

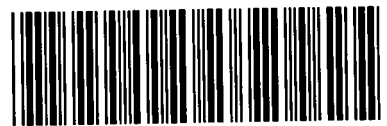
Registered number: 02585837

A.M. BEST EUROPE - RATING SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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A.M. BEST EUROPE - RATING SERVICES LIMITED

COMPANY INFORMATION

Directors	L G Mayewski J R Bromfield N J Charteris-Black C J Hopton S E Pool R Sellek
Company secretary	S E Pool
Registered number	02585837
Registered office	6th Floor 12 Arthur Street London EC4R 9AB
Independent auditors	PKF Littlejohn LLP 1 Westferry Circus Canary Wharf London E14 4HD
Bankers	Barclays Bank Plc 53 The Broadway London W5 5JS
Solicitors	Thrings LLP Kinnaird House 1 Pall Mall East London SW1Y 5AU

A.M. BEST EUROPE - RATING SERVICES LIMITED

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A.M. BEST EUROPE - RATING SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The directors present their Strategic Report on their Company for the year ended 31 December 2018.

Business review

The Company has seen revenue growth from rating service fees as new accounts have been won in the core and emerging regional markets of Europe and the Middle East and North Africa.

Profitability continues to come under pressure from many cost sources including the increasing demands from international regulators regarding credit rating agencies and the competitive local market for analytical talent.

A major focus of both the Company and the Group in 2018 has been the provision of a "Brexit" solution for clients who wish their A.M. Best credit rating to continue to have regulatory recognition within the EU, following the planned departure of the UK from the EU in March 2019. The complexity of this task has been significantly increased by the lack of clarity regarding details of the terms on which the UK will leave the EU. A.M. Best has created a new Group company in the Netherlands, A.M. Best (EU) Rating Services B.V., and this new entity has secured credit rating agency regulatory approval from ESMA. Some rating analysts have moved from London to join the new Amsterdam company, while additional resources have also been hired locally. As 2019 sees the transfer of most EU based clients of the Company to the new EU operation by a novation process, there will be a rebalancing of both revenues and costs between the Company and its new fellow subsidiary entity. The full financial impact of this transition is unlikely to be clarified until 2020, at the earliest.

The Company continues to trade profitably and is well funded, having declared and paid a dividend of £2.3m in 2018. The business maintains a strong liquidity position.

A.M. BEST EUROPE - RATING SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The principal operating risks are market access, regulatory changes, competition and the retention of key employees.

The Company's activities expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, interest rates, credit risk and liquidity risk. The Company's risk management policies seek to minimise the potential adverse effects of these risks on the Company's financial performance.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currencies, including transaction risk relating to commercial transactions and recognised assets and liabilities in currencies other than the reporting currency. The Company manages its exposure to risk through operating predominantly with contracts denominated in GBP and by minimising excess funds in non-functional currencies.

Interest-rate risk

The Company's profit and operating cashflows from cash and cash equivalents and deposits with banks are not significantly impacted by changes in market interest rates.

Credit risk

The Company manages its credit risk exposure to trade debtor balances by analysing the credit risk for each of its new clients, taking into account their financial position, past experience and other factors, before standard payment and service delivery terms and conditions are offered. Credit risk arising from cash and cash equivalents and deposits with banks is limited as the funds are held with leading financial institutions. Credit exposure to third parties, including outstanding debtors, is limited as exposure is spread over a large number of clients and geographical markets. This exposure does not significantly affect the Company's profit and operating cash flows.

Liquidity risk

The Company actively monitors cash and deposits and the availability of funding to maintain sufficient liquid cash reserves in relation to its liability profile.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. Capital is calculated as "Shareholders' funds" as shown in the Company's balance sheet.

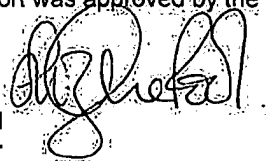
In order to maintain its capital, the Company will consider the amount of dividends paid to shareholders together with levels of cash, cash equivalents and debt in the Group.

Financial key performance indicators

The Company's key performance indicators are revenue and profit growth, as set out in the Company's profit and loss account.

This report was approved by the board on 5 March 2019 and signed on its behalf.

S E Pool
Director



A.M. BEST EUROPE - RATING SERVICES LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their report and the financial statements for the year ended 31 December 2018.

Principal activity

The principal activity of the Company is the provision of credit rating services to the insurance industry.

Results and dividends

The profit for the year, after taxation, amounted to £1,787,922 (2017 - £1,799,952).

A dividend of £2.3m was paid during the period.

Directors

The directors who served during the year were:

L G Mayewski
J R Bromfield
N J Charteris-Black
C J Hopton
S E Pool
R Sellek

Disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, PKF Littlejohn LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 5 March 2019 and signed on its behalf.


S E Pool
Director

A.M. BEST EUROPE - RATING SERVICES LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

A.M. BEST EUROPE - RATING SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF A.M. BEST EUROPE - RATING SERVICES LIMITED

Opinion

We have audited the financial statements of A.M. Best Europe - Rating Services Limited (the 'Company') for the year ended 31 December 2018, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of cash flows, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 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 Auditors' 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 United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are

A.M. BEST EUROPE - RATING SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF A.M. BEST EUROPE - RATING SERVICES LIMITED (CONTINUED)

required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the 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 have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or 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, 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 Directors' responsibilities statement on page 4, 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.

Auditors' responsibilities for the audit of the financial statements

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

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

A.M. BEST EUROPE - RATING SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF A.M. BEST EUROPE - RATING SERVICES LIMITED (CONTINUED)

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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.


Paul Goldwin (Senior statutory auditor)

for and on behalf of
PKF Littlejohn LLP

Statutory Auditors

1 Westferry Circus
Canary Wharf
London
E14 4HD

Date: 6th March 2019

A.M. BEST EUROPE - RATING SERVICES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	10,758,034	10,413,399
Cost of sales		(3,305,937)	(3,105,199)
Gross profit		7,452,097	7,308,200
Distribution costs		(1,474,015)	(1,388,597)
Administrative expenses		(4,261,212)	(4,135,917)
Other operating income		499,339	516,500
Operating profit	5	2,216,209	2,300,186
Interest receivable and similar income	8	47,685	9,250
Interest payable and expenses		(2,085)	(2,454)
Profit before tax		2,261,809	2,306,982
Tax on profit	9	(473,887)	(507,030)
Profit for the financial year		1,787,922	1,799,952
Other comprehensive income for the year			
Total comprehensive income for the year		1,787,922	1,799,952

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

A.M. BEST EUROPE - RATING SERVICES LIMITED
REGISTERED NUMBER: 02585837

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	11	126,012	158,081
		<u>126,012</u>	<u>158,081</u>
Current assets			
Debtors: amounts falling due within one year	12	1,402,907	568,254
Cash at bank and in hand	13	11,572,398	12,486,543
		<u>12,975,305</u>	<u>13,054,797</u>
Creditors: amounts falling due within one year	14	(1,897,504)	(1,494,072)
Net current assets		<u>11,077,801</u>	<u>11,560,725</u>
Total assets less current liabilities		<u>11,203,813</u>	<u>11,718,806</u>
Provisions for liabilities			
Deferred tax	17	(17,889)	(20,804)
		<u>(17,889)</u>	<u>(20,804)</u>
Net assets		<u>11,185,924</u>	<u>11,698,002</u>
Capital and reserves			
Called up share capital		2,000,000	2,000,000
Profit and loss account		9,185,924	9,698,002
Shareholders' funds		<u>11,185,924</u>	<u>11,698,002</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

5 March 2019


S E Pool
Director

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

A.M. BEST EUROPE - RATING SERVICES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017	2,000,000	7,898,050	9,898,050
Comprehensive income for the year			
Profit for the year	-	1,799,952	1,799,952
Total comprehensive income for the year		1,799,952	1,799,952
At 1 January 2018	2,000,000	9,698,002	11,698,002
Comprehensive income for the year			
Profit for the year	-	1,787,922	1,787,922
Total comprehensive income for the year		1,787,922	1,787,922
Interim dividend		(2,300,000)	(2,300,000)
At 31 December 2018	2,000,000	9,185,924	11,185,924

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

A.M. BEST EUROPE - RATING SERVICES LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	1,787,922	1,799,952
Adjustments for:		
Depreciation of tangible assets	57,588	54,730
Interest paid	2,085	2,454
Interest received	(47,685)	(9,250)
Taxation charge	473,887	507,030
(Increase)/decrease in debtors	(60,121)	105,600
Increase in amounts owed by groups	(807,213)	(120,657)
Increase in creditors	422,731	166,822
Decrease in amounts owed to groups	(12,892)	(7,606)
Decrease in provisions	(2,916)	(3,417)
Corporation tax paid	(447,611)	(554,589)
Net cash generated from operating activities	<u>1,365,775</u>	<u>1,941,069</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(25,520)	(16,844)
Interest received	47,685	9,250
Net cash from investing activities	<u>22,165</u>	<u>(7,594)</u>
Cash flows from financing activities		
Dividends paid	(2,300,000)	-
Interest paid	(2,085)	(2,454)
Net cash used in financing activities	<u>(2,302,085)</u>	<u>(2,454)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(914,145)</u>	<u>1,931,021</u>
Cash and cash equivalents at beginning of year	12,486,543	10,555,522
Cash and cash equivalents at the end of year	<u>11,572,398</u>	<u>12,486,543</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	11,572,398	12,486,543
	<u>11,572,398</u>	<u>12,486,543</u>

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

A.M. BEST EUROPE - RATING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

A.M. Best Europe - Rating Services Limited is a limited company domiciled and incorporated in England and Wales. The registered office is 6th Floor, 12 Arthur Street, London, EC4R 9AB.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared in Sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £.

The following principal accounting policies have been applied:

2.2 Going Concern

The Directors have a reasonable expectation that the Company will generate sufficient profit and cash flow to enable payments to creditors as they fall due for a period of at least one year from the date of approval of the financial statements. As such, the financial statements have been prepared on a going concern basis.

2.3 Turnover

Turnover represents the total value of fees earned in the year, excluding value added tax.

Revenue is earned by recognising fees throughout the period of service under the rating service agreement. Any billed fees unearned at the year-end are held in the balance sheet as deferred revenue.

2.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings leasehold	over the lease life
Machinery and equipment	33% on cost
Fixtures and fittings	20%-33% on cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand only.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.6 Financial instruments

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

Financial assets

Basic financial assets, which include trade and other debtors, amounts due from related parties and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, 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.

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one of more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Financial liabilities

Basic financial liabilities, including trade and other creditors and amounts due to related parties, are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt investments are subsequently carried at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

2.7 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss accounts because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for the current tax is calculated using the tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date.

A.M. BEST EUROPE - RATING SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.8 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2.9 Retirement benefits

The Company operates a defined contribution plan on behalf of its employees. A defined contribution plan is a pension plan under which the company pays contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense as they fall due, amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independent administered funds.

2.10 Leases

The Company only enters into operating leases.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease.

2.11 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on retranslation are included in the profit and loss account for the period.

2.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.13 Interest income and expenses

Interest income is recognised in the profit and loss account on a receivable basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. Critical accounting estimates and judgements

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of the 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. The principal critical accounting estimations and judgements are:

- i) the estimations of deferred income in relation to ongoing service obligations under its customer contracts;
- ii) the estimates residual value and useful economic lives of its fixed assets;
- iii) the recoverability of trade debtors.

4. Turnover

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

	2018 £	2017 £
Rating services	10,758,034	10,413,399
	<u>10,758,034</u>	<u>10,413,399</u>

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	1,555,292	1,751,417
European Union, excluding U.K.	4,394,852	4,014,224
Rest of the world	4,807,890	4,647,758
	<u>10,758,034</u>	<u>10,413,399</u>

A.M. BEST EUROPE - RATING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

5. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Fees payable to the Company's auditors for the audit of the financial statements	13,500	13,100
Depreciation of tangible fixed assets	54,000	54,731
Loss on foreign currency exchanges	1,015	1,483
Other operating lease rentals	526,521	526,521
	<u>595,036</u>	<u>1,195,835</u>

6. Employees

The average monthly number of employees, including the directors, during the year was 63 (2017: 60).

The aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	4,935,125	4,592,448
Social security costs	574,775	502,545
Pension costs	535,871	496,462
	<u>6,045,771</u>	<u>5,591,455</u>

7. Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	502,306	550,922
	<u>502,306</u>	<u>550,922</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2018 £	2017 £
Remuneration for qualifying services	228,051	252,439
	<u>228,051</u>	<u>252,439</u>

Key management personnel consists solely of directors who served during the year.

A.M. BEST EUROPE - RATING SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

8. Interest receivable and similar income

	2018 £	2017 £
Other interest receivable and similar income	47,685	9,250
	<u>47,685</u>	<u>9,250</u>

9. Taxation

	2018 £	2017 £
Corporation tax		
UK corporation tax on profits for the current period	441,402	465,091
Adjustments in respect of previous periods	(35)	4,711
	<u>441,367</u>	<u>469,802</u>
Withholding tax incurred	35,435	40,645
	<u>476,802</u>	<u>510,447</u>
Deferred tax		
Origination and reversal of timing differences	(2,946)	(3,417)
Foreign tax in respect of prior periods	31	-
	<u>(2,915)</u>	<u>(3,417)</u>
Total tax	<u>473,887</u>	<u>507,030</u>

A.M.BEST EUROPE - RATING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	2,261,809	2,306,982
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	429,744	444,094
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit	6,029	13,891
Withholding tax incurred	35,435	40,645
Capital allowances for year in excess of depreciation	2,336	2,399
Adjust opening/closing deferred tax to average rate of 19%/19.25%	346	1,290
Adjustments to tax charge in respect of prior periods - current tax	(35)	4,711
Adjustments to tax charge in respect of prior periods - deferred tax	32	-
Total tax charge for the year	473,887	507,030

Factors that may affect future tax charges

Further reductions to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2015 on 26 October 2015, and again as part of the Finance Bill 2016 on 6 September 2016. These reduce the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

10. Dividends

	2018 £	2017 £
Interim Dividends paid	2,300,000	-
	2,300,000	-

A.M. BEST EUROPE - RATING SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. Tangible fixed assets

	Leasehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 January 2018	849,707	93,404	492,482	1,435,593
Additions	4,450	17,480		21,930
At 31 December 2018	<u>854,157</u>	<u>110,884</u>	<u>492,482</u>	<u>1,457,523</u>
Depreciation				
At 1 January 2018	759,730	74,017	443,765	1,277,512
Charge for the year on owned assets	26,313	13,479	14,208	54,000
At 31 December 2018	<u>786,043</u>	<u>87,496</u>	<u>457,973</u>	<u>1,331,512</u>
Net book value				
At 31 December 2018	<u>68,114</u>	<u>23,388</u>	<u>34,509</u>	<u>126,011</u>
At 31 December 2017	<u>89,977</u>	<u>19,387</u>	<u>48,717</u>	<u>158,081</u>

A.M. BEST EUROPE - RATING SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. Debtors

	2018 £	2017 £
Trade debtors	20,421	421
Amounts owed by group undertakings	970,493	195,964
Other debtors	411,993	371,870
	<u>1,402,907</u>	<u>568,255</u>

13. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	11,572,398	12,486,543
	<u>11,572,398</u>	<u>12,486,543</u>

14. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	84,348	64,046
Amounts owed to group undertakings	122,027	167,602
Corporation tax	241,405	215,129
Other taxation and social security	162,889	148,497
Other creditors	1,286,835	898,798
	<u>1,897,504</u>	<u>1,494,072</u>

15. Deferred income

	2018 £	2017 £
Other deferred income	658,319	267,489
	<u>658,319</u>	<u>267,489</u>

This amount is included within Other creditors.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Financial instruments

	2018 £	2017 £
Financial assets		
Cash and cash equivalents	11,572,398	12,486,543
Trade debtors	20,420	420
Amounts due from group undertakings	970,494	195,964
Other debtors	34,721	25,491
	<u>12,598,033</u>	<u>12,708,418</u>
Financial liabilities		
Trade creditors	84,348	64,046
Amounts due to group undertakings	122,027	167,602
Accruals	628,516	628,175
	<u>834,891</u>	<u>859,823</u>

Financial assets and liabilities are measured at amortised cost and comprise of only basic financial instruments.

17. Deferred taxation

	2018 £
As at 1 January 2018	(20,804)
Utilised in year	2,915
As at 31 December 2018	<u><u>(17,889)</u></u>

The deferred balance is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(17,889)	(21,367)
Short-term timing differences	563	563
	<u>(17,889)</u>	<u>(20,804)</u>

A.M. BEST EUROPE - RATING SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

18. Share capital

	2018 £	2017 £
Issued and fully paid		
2,000,000 Ordinary shares of £1 each	2,000,000	2,000,000

There are no restrictions in place over the ordinary share capital.

19. Reserves

The profit and loss account represents the Company's accumulated profits which have arisen since the Company began trading less any dividends paid. This is a distributable reserve.

20. Operating lease commitments

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	370,450	370,450
Later than 1 year and not later than 5 years	616,063	986,513
	986,513	1,356,963

A.M. BEST EUROPE - RATING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

21. Related parties

	A.M. Best Europe Information Services Limited £	A.M. Best Asia-Pacific (Singapore) Pte. Limited £	A.M. Best Company £	A.M. Best Rating Services, Inc £	A.M. Best Asia-Pacific Limited £	A.M. Best (EU) Rating Services B.V. £
Balance at 1 January 2018	93,236	(23,861)	(85,880)	(57,862)	102,728	-
Services received	-	(160,133)	(303,164)	(179,468)	-	-
Services performed	218,400	133,000	-	-	139,000	(30,250)
Settlements made	245,111	113,805	375,693	897,037	24,581	-
Settlements received	(438,696)	(92,134)	(78,247)	(588,626)	(232,339)	774,243
Foreign exchange movements	-	-	(1,106)	1,506	-	1,892
Balance at 31 December 2018	118,051	(29,323)	(92,704)	72,587	33,970	745,885

22. Controlling party

The ultimate parent company is A.M. Best Company, Inc., a company registered in the United States of America.

The immediate parent company is A.M. Best Rating Services, Inc., a company registered in the United States of America.

The ultimate controlling party is Mr Arthur Snyder.