniques used. The different levels are defined as follows:

Level 1 – The fair value based on the unadjusted quoted price in an active market for an identical asset.
Level 2 – The fair value based on inputs other than quoted prices included within Level 1 that are developed using market data for the asset, either directly or indirectly.
Level 3 – The fair value based on a valuation technique when market data is unavailable for the asset.

All financial investments of the Company are level 2 assets.

### 5. Other debtors

| | 2017 $'000 |
|---|---|
| *Amounts due within one year:* | |
| Amounts due from group entities | 9,762 |

### 6. Other creditors

| | 2017 $'000 |
|---|---|
| *Amounts due within one year:* | |
| Amounts due to group entities | 27 |
| Accruals | 95 |
| | **122** |

**Notes to the financial statements (continued)**

## 7. Lease commitments

The Company entered into a new lease agreement for office space at 27/29 Richmond Road Pembroke HM 09 Bermuda. The lease commences on 1 January 2018 and expires on and including 31 December 2022.

Future Minimum lease payments under non-cancellable operating leases are as follows:

| | 2017 $'000 |
|---|---|
| Due in less than one year | 375 |
| Due between one and five years | 2,085 |
| | **2,460** |

## 8. Called up share capital and additional capital

| | Authorised $ | Allotted and Fully paid $ |
|---|---|---|
| At 8 September 2016 | - | - |
| 100 issued shares in 2016 of $1 each | 100 | 100 |
| 100 issued shares in 2016 of $1 each | 100 | 100 |
| 119,800 issued shares in 2017 of $1 each | 119,800 | 119,800 |
| **As at 31 December 2017** | **120,000** | **120,000** |

**Additional capital**

| | $ |
|---|---|
| At 8 September 2016 | - |
| Additional capital in 2017 | 1,499,428 |
| **As at 31 December 2017** | **1,499,428** |

The issued shares by each class of share capital is as follows:

| | Authorised | Nominal Value (US$) | Authorised (US$) | Issued | Issued (US$) | Paid for |
|---|---|---|---|---|---|---|
| Director Voting Shares | 100 | 1 | 100 | 100 | 100 | 100 |
| Non Director Voting Shares | 119,900 | 1 | 119,900 | 119,900 | 119,900 | 119,900 |
| | **120,000** | | **120,000** | **120,000** | **120,000** | **120,000** |

## 9. Investment income

The Company's investment income arises from investments that are classified as fair value through statement of comprehensive income.

| | 2017 $'000 |
|---|---|
| Income from financial instruments | **231** |
| Interest on cash at bank | **1,240** |
| Gains on the realisation of investments | **211** |
| Unrealised gains on investments | **156** |
| | **1,838** |

**Notes to the financial statements (continued)**

**10. Tax**

At the present time, no income, profit, capital or capital gains taxes are levied in Bermuda and accordingly, no provision for such taxes has been recorded by the Company. In the event that such taxes are levied, the Company has received an undertaking from the Bermuda Government exempting it from all such taxes until the year 2035.

**11. Dividends**

The Company did not pay any dividends in the period.

**12. Net cash generated from operating activities**

Reconciliation of profit before tax to net cash outflow from operating activities:

| | 2017 |
|---|---|
| | **$'000** |
| Profit for the period | **1,381** |
| Increase in accrued income | **(2,435)** |
| Increase in debtors | **(9,762)** |
| Increase in creditors | **122** |
| **Cash generated from operating activities** | **(10,694)** |

**13. Related party transactions**

AGL is required to hold capital at Lloyds of London which is held in a trust account and known as Funds at Lloyds (FAL). The Company pledges financial investments with a value of $400m to support the FAL requirements.

**14. Ultimate controlling party**

The immediate parent undertaking and smallest group to consolidate these financial statements is Ascot Holdings Limited. Copies of Ascot Holdings Limited consolidated financial statements can be obtained from Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda.

The intermediate parent undertaking and largest group to consolidate these financial statements is Ascot Group Limited. Copies of the Ascot Group Limited consolidated financial statements can be obtained from Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda.

The ultimate parent company and controlling party is Canada Pension Plan Investment Board, incorporated in Canada with a registered address of: 1 Queen Street East, Suite 2500, Toronto ON M5C 2W5, Canada.