ACHP PLC
Annual Report and Accounts

31 December 2020

CONTENTS

STRATEGIC REPORT

The Directors present their Strategic Report for ACHP plc ("the Company") for the year ended 31 December 2020.

Principal activity and review of business

The Company owns 33% of the voting shares and 28% of the economic rights in Asta Capital Limited ("Asta"). Asta's principal asset is Asta Managing Agency Limited, one of the best performing third party managing agency service providers in the Lloyd's market.

Development and financial performance during the year

The principal key performance indicators for the Company are:

- Changes in the valuation of the investment in Asta;
- Results of operating activities during the period comprising income received from the investment in Asta less expenses incurred in operating the Company; and
- Changes in cash and cash equivalents.

Operating profit from operations before taxation for the year to 31 December 2020 was £3.6 million (2019: £2.9 million).

In January 2020 Asta bought back shares from the Company, which generated income of £2.4 million (2019: £3.3 million). In December 2020 Asta paid dividends of £1.5 million (2019: £nil).

The proceeds from these transactions were used to finance a dividend paid to shareholders in April 2020 of £1.8 million and to fund operational expenses of £0.3 million.

Financial position at the reporting date

Net assets are £17.4 million compared to £19.8 million as at the end of 2019.

The investment in Asta was reduced for the shares bought back by Asta and revalued from £19.6 million to £16.5 million as at 31 December 2020 using valuation principles consistent with prior valuations.

Cash increased from £0.2 million at the end of 2019 to £2 million.

Principal risks and uncertainties

In the ordinary course of business, the Company is exposed to several financial risks including valuation risk, credit risk and liquidity risk.

Valuation risk

The Company's sole investment in Asta is held at fair value. Determining its fair value requires estimation and exposes the Company to potential gains or losses as a result of any changes in this valuation.

As this investment is not traded in an active market and no quoted market price is available, the valuation, as determined by an external party, and the suitability of the pricing methodologies are reported to and considered by the Company's management to manage this risk.

Credit risk

The Company's principal financial assets exposed to credit risk are cash and cash equivalents.

The credit risk on these liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

The Company is exposed to liquidity risk arising from the need to fund its day-to-day operations as a holding company for a single investment, its shareholding in Asta. The Company relies on distributions from Asta to fund the usual costs of operating its business. Such costs are reducing over time.

As the Company does not control Asta, there is uncertainty over the timing and quantum of distributions from Asta. However, the underlying business of Asta has consistently performed well and generated cash flows that have enabled:

- Preference dividend payments of £2.3 million;
- Ordinary dividend payments of £2.3 million:
- The redemption of all £6.5 million preference shares previously owned by the Company over the last four years; and
- A repurchase of ordinary shares for £5.7 million.

STRATEGIC REPORT (continued)

The Directors are of the view that the performance of Asta in the future will be sufficient to generate the cash flows required to finance the operations of this Company.

Subsequent events

On 7 April 2021, a dividend of 1p per share was declared. The dividend has not been accounted for within the current year financial statements as it was declared after the period end.

Impact of Covid-19

Since the start of 2020 the world economic and business environment has been significantly impacted by the Covid-19 pandemic. The current economic environment is the most uncertain since the financial crash of 2008. Government interventions, low interest rates and the potential for a global recession mean the outlook will remain uncertain for the medium to long term. The Company has implemented business continuity plans including a full working from home protocol. IT systems, banking systems and supporting infrastructure have proved resilient and enabled staff to work effectively with regular remote interaction.

The Directors of the Company and Asta continue to monitor the changing economic environment and the potential impact on Asta's business and its clients. Throughout 2020 Asta has demonstrated operational resilience whilst working completely remotely. Asta is committed to ensuring that its operating model continues to develop and remains able to support its current syndicate base as well as potential growth and has invested in significant additional resource and infrastructure in 2020 to support this.

Since 17th March 2020, Tawa Associates Limited, which provides resources for the management and operations of the Company, has implemented business continuity plans which include a full working from home protocol. The implementation has been successful with IT systems, banking systems and infrastructure proving resilient and allowing all staff to work effectively.

The valuation of the investment in Asta is dependent upon the business performance of syndicates managed by Asta and continuing business opportunities within the Lloyd's insurance market. The impact of the Covid-19 on the performance of syndicates and such business opportunities within Lloyd's is currently uncertain but is being monitored by the Directors.

Future developments

Asta's principal business is the management of syndicates at Lloyd's of London. As a result, the Company's prospects are strongly affected by the overall business prospects of the Lloyd's market and more particularly the opportunities for third-party management of Lloyd's syndicates. In 2018 Lloyd's effected a significant restructuring programme, and the success of that restructuring (and the Company is confident that it will be successful) will be a key business risk going forward.

The Company continues to review the performance of its investment in Asta and is assessing the best route to maximise shareholder value. The Directors are actively assessing options to dispose of this investment consistent with that goal. The Directors are also focused on minimising the ordinary expenses of the Company.

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By Order of the Board

Marvin Mohn
Chief Executive Officer
12 May 2021

REPORT OF THE DIRECTORS

The Directors present their annual report, together with the financial statements of ACHP plc ("the Company") for the year ended 31 December 2020.

Directors

The Directors of the Company are listed on page 5 and all served throughout the year, unless otherwise noted.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Report of the Directors 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 Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" 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 these 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 to enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Risk management objectives and policies

Details of the Company's risk management objectives and policies can be found in the Strategic Report on page 2 and form part of this report by cross-reference.

Going concern

The Directors are satisfied that the Company has sufficient resources to continue for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and accounts. Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

As of this date, there are no subsequent events that suggest any going concern issues.

Directors' indemnities

The Company is a beneficiary of insurance cover for its Directors and Officers against liabilities which may be incurred by them while acting as Directors and Officers. As at the date of this report, indemnities are in force under which the Company has agreed to indemnify its Directors and Officers, to the extent permitted by law and the Company's articles of association, against all costs, charges, losses, liabilities and expenses that they may incur in the execution of their duties, powers and offices as Directors and Officers of the Company. Copies of these indemnities are kept at the Company's office and are open for inspection by any member of the Company without charge.

REPORT OF THE DIRECTORS (continued)

Dividends

Ordinary dividends of £1.8 million were paid to the shareholders during the year (2019: £1.2 million).

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the financial year end can be found in the Strategic Report on page 2 and form part of this report by cross-reference.

Auditor

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The auditor has expressed willingness to continue in office as auditor and a resolution to reappoint the auditor will be proposed at the forthcoming Annual General Meeting. Mazars LLP will continue as auditor in accordance with s487(2) of the Companies Act 2006.

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By Order of the Board

Marvin Mohn
Chief Executive Officer

12 May 2021

COMPANY INFORMATION

Directors

Philippe Truffert
Independent Non-Executive Chairman

Marvin Mohn
Chief Executive Officer

Stephen Baxter
Chief Financial Officer

Heloise Temple-Boyer
Non-Executive Director

Alban Greget
Non-Executive Director

Secretary

Martha Bruce

Registered Office

118 Pall Mall
London, SW1Y 5ED

Company Registration Number

4200676

Auditor

Mazars LLP
Tower Bridge House
St Katharine's Way
London, E1W 1DD

Solicitors

DLA Piper UK LLP
3 Noble Street
London, EC2V 7EE

Principal Bankers

Barclays Bank plc
1 Churchill Place
Canary Wharf
London, E14 5HP

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol, BS99 6ZZ

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACHP PLC

Opinion

We have audited the financial statements of ACHP plc (the "Company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position 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 Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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.

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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACHP PLC (continued)

Matters on which we are required to report by exception

In 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 the Report of the Directors.

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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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 the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, the Data Protection Act, the UK GDPR, the Bribery Act and the Proceeds of Crime and Anti-Money Laundering Act, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the Directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the Directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACHP PLC (continued)

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit 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.

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Leanne Finch (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House, St Katharine's Way
London, E1W 1DD
12 May 2021

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**31 Dec 2020 £000's**	31 Dec 2019 £000's
Continuing operations			
Income from interest in associated undertaking	3	**3,873**	3,299
Administrative expenses		**(283)**	(415)
Results of operating activities		**3,590**	2,884
Interest payable and similar expenses	4	**-**	(2)
Profit on ordinary activities before taxation	5	**3,590**	2,882
Taxation	8	**(1,246)**	284
Profit for the year		**2,344**	3,166
Other comprehensive income			
(Losses)/gains arising on revaluation of investment in associated undertaking		**(3,121)**	1,670
Deferred taxation	9	**213**	(284)
Total comprehensive (losses)/income for the year		**(564)**	4,552

The notes on pages 12 to 23 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

As at 31 December 2020

	Called-up share capital £000's	Revaluation reserve £000's	Other reserve Capital redemption reserve £000's	Profit and loss account £000's	Total £000's
Balance at 1 January 2019	2,362	14,376	256	(586)	16,408
Profit for the year	-	-	-	3,166	3,166
Gains arising on revaluation of investment in associated undertaking after tax	-	1,386	-	-	1,386
Total comprehensive income for the year	-	1,386	-	3,166	4,552
Dividends paid	-	-	-	(1,180)	(1,180)
Balance at 31 December 2019	2,362	15,762	256	1,400	19,780
Balance at 1 January 2020	**2,362**	**15,762**	**256**	**1,400**	**19,780**
Profit for the year	**-**	**-**	**-**	**2,344**	**2,344**
Losses arising on revaluation of investment in associated undertaking after tax	**-**	**(2,908)**	**-**	**-**	**(2,908)**
Total comprehensive (losses)/income for the year	**-**	**(2,908)**	**-**	**2,344**	**(564)**
Dividends paid	**-**	**-**	**-**	**(1,770)**	**(1,770)**
Treasury shares cancelled	**(3)**	**-**	**3**	**2**	**2**
Balance at 31 December 2020	**2,359**	**12,854**	**259**	**1,976**	**17,448**

The notes on pages 12 to 23 form part of these financial statements.

Revaluation reserve: The Company's investment in associated undertaking is accounted for at fair value with changes in its fair value, net of tax, being recognised in this reserve.

Capital redemption reserve: The nominal value of share capital cancelled is recorded in this reserve.

The profit and loss account reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	31 Dec 2020 £000's	31 Dec 2019 £000's
Fixed assets			
Investment in associated undertaking	10	**16,513**	19,634
Current assets			
Debtors - amounts falling due within one year	11	**14**	15
Cash and cash equivalents		**2,026**	211
		2,040	226
Current liabilities			
Creditors - amounts falling due within one year	12	**(72)**	(80)
Net current assets		**1,968**	146
Total assets less current liabilities		**18,481**	19,780
Provision for other liabilities	13	**(1,033)**	-
Net assets		**17,448**	19,780
Capital and reserves			
Called-up share capital	14	**2,359**	2,362
Revaluation reserve		**12,854**	15,762
Other reserves		**259**	256
Profit and loss account		**1,976**	1,400
Total shareholders' funds		**17,448**	19,780

The notes on pages 12 to 23 form part of these financial statements.

The financial statements of ACHP plc (Company number: 4200676) were approved by the Board of Directors and authorised for issue on 7 April 2021 and were signed on its behalf on 12 May 2021 by:

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Marvin Mohn
Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. Significant accounting policies

The principal accounting policies are summarised below. The accounting policies have all been applied consistently throughout the year and the preceding year in dealing with items which are considered material in relation to the Company's financial statements.

a. General information and basis of accounting

ACHP plc is a Company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 5. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 1.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and are in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice "UK GAAP"), Financial Reporting Standard (FRS 102) issued by the Financial Reporting Council.

ACHP plc meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

b. Segment reporting

As the Company currently has no identified reportable segments no segmental analysis has been prepared.

c. Revenue recognition

Dividends

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established. Dividend income is shown as income from interest in associated undertaking in the income statement.

d. Going concern

The Company's activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also details: the financial position of the Company; its cash flows and liquidity position. In addition, the section on principal risks and uncertainties includes an analysis of the risks the Company faces including the potential impact of Covid-19 and its policies for mitigating those risks.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and accounts. There are no subsequent events to suggest any going concern issues.

e. Foreign currencies

The Company's functional currency is pound sterling, as this is the currency of the primary economic environment in which the entity operates.

The financial statements are presented in pound sterling and rounded to the nearest thousand.

Transactions in foreign currencies are initially recorded using the rates of exchange ruling at the date the transaction occurs. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the period end date are translated using the rates of exchange prevailing at the period end date. Any gains or losses arising on translation are included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. Significant accounting policies (continued)

f. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the period end date.

The charge for taxation is based on the profit for the period and takes into account deferred taxation.

Deferred taxation is provided in full on timing differences between recognition of gains and losses in the financial statements and the recognition for taxation purposes. Deferred taxation liabilities are provided in relation to transactions that have occurred by the period end date. Deferred taxation assets are recognised when it is considered that the benefit is more likely than not to accrue to the Company. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and tax laws that have been enacted or substantively enacted by the period end date. Deferred tax is measured on a non-discounted basis.

g. Investment in associated undertaking

The investment in associated undertaking is initially recognised at the transaction price, including transaction costs.

The Company has elected to subsequently account for its investment in associated undertaking at fair value, with changes in fair value recognised in other comprehensive income, net of deferred tax.

Share buyback proceeds from a share treasury buyback is recognised when the shareholders' rights to receive payment have been established and is shown as income from interest in associated undertaking in the income statement. The fair value of the shares sold is recognised in other comprehensive income, net of deferred tax.

h. Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated using a valuation technique.

i. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

The Company has chosen to apply the provisions of both Section 11 and Section 12, of FRS 102, in full to account for all of its financial instruments.

Financial assets and liabilities

Basic financial assets include debtors and cash and cash equivalents. Basic financial liabilities include borrowings and other creditors.

Financial assets and liabilities are initially measured at the transaction price including transaction costs, unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the transaction is measured at the present value of the future receipts / payments discounted at a market rate of interest for a similar debt instrument.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. Significant accounting policies (continued)

Financial assets and liabilities that are due within one year

Financial assets and liabilities which meet the conditions of basic financial instruments that are classified as payable or receivable within one year on initial recognition are subsequently measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Financial assets and liabilities that are due after one year

Financial assets and liabilities which meet the conditions of basic financial instruments that are classified as payable or receivable after one year on initial recognition are subsequently measured at amortised cost using the effective interest method. As the Company revises its estimates of payments or receipts, the carrying amount of these financial assets or financial liabilities is adjusted to reflect actual and revised estimated cash flows. The Company recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The resulting adjustment is recognised as income or expense in the income statement at the date of the revision.

De-recognition of financial assets and liabilities

Financial assets are derecognised when and only when the contractual rights to the cash flows from the financial asset expire or are settled, the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

j. Impairment of assets

Assets are assessed for indicators of impairment at each period end date. If there is objective evidence of impairment, an impairment loss is recognised in the income statement as described below.

Financial assets

For financial assets due within one year carried at cost less impairment any losses arising from impairment are recognised in the profit or loss in other operating expenses.

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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.

Valuation of investment in associated undertaking

Determining the fair value of the Company's investment in its associated undertaking requires estimation. As the investment is not quoted in an active market and the price of a recent transaction for an identical asset is unavailable, the Company is required to estimate the fair value by means of a valuation technique. The valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

The valuation applies judgement and makes assumptions when determining what maintainable annual profits are reasonably expected to be should the associated undertaking operate at its current size and capacity, without making any allowances for risk or growth.

Judgement and assumptions are similarly made when deciding what multiples to apply to the maintainable profits. The multiples should reflect the combination of the growth prospects of the business and the inherent risks of the industry as a whole and the Company in particular. The Company's applied multiples were agreed by the Directors and reflect Asta's risk and growth prospects.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. Income from interest in associated undertaking

	31 Dec 2020 £000's	31 Dec 2019 £000's
Ordinary share dividends received from associated undertaking	**1,475**	-
Share buyback proceeds from associated undertaking	**2,398**	3,299
Total income from interest in associated undertaking	**3,873**	3,299

4. Interest payable and similar expenses

	31 Dec 2020 £000's	31 Dec 2019 £000's
Interest payable on other borrowings	**-**	(2)
Total interest payable and similar expenses	**-**	(2)

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	31 Dec 2020 £000's	31 Dec 2019 £000's
Net foreign exchange losses	**-**	(5)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. Auditor's remuneration

An analysis of auditor's remuneration is as follows:

	31 Dec 2020 £000's	31 Dec 2019 £000's
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**22**	20
Fees payable to the Company's auditor for audit related assurance services	**-**	-
Total auditor's remuneration	**22**	20

There were no non-audit services provided to the Company.

7. Directors' remuneration and transactions

Directors' remuneration:	**31 Dec 2020 £000's**	31 Dec 2019 £000's
Emoluments	**40**	32
Total Directors' remuneration	**40**	32

No Directors were awarded shares during the year (2019: none). No Directors exercised share options during the year (2019: none). Retirement benefits are accruing to no Directors (2019: none).

Remuneration of the highest paid Director:	**31 Dec 2020 £000's**	31 Dec 2019 £000's
Emoluments	**40**	20

The highest paid Director did not exercise any share options during the year and received no shares during the year (2019: none).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. Tax included in profit or loss

	31 Dec 2020 £000's	31 Dec 2019 £000's
Current tax on profit on ordinary activities:		
UK corporation tax on profit for the year	**-**	-
Group relief surrendered at non-standard rates	**-**	-
Total current tax	**-**	-
Deferred tax:		
Origination and reversal of timing differences	**(213)**	284
Changes in tax legislation	**(1,033)**	-
Total deferred tax	**(1,246)**	284
Total tax on profit on ordinary activities	**(1,246)**	284
Profit for the year	**3,590**	2,882
Tax at standard UK corporation tax rate of 19% (2019: 19%)	**(682)**	(548)
Effects of:		
(Income)/expenses not taxable/deductible for tax purposes	**736**	620
Effect of unutilised losses	**(54)**	(72)
Deferred tax	**(1,246)**	284
UK corporation tax on profit for the year	**(1,246)**	284

For the current financial year, the main rate of corporation tax is 19% (2019: 19%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. Tax included in other comprehensive income

	31 Dec 2020 £000's	31 Dec 2019 £000's
Deferred tax:		
Origination and reversal of timing differences	**213**	(284)
Total tax expense included in other comprehensive income	**213**	(284)

10. Investment in associated undertaking

The Company owns 33% of the voting shares and 28% of the economic rights in Asta Capital Limited ("Asta"), a private company incorporated in Great Britain. The Company owns 22,541 1p ordinary A shares and 1,064 1p ordinary B shares (2019: 25,456 1p ordinary A shares and 1,064 1p ordinary B shares). Asta is a leading turnkey managing services company in Lloyds.

The Company elects to value its investment at fair value through other comprehensive income, as explained in accounting policy note 1g.

	31 Dec 2020 Carrying value £000's	31 Dec 2020 Cost £000's	31 Dec 2019 Carrying value £000's	31 Dec 2019 Cost £000's
Balance at 1 January	**19,634**	**643**	17,964	643
Share buyback	**(2,158)**	**-**	(2,624)	-
Revaluation of investment in associated undertaking	**(963)**	**-**	4,294	-
Balance at 31 December	**16,513**	**643**	19,634	643

On 22 January 2020 Asta bought back 2,915 1p ordinary A shares for £2,398k, being £823 per share (2019: 4,544 1p ordinary A shares for £3,298k, £726 per share). The nominal value of the ordinary A shares was £29 (2019: £45) and a reduction in the fair value of the shares due to the share buyback was £2,158k (2019: £2,624k).

Asta's shares are not traded in an active market, and there is no quoted market price available. In September 2020 an independent valuation of the investment was carried out by a third party. The Directors used the bases of this valuation to perform a valuation at year end which valued its share in Asta based on a share price of £777.29 (2019: £822.61) after applying a discount rate of 10% £699.56 (2019: £740.35). The discount rate is the risk-free rate of 2.5% and a risk premium of 7.5%. The risk premium rate has been set by the Directors as they are of the opinion given the current market conditions there is uncertainty surrounding what could currently be achieved from a sale of the Company's shares in Asta.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

11. Debtors

			31 Dec 2020			31 Dec 2019
	Due within one year £000's	**Due after one year £000's**	**Total £000's**	Due within one year £000's	Due after one year £000's	Total £000's
Other debtors	**-**	**-**	**-**	5	-	5
Prepayments	**14**	**-**	**14**	10	-	10
Total debtors	**14**	**-**	**14**	15	-	15

12. Creditors

			31 Dec 2020			31 Dec 2019
	Due within one year £000's	**Due after one year £000's**	**Total £000's**	Due within one year £000's	Due after one year £000's	Total £000's
Other liabilities and provisions						
Due to: related parties	**(38)**	**-**	**(38)**	(38)	-	(38)
Accruals	**(32)**	**-**	**(32)**	(34)	-	(34)
Other liabilities	**(2)**	**-**	**(2)**	(8)	-	(8)
Total creditors	**(72)**	**-**	**(72)**	(80)	-	(80)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

13. Provision for other liabilities

The Company had a deferred tax liability provision during the year.

	31 Dec 2020 Total £000's	31 Dec 2019 Total £000's
Balance at 1 January	**-**	-
Additions dealt with in the income statement	**(1,246)**	284
Additions dealt with in other comprehensive income	**213**	(284)
Balance at 31 December	**(1,033)**	-

The provision for deferred tax consists of the following deferred tax (liabilities)/assets:

	31 Dec 2020 Total £000's	31 Dec 2019 Total £000's
Revaluation of investment in associated undertaking	**(3,015)**	(3,228)
Other timing differences	**1,982**	3,228
Total provision for deferred tax	**(1,033)**	-

At the 2020 Budget, the government announced that the corporation tax main rate for the years starting 1 April 2020 and 2021 would remain at 19%. At the 2021 Budget, the government announced that the corporation tax main rate would increase to 25% from 2023. Deferred tax balances at the reporting date are measured at 19% (2019: 17%).

There is an unrecognised net deferred tax asset of £2,270k (2019: £448k) in respect of accumulated losses and gains that has not been recognised, as it is not certain that the Company will be able to realise this asset by generating sufficient future taxable profits. The Company has a deferred tax liability of £3,015k (2019: £3,228k) recognised because of the Company's investment in associated undertaking being revalued and which has been offset against a deferred tax asset of £1,983k (2019: £3,228k). These have been netted in the Statement of Financial Position.

Subsequent to the reporting date, on 3 March 2021, it was announced the rate of corporation tax would be increased to 25% with effect from 1 April 2023. Legislation will be included in the Finance Bill 2021 to effect this change. The effect of this change would be to increase the net deferred tax liability at 31 December 2020 by £326k.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

14. Called up share capital

	31 Dec 2020 Number	31 Dec 2020 £000's	31 Dec 2019 Number	31 Dec 2019 £000's
Allotted and fully paid ordinary shares of £0.02				
Balance at 1 January	**118,123,848**	**2,362**	118,123,848	2,362
Treasury shares cancelled	**(153,838)**	**(3)**	-	-
Balance at 31 December	**117,970,010**	**2,359**	118,123,848	2,362

The Company has one class of ordinary shares which carry no right to fixed income.

15. Contingent liabilities

At 31 December 2020, the Company did not have any material contingent liabilities (2019: none).

16. Subsequent events

On 7 April 2021, a dividend of 1p per share was declared. The dividend has not been accounted for within the current year financial statements as it was declared after the period end.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

17. Related party transactions

The following have been identified as related parties to the Company for the periods presented:

- Associate undertaking Asta Capital Limited and its subsidiaries ("Asta");
- A company subject to common control, Tawa Associates Limited;
- Directors of the Company;
- Key management personnel: and
- Parent company and ultimate controlling party.

Associated undertaking

During the year to 31 December 2020 the Company received dividends of £1,475k (2019: £nil) from Asta. On 22 January 2020 the Company received £2,398k for a buyback of 2,915 1p ordinary A shares (2019: £3,298k for 4,544 1p A shares).

Company subject to common control

During the year to 31 December 2020 the Company was charged a services fee of £154k (2019: £188k) by Tawa Associates Limited. At 31 December 2020 the Company owed Tawa Associates Limited £38k (2019: £38k).

Directors of the Company

Directors' remuneration is fully disclosed in note 7***.***

Key management personnel

The Company has taken advantage of the FRS 102 paragraph 1.12(e) disclosure exemption available to it in respect of remuneration to key management personnel.

Parent company and ultimate controlling party

The ultimate parent company is Financière Pinault S.C.A., a Société en commandite par actions incorporated in France, which is also the parent undertaking of the largest group which includes the Company and for which group accounts are prepared. Copies of the group financial statements of Financière Pinault S.C.A. may be obtained from the Tribunal de Commerce de Paris, 1 Quai de Corse, 75004, Paris, France.

During the year to 31 December 2020 Financière Pinault S.C.A. charged the Company no fees and interest (2019: £2k).