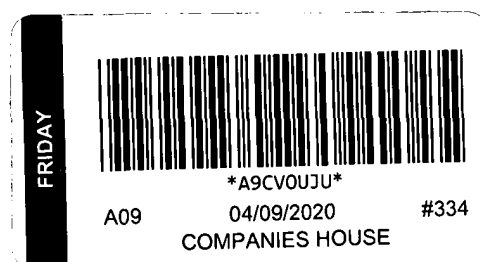


**Registered number: 02585837**

**A.M. BEST EUROPE - RATING SERVICES LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**



**A.M. BEST EUROPE - RATING SERVICES LIMITED**

**COMPANY INFORMATION**

<b>Directors</b>	J R Bromfield N J Charteris-Black C J Hopton S E Pool M C Mosher J A Gillard
<b>Company secretary</b>	S E Pool
<b>Registered number</b>	02585837
<b>Registered office</b>	6th Floor 12 Arthur Street London EC4R 9AB
<b>Independent auditors</b>	PKF Littlejohn LLP 15 Westferry Circus Canary Wharf London E14 4HD
<b>Bankers</b>	Barclays Bank Plc 53 The Broadway London W5 5JS
<b>Solicitors</b>	Thirings LLP Kinnaid 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 2019**

#### **Introduction**

The directors present their Strategic Report on their Company for the year ended 31 December 2019.

#### **Business review**

Following the establishment of the Amsterdam company in 2018 to provide a "Brexit" solution, EU clients wishing to transfer were successfully novated to the new operation during 2019 leading to a rebalancing of revenues and costs between the Company and the new entity. Although the split negatively affected profitability, owing to more of the larger and profitable accounts transferring to the new entity than remaining with the Company, the Company continues to trade profitably and is well funded. The business maintains a strong liquidity position.

The Company has seen revenue growth from rating service fees as new accounts have been won in emerging regional markets outside of the EU-27 as well as the Middle East and North Africa. The EU/Non EU split of new rating service fees in 2019 within the EMEA region being almost exactly equal.

During 2019, the Company made a number of changes to the leadership team as part of an orderly succession planning process. There has been a smooth transition to the new organisational structure, which is working well, and is delivering improved Global coordination and efficiency as well as greater consistency in the quality and comparability of the Group's ratings.

Looking forwards to the point at which the EU-UK Brexit Transition period expires (currently expected to be 1 January 2021), the FCA has confirmed its intention to convert the Company's existing CRA registration with ESMA into a registration with the FCA providing continuity of rating services for clients.

#### **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 the 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.

**A.M. BEST EUROPE - RATING SERVICES LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**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.

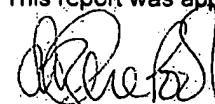
In order to maintain its capital, the Company will consider the amount of dividends paid to shareholders together with levels of cash, cash equivalents and debt in the Group.

**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 9 March 2020

and signed on its behalf.



**S E Pool**  
Director

## **A.M. BEST EUROPE - RATING SERVICES LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report and the financial statements for the year ended 31 December 2019.

#### **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 £745,274 (2018 - £1,787,922).

A dividend of £2m (2018: £2.3m) was paid during the period.

#### **Directors**

The directors who served during the year were:

L G Mayewski (resigned 31 December 2019)  
J R Bromfield  
N J Charteris-Black  
C J Hopton  
S E Pool  
R Sellek (resigned 31 March 2019)  
M C Mosher (appointed 1 April 2019)

#### **Disclosure of information to auditors**

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

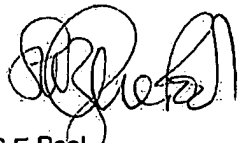
- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors 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 9 March 2020

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 2019**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 2019, 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 2019 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](http://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**

15 Westferry Circus  
Canary Wharf  
London  
E14 4HD

Date: 10 March 2020

**A.M. BEST EUROPE - RATING SERVICES LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	2018 £
Turnover	4	8,287,767	10,758,034
Cost of sales		(2,910,264)	(3,305,937)
<b>Gross profit</b>		<b>5,377,503</b>	<b>7,452,097</b>
Distribution costs		(1,437,649)	(1,474,015)
Administrative expenses		(4,549,012)	(4,261,212)
Other operating income		1,550,320	499,339
<b>Operating profit</b>		<b>941,162</b>	<b>2,216,209</b>
Interest receivable and similar income	8	55,281	47,685
Interest payable and expenses		(7,912)	(2,085)
<b>Profit before taxation</b>		<b>988,531</b>	<b>2,261,809</b>
Tax on profit	9	(243,257)	(473,887)
<b>Profit for the financial year</b>		<b>745,274</b>	<b>1,787,922</b>
<b>Total comprehensive income for the year</b>		<b>745,274</b>	<b>1,787,922</b>

The notes on pages 12 to 22 form part of these financial statements.

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

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2019**

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	11	134,731	126,012
		<u>134,731</u>	<u>126,012</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	1,598,822	1,402,907
Cash at bank and in hand	13	9,548,586	11,572,398
		<u>11,147,408</u>	<u>12,975,305</u>
Creditors: amounts falling due within one year	14	(1,330,027)	(1,897,504)
<b>Net current assets</b>		<u>9,817,381</u>	<u>11,077,801</u>
<b>Total assets less current liabilities</b>		<u>9,952,112</u>	<u>11,203,813</u>
<b>Provisions for liabilities</b>			
Deferred taxation	17	(20,914)	(17,889)
		<u>(20,914)</u>	<u>(17,889)</u>
<b>Net assets</b>		<u>9,931,198</u>	<u>11,185,924</u>
<b>Net assets</b>		<u>9,931,198</u>	<u>11,185,924</u>
<b>Capital and reserves</b>			
Called up share capital	18	2,000,000	2,000,000
Profit and loss account	19	7,931,198	9,185,924
<b>Equity attributable to owners of the parent Company</b>		<u>9,931,198</u>	<u>11,185,924</u>
		<u>9,931,198</u>	<u>11,185,924</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 9 March 2020



**S E Pool**  
Director

The notes on pages 12 to 22 form part of these financial statements.

**A.M. BEST EUROPE - RATING SERVICES LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £	Profit and loss account £	Total equity £
<b>At 1 January 2018</b>	<b>2,000,000</b>	<b>9,698,002</b>	<b>11,698,002</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	1,787,922	1,787,922
Interim dividend	-	(2,300,000)	(2,300,000)
<b>At 1 January 2019</b>	<b>2,000,000</b>	<b>9,185,924</b>	<b>11,185,924</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	745,274	745,274
Interim dividend	-	(2,000,000)	(2,000,000)
<b>At 31 December 2019</b>	<b>2,000,000</b>	<b>7,931,198</b>	<b>9,931,198</b>

The notes on pages 12 to 22 form part of these financial statements.

**A.M. BEST EUROPE - RATING SERVICES LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £	2018 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	745,274	1,787,922
<b>Adjustments for:</b>		
Depreciation of tangible assets	65,592	57,588
Interest paid	7,912	2,085
Interest received	(55,281)	(47,685)
Taxation charge	243,257	473,887
(Increase) in debtors	(64,374)	(60,121)
(Increase) in amounts owed by groups	(131,541)	(807,213)
(Decrease)/increase in creditors	(468,049)	422,731
(Decrease) in amounts owed to groups	(47,408)	(12,892)
Decrease in provisions	-	(2,916)
Corporation tax (paid)	(295,841)	(447,611)
<b>Net cash generated from operating activities</b>	<u>(459)</u>	<u>1,365,775</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(70,722)	(25,520)
Interest received	55,281	47,685
<b>Net cash from investing activities</b>	<u>(15,441)</u>	<u>22,165</u>
<b>Cash flows from financing activities</b>		
Dividends paid	(2,000,000)	(2,300,000)
Interest paid	(7,912)	(2,085)
<b>Net cash used in financing activities</b>	<u>(2,007,912)</u>	<u>(2,302,085)</u>
<b>Net (decrease) in cash and cash equivalents</b>	<u>(2,023,812)</u>	<u>(914,145)</u>
Cash and cash equivalents at beginning of year	11,572,398	12,486,543
<b>Cash and cash equivalents at the end of year</b>	<u><u>9,548,586</u></u>	<u><u>11,572,398</u></u>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	9,548,586	11,572,398
	<u><u>9,548,586</u></u>	<u><u>11,572,398</u></u>

The notes on pages 12 to 22 form part of these financial statements.

## **A.M. BEST EUROPE - RATING SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **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 preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

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 under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

## **A.M. BEST EUROPE - RATING SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **2. Accounting policies (continued)**

##### **2.5 Cash and cash equivalents**

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

##### **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 to 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 or 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 instruments 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.

##### **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.

## **A.M. BEST EUROPE - RATING SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **2. Accounting policies (continued)**

##### **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 independently 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 currency 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 currency 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**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

#### **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 of residual value and useful economic lives of its fixed assets;
- iii) the recoverability of trade debtors.

# **A.M. BEST EUROPE - RATING SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

### **4. Turnover**

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

	2019 £	2018 £
Rating services	8,287,767	10,758,034
	<u>8,287,767</u>	<u>10,758,034</u>

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	1,526,709	1,555,292
European Union, excluding U.K.	1,650,719	4,394,852
Rest of the world	5,110,339	4,807,890
	<u>8,287,767</u>	<u>10,758,034</u>

### **5. Operating profit**

The operating profit is stated after charging:

	2019 £	2018 £
Fees payable to the Company's auditors for the audit of the financial statements	13,000	11,000
Depreciation of tangible fixed assets	62,002	54,000
Loss on foreign currency exchanges	109,690	1,015
Other operating lease rentals	635,032	526,521

## A.M. BEST EUROPE - RATING SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 6. Employees

The average monthly number of employees, including the directors, during the year was 55 (2018: 63).

The aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	4,638,735	4,935,125
Social security costs	538,715	574,775
Pension costs	517,314	535,871
	<u>5,694,764</u>	<u>6,045,771</u>

#### 7. Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	<u>507,089</u>	<u>502,306</u>

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

	2019 £	2018 £
Remuneration for qualifying services	<u>245,370</u>	<u>228,051</u>

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

#### Compensation to Directors for loss of office

Included in Note 6 Employees – Wages and Salaries is the payment of a severance package to one of the Directors amounting to £464,666.

#### 8. Interest receivable and similar income

	2019 £	2018 £
Other interest receivable	55,281	47,685
	<u>55,281</u>	<u>47,685</u>

**A.M. BEST EUROPE - RATING SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**9. Taxation**

	2019 £	2018 £
<b>Corporation tax</b>		
UK Corporation tax on profits for the current period	192,595	441,402
Adjustments in respect of previous periods	-	(35)
	<u>192,595</u>	<u>441,367</u>
 Withholding tax incurred	 47,637	 35,435
	<u>240,232</u>	<u>476,802</u>
 <b>Deferred tax</b>		
Origination and reversal of timing differences	3,025	(2,946)
Foreign tax in respect of prior periods	-	31
	<u>3,025</u>	<u>(2,915)</u>
 <b>Total tax</b>	 <u>243,257</u>	 <u>473,887</u>

## A.M. BEST EUROPE - RATING SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 9. Taxation (continued)

##### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>988,531</u>	<u>2,261,809</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	187,821	429,744
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit	8,157	6,029
Withholding tax incurred	47,637	35,435
Capital allowances for year in excess of depreciation	-	2,336
Adjust opening/closing deferred tax to average rate of 19%	(358)	346
Adjustments to tax charge in respect of prior periods - current tax	-	(35)
Adjustments to tax charge in respect of prior periods - deferred tax	-	32
	<u>243,257</u>	<u>473,887</u>

##### 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

	2019 £	2018 £
Interim dividends paid	<u>2,000,000</u>	<u>2,300,000</u>
	<u>2,000,000</u>	<u>2,300,000</u>

**A.M. BEST EUROPE - RATING SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**11. Tangible fixed assets**

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Total £
<b>Cost or valuation</b>				
At 1 January 2019	854,157	110,884	492,482	1,457,523
Additions	11,300	25,816	33,606	70,722
At 31 December 2019	865,457	136,700	526,088	1,528,245
<b>Depreciation</b>				
At 1 January 2019	786,043	87,496	457,973	1,331,512
Charge for the year on owned assets	27,403	17,995	16,604	62,002
At 31 December 2019	813,446	105,491	474,577	1,393,514
<b>Net book value</b>				
At 31 December 2019	52,011	31,209	51,511	134,731
At 31 December 2018	68,114	23,388	34,509	126,011

**12. Debtors**

	2019 £	2018 £
Trade debtors	28,220	20,421
Amounts owed by group undertakings	1,102,034	970,493
Other debtors	468,568	411,993
	1,598,822	1,402,907

**13. Cash and cash equivalents**

	2019 £	2018 £
Cash at bank and in hand	9,548,586	11,572,398
	9,548,586	11,572,398

**A.M. BEST EUROPE - RATING SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**14. Creditors: Amounts falling due within one year**

	2019 £	2018 £
Trade creditors	36,765	84,348
Amounts owed to group undertakings	74,619	122,027
Corporation tax	192,415	241,405
Other taxation and social security	139,015	162,889
Other creditors	887,213	1,286,835
	<u>1,330,027</u>	<u>1,897,504</u>

**15. Deferred income**

	2019 £	2018 £
Other deferred income	229,250	658,319
	<u>229,250</u>	<u>658,319</u>

This amount is included within Other creditors.

**16. Financial instruments**

	2019 £	2018 £
<b>Financial assets</b>		
Cash and cash equivalents	9,548,586	11,572,398
Trade debtors	28,220	20,420
Amounts due from group undertakings	1,102,034	970,494
Other debtors	468,748	34,721
	<u>11,147,588</u>	<u>12,598,033</u>
<b>Financial liabilities</b>		
Trade creditors	36,765	84,348
Amounts due to group undertakings	74,619	122,027
Accruals	656,712	628,516
	<u>768,096</u>	<u>834,891</u>

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

**A.M. BEST EUROPE - RATING SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**17. Deferred taxation**

	<b>2019 £</b>
As at 1 January 2019	(17,889)
Utilised in the year	(3,025)
<b>As at 31 December 2019</b>	<b>(20,914)</b>

The deferred balance is made up as follows:

	<b>2019 £</b>	<b>2018 £</b>
Accelerated capital allowances	(17,889)	(17,889)
Short-term timing differences	(3,025)	-
	<b>(20,914)</b>	<b>(17,889)</b>

**18. Share capital**

	<b>2019 £</b>	<b>2018 £</b>
<b>Issued and fully paid</b>		
2,000,000 Ordinary shares of £1.00 each	<b>2,000,000</b>	<b>2,000,000</b>

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

**19. Reserves**

**Profit and loss account**

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.

## A.M. BEST EUROPE - RATING SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 20. Operating lease commitments

At 31 December 2019, the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	370,450	370,450
Later than 1 year and not later than 5 years	245,613	616,063
	<u>616,063</u>	<u>986,513</u>

#### 21. Related parties

	A.M Best Europe Information Services Limited £	A.M Best Asi-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 2019	118,051	(29,323)	(92,704)	72,587	33,970	745,885
Services received	-	-	(251,953)	(302,782)	-	-
Services performed	198,000	196,377	-	-	212,900	891,400
Settlements made	105,541	435,564	340,817	839,536	46,076	1,970,222
Settlements received	(378,935)	(421,761)	(63,529)	(569,859)	(203,416)	(2,758,383)
Foreign exchange movements	-	-	(7,250)	(22,075)	-	(77,543)
<b>Balance at 31 December 2019</b>	<u>42,657</u>	<u>180,857</u>	<u>(74,619)</u>	<u>17,407</u>	<u>89,530</u>	<u>771,581</u>

#### 22. Controlling party

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