

Company registration no. C 68576

**Cambridge Topco Limited**

**Annual Report and Consolidated Financial Statements**

**For the year ended 31 December 2017**

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For the year ended 31 December 2017

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## Contents

For the year ended 31 December 2017

Directors	N J Steer W A Bridger R Williams P D Matson T Colrairie H Labes R Thompson M Hutchinson N Cachia M Lawson
Company secretary	M Scicluna (resigned 3 March 2017) S Galea (appointed 3 March 2017)
Registered address	Suite 5, Level 3, Fafner House National Road Blata L-Bajda Hamrun HMR 9011 Malta
Company number	C 68576
Auditor	Mazars Malta 32 Sovereign Building Zaghfran Road Attard ATD9012 Malta

## Strategic Report

For the year ended 31 December 2017

### Review and analysis of the business during the current year

The principal activities of the Cambridge Topco Limited and its subsidiaries (the Group) are the acquisition and subsequent management of insurance and reinsurance companies and portfolios in the run-off insurance market.

The Group's aim is to carry out its business plan of growing the economic value of the business whilst ensuring appropriate protection for policyholders.

The Group acquires companies in run-off and/or portfolios of discontinued insurance and reinsurance business; and proactively manage the claims liabilities acquired.

The Group has experience in acquiring most classes of direct and reinsurance business, including property, liability, marine and motor accident.

### Strategy and performance of the Group

The Group continues to offer high quality, knowledgeable resources to administer run-off services throughout Europe.

The directors of the business aim to grow shareholders' funds and promote efficient use of capital within the Solvency II regime by using skills within the business to acquire suitable, solvent run-off companies and portfolios.

Cambridge Topco Limited is owned by CBPE Capital LLP (CBPE), a UK Private Equity Investor which has managed a series of funds investing in mid-market UK businesses and has operated for over 30 years. CBPE, along with members of the executive management team, invested in the Compre (1) Group in 2015 with a view to supporting the management team to acquire insurance run-off portfolios and companies across Europe. During the current year, shareholders of the Group invested an additional £8m in Cambridge Holdco Limited, a direct subsidiary of Cambridge Topco Limited. The additional investment in Cambridge Holdco Limited does not alter the pre-existing economic or voting rights within that company or within the Group. The additional funds have been utilised within the Group to support the additional solvency capital requirements for portfolio acquisitions within the Group's risk carriers.

In addition to the further investment by CBPE, the directors successfully sourced the following external methods to support group acquisitions and continue to grow the business.

In May 2017, the Group secured a multicurrency Revolving Credit Facility (RCF) with Royal Bank of Scotland for £20m plus an incremental facility of £5m. The term of the RCF is 5 years, with the facility to be repaid in full by that date. At the year end, the Group has made the following drawdowns:

- £4.5m on the 9 October 2017
- £4.9m (£5.5m) on the 1 December 2017

The Group pays a commitment fee based on the unutilised amount of the loan. This is based on 35% of the margin.

In December 2017, the Group made 2 floating rate subordinated note issues (£2.5m through Compre Holdings Limited and €24m through Bothnia International Insurance Company), both due for repayment on 5 January 2028. The notes were initially in the form of a temporary global note in bearer form, without coupons attached, which were deposited with a common safe keeper for Euroclear and Clearstream, Luxembourg.

## Strategic Report

For the year ended 31 December 2017

### Strategy and performance of the Group (continued)

Interests in the temporary global note were exchangeable for interests in a permanent global note, without coupons attached, on or after the date falling 40 days after the issue date, upon certification as to non-U.S. beneficial ownership.

The notes bear interest on their principal amount, plus any arrears of interest from the date of issue, to the date of their redemption, payable quarterly in arrears on 5 January, 5 April, 5 July and 5 October in each year. The notes are freely transferrable in minimums denominations of €100,000 in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg.

The €2.5m subordinated notes are listed on The International Stock Exchange, which is registered in Guernsey and are classed as Tier 2 capital.

London & Leith Insurance SE (LLSE) applied to the Malta Financial Services Authority for a licence to transact insurance and reinsurance business in that jurisdiction. This was granted on 28 June 2017 after LLSE had increased its paid-up capital to at least its Minimum Capital Requirement (as defined in the Solvency II Directive), which was €3,700,000, prior to LLSE's licence application. The transfer of LLSE to Malta was made after the Malta Financial Services Authority had issued the licence to carry out Insurance and Reinsurance and the Registry of Companies in Malta had registered LLSE as London & Leith Insurance PCC SE.

During 2016 the directors applied to the Swiss Financial Market Supervisory Authority (FINMA) to reduce the share capital in Aurora Versicherungs AG (Aurora) by CHF 6m. This approval was granted in December 2016 and the legal process was completed in March 2017. As part of the capital reduction, Aurora relinquished its licence to undertake new insurance and reinsurance business.

### Significant transactions

During the year the Group acquired a company in run-off and made a number of portfolio acquisitions which increased the insurance liabilities by £150m.

The company acquisition completed in October 2017 when the group acquired Equinox CA Europe, an Irish insurer in run-off. The entity had previously been a captive insurer of a global engineering and construction conglomerate. The company was subsequently renamed to Dublinmont Designated Activity Company in November 2017.

The portfolio acquisitions were made by the Group included:

- A Loss Portfolio transfer from Gjensidige Forsikring. The portfolio consisted of US asbestos, pollution and adverse health cover.
- A Portfolio of the Swiss company, AXA Insurance Ltd (AXA), formerly Winterthur Swiss Insurance Company.
- The acquired portfolio of insurance and reinsurance business in run-off was underwritten by RW Gibbon (Underwriting Agencies) Ltd and RW Gibbon & Son Ltd (the Gibbon pools) between 1962-1964.

## Strategic Report

For the year ended 31 December 2017

### Significant transactions (continued)

- A portfolio of assumed non-life reinsurance business from Allianz Versicherungs AG (“Allianz”). The business was originally underwritten by Vereinte Versicherung AG and its legal predecessors and has been discontinued since the late 1990s.

In December, the Group completed its largest acquisition to date, the acquisition of 2 portfolios of business from the UK and US branches of Assicurazioni Generali S. p. A. The portfolios, comprising APH and some UK Employers Liability business, have been in run-off since the early 2000s.

- A further portfolio transfer was completed in December 2017 with another counterparty, subsequently this is subject to a transfer process to achieve legal finality.

In addition, the Group completed the insurance business transfer, in accordance with Part VII of the Financial Services and Markets Act 2000, in respect of the remaining liabilities in Moorgate Insurance Company Ltd to Bothnia in Finland, both subsidiaries of the Group. The insurance liabilities of Moorgate Insurance, a group company, which were previously reinsured by QBE via their share in the RFP pool, were also transferred to Bothnia.

These new business transactions have contributed to the growth of the Group’s net asset value and expansion of its European footprint.

The Board has assessed that its existing operations within the Group will not be materially affected by Brexit. However, given the detailed terms, conditions and any replacement agreements and laws are not yet known and may not be finalised for a long period of time, the board has agreed to continually monitor developments in this area.

### Key performance indicators

The objective of the Group is to increase the value of the shareholder funds through the acquisition and successful run-off of insurance liabilities. Monitoring the growth in Shareholders’ Funds against long-term objectives is the primary measure of value in the business.

Management use a range of performance measures to monitor and manage the objectives of the business. The key performance indicators currently used are:

Total Equity                      £66.9m (2016: £53.8m)

Return on shareholders’ funds for the year was 6% (2016:14%)

### Development and financial performance during the year

As reported in the Consolidated Income Statement, the Group recorded a profit before tax for the year ended 31 December 2017 of £6,284k (2016 £6,782k).

### Developments after the reporting date

There are no significant events after the year-end.

## Directors' Report

For the year ended 31 December 2017

The directors present their report and the audited consolidated financial statements of Cambridge Topco Limited for the year ended 31 December 2017.

### Incorporation and principal activities

Cambridge Topco Limited was incorporated under the laws of Malta on 15<sup>th</sup> January 2015 and commenced trading on 28 September 2015. The principal activity of the Group is the acquisition of insurance and reinsurance companies and portfolios in the legacy insurance market.

### Results and dividends

The results for the Group are shown in the consolidated statement of comprehensive income on page 16. The directors do not recommend the payment of a dividend in the current year.

### Review of business

During the year under review the Group made a profit after tax of £4.9m, (2016: £5.3m)

### Currency

The accounts are drawn up in Sterling, which is the currency in which the Company's share capital is denominated in terms of section 187 of the Companies Act, (CAP. 386). The official middle rate issued by the Central Bank of Malta as at 31 December 2017 is set out on page 17.

### Directors

The directors of the Company who served during the year were:

N J Steer  
W A Bridger  
R Williams  
P D Matson  
T Colrairie  
H Labes  
R Thompson  
M Hutchinson  
M Lawson  
N Cachia (appointed 3 March 2017)  
M Scicluna (resigned 3 March 2017)

### Principal risks and uncertainties facing the business

Management continually monitor the key risks facing the Group together with assessing the controls used for managing these risks. The board of directors formally reviews and documents the principal risks facing the business at least annually.

The principal risks and uncertainties recognised by the directors of this Company in respect of insurance business in run-off are the unpredictable nature of claims arising on business written many years ago and the exposure to currency exchange rate fluctuations, these risks are mitigated by active claims management, reinsurance arrangements and regular monitoring and execution of currency exchanges.

## Directors' Report

For the year ended 31 December 2017

### Key performance indicators and financial risk management and exposures

The details of the performance indicators, considered key by the directors and details of the key performance indicators are detailed in the Strategic Report.

### Research and development

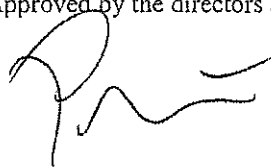
The Group did not invest in research and development during the current year.

### Auditors

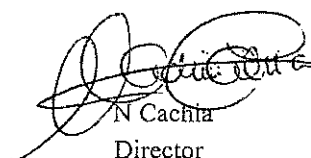
The auditors, Mazars Malta, who were appointed in 2015, have expressed their willingness to continue in office, and a resolution proposing their reappointment and authorizing the directors to fix their remuneration will be put before the members at the next annual general meeting.

### Approval

Approved by the directors and signed on



P Matson  
Director

  
N Cachia  
Director

### Registered office:

Suite 5, Level 3  
Fafner House  
National Road  
Blata L-Bajda  
Hamrun  
HMR 9011



## Directors' Report

For the year ended 31 December 2017

### Statement of directors' responsibilities

The directors are required by the Companies Act (CAP. 386), to prepare financial statements, which give a true and fair view of the state of affairs of the Company at the end of each financial year and of the profit or loss for that year. In preparing the 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;
- account for income and charges relating to the account year on an accruals basis;
- value separately the components of assets and liability items;
- report comparative figures corresponding to those of the proceeding accounting year;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records, which 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 (CAP. 386). They are also responsible for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Company are being properly safeguarded and that fraud and other irregularities will be prevented or detected.



## **Independent auditor's report to the members of Cambridge Topco Limited**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Cambridge Topco Limited (the Company) and its subsidiaries (the Group), for the year ended 31 December 2017, which comprise of the consolidated Income Statement, the consolidated and Company Statement of Comprehensive Income, the consolidated and Company Statement of Financial Position, the consolidated and Company Statement of Changes in Equity, the consolidated and Company Statement of Cash Flows, and notes to the consolidated and Company financial statements including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at the 31 December 2017, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs) and have been prepared in accordance with the requirements of the Companies Act (Cap. 386) and the Insurance Business Act 1998.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 International Ethics Standard Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession Act (Cap.281) in Malta, as applied to public interest entities 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.

#### **Use of the audit report**

This report is made solely to the Company's members as a body in accordance with the requirements of the Companies Act (Cap.386) and the Insurance Business Act 1998. 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.

#### **Conclusions relating to going concern**

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

- 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.



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## Independent auditor's report to the members of Cambridge Topco Limited (continued)

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement. These matters, described below, are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. They were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and therefore we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Onboarding and accounting for new loss portfolio transfers</b></p> <p>Loss portfolio transfers are accounted for fully and in the correct period.</p>	<p>Together with our actuarial specialists and the auditors of the subsidiaries, the following audit procedures were performed:</p> <ul style="list-style-type: none"> <li>For transactions completed, formal legal agreements were reviewed and assets relating to these portfolios were confirmed;</li> <li>Reviewed the reserves established relating to the transferred portfolios. This involved discussions with the company's actuary, the review of the relevant due diligence performed by the company and any updated assessment by the company of these reserves post-acquisition; and</li> <li>Reviewed the application of the accounting policy and that appropriate disclosures are made to the financial statements.</li> </ul>
<p><b>Insurance contract liabilities</b></p> <p>The most significant financial statement risk area is the assessment of claims reserves held by the company.</p> <p>Claims reserves are inherently uncertain and subjective by nature requiring use of management's judgement particularly in the context of selecting and applying the assumptions and methodologies used to determine the value of these provisions.</p> <p>There is a risk that inappropriate reserve projections are made, which could lead to reserves falling outside a reasonable range of possible estimates and result in a misstatement in the financial statements.</p>	<p>Together with our actuarial specialists and the auditors of the subsidiaries, the following audit procedures were performed:</p> <ul style="list-style-type: none"> <li>On a sample basis we tested the claims paid during the year;</li> <li>We evaluated the reserving methodology used by management, changes to the methodology from prior year and reasonableness of the assumptions used;</li> <li>We performed an analysis of the movement in incurred claims for the year, this involved assessment of the movement relating to the new portfolio transfers during the year and to the previous insurance liabilities; and</li> <li>Obtained appropriate supporting documents such as legal contracts, reserving reports and reconciled the relevant balances to the financial statements.</li> </ul>

## Independent auditor's report to the members of Cambridge Topco Limited (continued)

### Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£1.2 million
How we determined it	3% of net assets
Rationale for benchmark applied	In determining our materiality, we considered financial metrics which we believed to be relevant, and concluded that net assets was the most relevant benchmark. We believe that the benchmark of net assets is a fair reflection of results of the Company's operations to date as it is not subject to the volatility arising from loss portfolio transfers.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Performance materiality of £1.0m was applied in the audit.
Reporting Threshold	We agreed with the audit committee that we would report to them misstatements identified during our audit above 5% of overall materiality as well as below that amount that, in our view, warranted reporting for qualitative reasons.

Materiality used in the audit of the significant components (subsidiaries) of the Company ranged from £122K to £673K.

### An overview of the scope of our audit

Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are discussed under "Key audit matters" within this report.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the Company's accounting processes and controls, and the industry in which it operates.

We used the outputs of a risk assessment, our understanding of the Company, and we also considered qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Based on that assessment, the significant components of the group were:

- Bothnia International Insurance Company (Finland)
- AURORA Versicherungs AG (Switzerland)
- Hamburger Internationale Rückversicherung AG (Germany)
- Dublimont (Equinox CA)



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## **Independent auditor's report to the members of Cambridge Topco Limited (continued)**

### **An overview of the scope of our audit (continued)**

The principal trading company of each component was subjected to a full scope audit using component materiality levels.

At parent entity level we also tested the consolidation process and carried out appropriate audit procedures to confirm our conclusion that there were no significant risks of material misstatement.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Reports and Consolidated Financial Statements, other than the financial statements and our auditor's 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 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 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.

### **Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement set out on page 7 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 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.



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## Independent auditor's report to the members of Cambridge Topco Limited (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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## Independent auditor's report to the members of Cambridge Topco Limited (continued)

### Report on Other Legal and Regulatory Requirements

Under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.

We have nothing to report to you in respect of these responsibilities.

Additionally, the financial statements have been properly prepared in accordance with the requirements of the Insurance Business Act (Cap. 403), 1998.

Following the recommendation of the Audit Committee, we were appointed by the shareholders as auditors of Cambridge Topco Limited (the Company) in March 2015, as for the year ended 31 December 2015 and have operated as statutory auditor ever since that date.

*This copy of the audit report has been signed by  
Paul Giglio (Partner) for and on behalf of*

**Mazars Malta**  
**Certified Public Accountants**

Office address:  
32, Sovereign Building, Zaghfran Road,  
Attard ATD 9012

Date: 30/04/2018

## Consolidated Income Statement

For the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Gross premiums		31	89
Premium ceded to reinsurers		-	(14)
<b>Net premiums</b>		<u>31</u>	<u>75</u>
Investment income	6	1,252	1,389
Net realised gains and losses	7	(46)	(95)
Fair value gains and losses	8	29	249
Other operating revenue and income	9	164	221
<b>Other income</b>		<u>1,399</u>	<u>1,764</u>
<b>Total income</b>		<u>1,430</u>	<u>1,839</u>
Gross claims paid		(5,078)	(2,270)
Claims ceded to reinsurers		3,508	(126)
Gross change to contract liabilities		18,905	18,744
Change in contract liabilities ceded to reinsurers		(3,490)	(3,049)
<b>Net claims</b>		<u>13,845</u>	<u>13,300</u>
Finance costs	10	(728)	(375)
Other operating and administrative expenses	11	(8,263)	(7,981)
<b>Other expenses</b>		<u>(8,991)</u>	<u>(8,356)</u>
<b>Total claims and expenses</b>		<u>4,854</u>	<u>4,943</u>
<b>Profit before tax</b>		<u>6,284</u>	<u>6,782</u>
Income tax expense	15	(1,350)	(1,467)
<b>Profit for the year</b>		<u><u>4,934</u></u>	<u><u>5,315</u></u>
<b>Attributable to:</b>			
Owners of the parent company		4,144	4,465
Non-controlling interests		790	850
		<u><u>4,934</u></u>	<u><u>5,315</u></u>

The notes on pages 21 to 52 form an integral part of these consolidated financial statements.



## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Profit for year		4,934	5,315
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations		(543)	1,548
Pension obligation		634	(1,673)
<b>Total other comprehensive income for the year</b>		91	(125)
<b>Total comprehensive income for the year</b>		<u>5,025</u>	<u>5,190</u>
<b>Attributable to:</b>			
Owners of the parent company		4,221	4,360
Non-controlling interests		804	830
		<u>5,025</u>	<u>5,190</u>

The notes on pages 21 to 52 form an integral part of these consolidated financial statements.

## Consolidated Statement of Financial Position

as at 31 December 2017

	Notes	2017 £000	2016 £000
<b>Assets</b>			
Goodwill	16	7,756	7,756
Intangible assets	17	49	24
Property, plant and equipment	18	53	15
<b>Financial assets</b>			
- Financial assets at fair value through profit or loss	21	75,234	81,645
- Loans and receivables	21	1,324	1,814
Reinsurance assets	22,28	12,376	18,155
Insurance receivables	23	22,342	13,506
Other receivables		38	564
Current tax assets		-	-
Prepayments and accrued income		775	895
Cash and cash equivalents	24	214,433	41,976
<b>Total assets</b>		<b>334,380</b>	<b>166,350</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued share capital	25	54	54
Share premium account	26	42,307	42,307
Retained earnings		7,251	3,030
Total equity attributable to owners of the parent company		49,612	45,391
Non-controlling interest		17,260	8,456
<b>Total equity</b>		<b>66,872</b>	<b>53,847</b>
<b>Liabilities</b>			
Insurance contract liabilities	28	202,698	77,060
Defined benefit pension obligation	29	11,712	12,226
Other provisions	28,30	6,159	4,983
Insurance payables	32	9,495	11,646
Current tax liabilities		1,212	1,634
Accruals and deferred income		2,692	784
Other payables	33	1,747	4,169
Borrowings	34	31,793	-
<b>Total liabilities</b>		<b>267,508</b>	<b>112,503</b>
<b>Total equity and liabilities</b>		<b>334,380</b>	<b>166,350</b>

The official middle closing rate issued by the Central Bank of Malta at as 31 December 2017 was EUR 1 = GBP 0.88723 (2016: EUR 1 = GBP 0.85618).

The notes on pages 21 to 52 form an integral part of these consolidated financial statements.

## Consolidated Statement of Financial Position

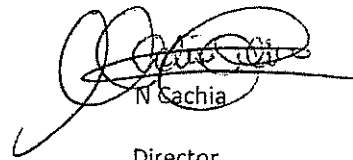
As at 31 December 2017

The financial statements were approved by the Board of Directors and authorised for issue on 30 April 2018 and signed on their behalf by:



P Matson

Director



N Sachia

Director

## Consolidated Statement of Financial Position

As at 31 December 2017

	Share capital £000	Share premium £000	Retained earnings £000	Total equity attributable to owners of the parent company £000	Non-controlling interest £000	Total equity £000
At 31 December 2015	54	42,307	(1,330)	41,031	406	41,437
Issue of shares	-	-	-	-	7,220	7,220
Profit for the year	-	-	4,465	4,465	850	5,315
Other comprehensive income	-	-	(105)	(105)	(20)	(125)
Total comprehensive income	-	-	4,360	4,360	830	5,190
At 31 December 2016	54	42,307	3,030	45,391	8,456	53,847
Issue of shares	-	-	-	-	8,000	8,000
Profit for the year	-	-	4,144	4,144	790	4,934
Other comprehensive income	-	-	77	77	14	91
Total comprehensive income	-	-	4,221	4,221	804	5,025
At 31 December 2017	54	42,307	7,251	49,612	17,260	66,872

## Consolidated Statement of Cash flow

for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
<b>Cash flow from operating activities</b>			
Profit before tax		6,284	6,782
Adjustment for:			
- change in operating asset		(2,143)	(8,248)
-change in operating liabilities		109,005	33,681
-amortisation of intangible assets		16	1
-depreciation of property, plant and equipment		9	5
-goodwill impairment		1,440	-
Non cash included in profit before tax:			
Interest income receivable		223	(613)
Change in market value of investments		(2,128)	-
Foreign exchange movements		(543)	1,548
Change in pension obligation		634	(1,673)
Income tax paid		(1,665)	(190)
<b>Net cash generated from operating activities</b>		<u>111,132</u>	<u>31,293</u>
<b>Cash flow from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	20	13,081	-
Capital expenditure		(89)	(18)
Proceeds/(Payments) from sales/(purchases) of investments		8,540	(16,182)
<b>Net cash used in investing activities</b>		<u>21,532</u>	<u>(16,200)</u>
<b>Cash flow from financing activities</b>			
Issue of share by subsidiary		8,000	7,220
Proceeds from issue of subordinated debt		22,810	-
Revolving credit drawdowns		8,983	-
<b>Net cash from finance activities</b>		<u>39,793</u>	<u>7,220</u>
<b>Increase in cash and cash equivalents</b>		<u>172,457</u>	<u>22,313</u>
Cash equivalents as at 1 January		41,976	19,663
Effect of foreign exchange movements		-	-
<b>Cash and cash equivalents at end of the year</b>		<u>214,433</u>	<u>41,976</u>

The notes on pages 21 to 52 form an integral part of these consolidated financial statements.

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 1. Corporate information

Cambridge Topco Limited is a company incorporated and registered in Malta. The consolidated financial statements incorporate the financial statements of the Company and entities (its subsidiaries) controlled by the Company (collectively comprising the Group) made up to the 31 December in each year.

The principal operations of the Group are included in the directors' report on page 5.

### 2. Accounting policies

#### 2.1. Basis of preparation

##### *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

##### *Basis of measurement*

The financial statements have been prepared on the historical cost basis with the exception of financial instruments measured at fair value.

##### *Going concern*

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months. Thus they have adopted the going concern basis of accounting in preparing the financial statements.

#### 2.2. Functional and presentational currency

The Group's functional currency is Sterling, as this is the currency of the primary economic environment in which the Group operates. The financial statements are presented in Sterling.

#### 2.3. Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 3.

#### 2.4. Foreign currency

Transactions in foreign currencies are translated into the functional currency at the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at each reporting date are translated into the functional currency at the closing exchange rates as at that date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss.

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 2.4. Foreign currency (continued)

On consolidation, the assets and liabilities of foreign subsidiaries are translated into Sterling at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at average exchange rates for the year for which the accounts have been prepared. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign subsidiary, the component of other comprehensive income relating to that particular foreign subsidiary is recognised in profit or loss.

Any goodwill arising on the acquisition of foreign subsidiaries and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign subsidiaries and translated at the spot rate of exchange at the reporting date.

### 2.5. Basis of consolidation

The Group financial statements consolidate those of the parent company and the subsidiaries that the parent has under its control. Control is established when the parent is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Where a subsidiary is acquired/disposed of during the year, the consolidated profits or losses are recognised from/until the effective date of the acquisition/disposal.

All inter-company balances and transactions between group companies have been eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interest based on their respective ownership interests based on the economic holdings of each shareholder.

### 2.6. Business combinations

The Group applies the acquisition method of accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair value of assets transferred, liabilities incurred and the equity interest issued by the Group, which includes the fair value of any assets or liabilities arising from a contingent arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquired subsidiary's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (i) fair value of consideration transferred, (ii) the recognised amounts of any non-controlling interest in the acquiree and (iii) acquisition-date fair values of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 2.7. Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable and separately recognised. See note 2.6 for information on how goodwill is initially determined. After initial recognition, goodwill is measured at cost less accumulated impairment losses. See note 2.11 for a description of impairment testing procedures.

### 2.8. Other intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are recognised at cost less any accumulated amortisation and any accumulated impairment losses.

The amortisable amount of an intangible asset with a finite useful life is allocated on a systematic basis over that period. Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation period and the amortisation method for intangible assets with a finite useful life is reviewed at least each financial year-end. If the expected useful life of the asset is different from previous estimates, the amortisation period is changed accordingly. The useful life is deemed to be:

Computer software	4 years
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### 2.9. Property plant and equipment

Property, plant and equipment is recognised as an asset only if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. Cost of an item of property, plant and equipment comprises the purchase price, any costs 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 and an initial estimate of the cost of dismantling and removing the asset and restoring the site on which it is located.

After recognition, all property, plant and equipment is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected useful lives on the following basis:

Computer equipment	25% per annum
Fixtures and fittings	20% per annum

The residual value and the useful life of an asset is reviewed at least at each financial year-end and if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying value of the asset and are recognised in profit or loss.



## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 2.10. Cost of borrowings

Fees paid on the establishment of loan and other debt facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. The fees are capitalised and amortised over the period of the facility to which it relates. The amortisation is recognised in the Statement of Comprehensive Income Statement.

### 2.11. Impairment of non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash flows. As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset or cash-generating unit is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is measured as the higher of fair value less cost of disposal and value in use. The value in use is calculated as being net projected cash flows based on financial forecasts discounted back to present value.

The impairment loss is allocated to reduce the carrying amount of the asset, first against the carrying amount of any goodwill allocated to the cash-generating unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

### 2.12. Financial assets

#### Initial recognition and measurement

Financial assets are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

#### Subsequent measurement

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; and
- The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 2.12. Financial assets (continued)

#### Subsequent measurement (continued)

##### *Financial assets at fair value through profit or loss (continued)*

These investments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded in 'Fair value gains and losses'. Interest is accrued and presented in 'Investment income' or 'Finance cost', respectively, using the effective interest rate (EIR).

Dividend income is recorded in 'Other operating income' when the right to the payment has been established.

##### *Available-for-sale financial assets*

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the EIR, less allowance for impairment. Amortised cost is calculated by considering any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in 'finance income' in the income statement. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

##### *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 2.13. Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in profit or loss.

Gains or losses on buying reinsurance are recognised in profit or loss immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

### 2.14. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the statement of financial position.

### 2.15. Insurance contract liabilities

Non-life insurance contract liabilities comprise the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with claims related costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

### 2.16. Insurance claims handling expenses

The provision for the costs of handling and settling claims to extinction and all other costs of managing the run-off is based on an analysis of the expected costs to be incurred in run-off activities, incorporating expected savings from the reduction of transaction volumes over time.

### 2.17. Defined benefit obligation

The Group operates a defined benefit pension scheme, which requires contributions to be made to a trustee administered independent fund.

The cost of providing benefits under the scheme is determined using the projected unit credit method.

Re-measurements of the net defined benefit liability comprise actuarial gains and losses.

Re-measurements are recognised immediately in the statement of financial position with a corresponding debit or credit entry to retained earnings through Statement of Comprehensive Income (SOCI) in the year in which they occur. Re-measurements of the net defined benefit liability recognised in SOCI are not reclassified to profit or loss in subsequent periods.

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 2.18. Other provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 2.19. Income tax

Current income tax assets and/or liabilities comprise obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid/due at the reporting date. Current tax is payable on taxable profits, which may differ from profit or loss in the financial statements. Calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting year.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). However, for deductible temporary differences associated with investments in subsidiaries a deferred tax asset is recognised when the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

### 2.20. Gross written premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense.

### 2.21. Claims paid

Gross claims paid recognises both claims approved for payment in the year and paid claims incorporated into the group by way of a portfolio transfer. Claims available for payment are recognised as paid when payment has been approved and claims arising via a portfolio transfer are recognised when a legal agreement is reached between the original risk carrier and the third party transferring the risk.

### 2.22. Claims expense

Claims expenses include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 2.23. Procurement fees

Procurement fees comprise income received by the group for the provision of run-off services, which is in addition to the transfer of liabilities agreed. Procurement fees are non-refundable and are not linked to the run-off of the business acquired and therefore the income is recognised immediately in the Consolidated Income Statement.

### 2.24. Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Share premium represents the value of shares issued in excess of the nominal value of those shares less a deduction for allowable costs.

Retained earnings include all current year profits and prior year losses.

### 3. Significant management judgements in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

#### Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most effect on the financial statements.

Significant management judgements have been applied in the calculation of insurance contract provisions and reinsurers' share of insurance liabilities, in the calculation of assets and post retirement liabilities for the defined benefit scheme, future claims handling expenses and assessment of possible impairment of intangible assets. There is also significant uncertainty due to future fluctuations in foreign exchange rates.

Information about estimates and assumptions that have the most significant effect on the recognition of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

#### *Technical provisions for outstanding claims and reinsurers' share of insurance liabilities*

Provisions for outstanding claims are established based on actuarial and statistical projections and other estimates of the ultimate cost of settlement. Traditional actuarial techniques are used to estimate future liabilities for each major class of liabilities and other estimates of the ultimate cost of settlement.

Traditional actuarial models are used to derive IBNR reserves for the Group's exposure. The models are designed explicitly to reflect the features of the risks and all information currently available in the market.

Whilst management believe that the provisions for outstanding claims are fairly stated, these estimates inevitably contain inherent uncertainties, because significant periods of time may elapse between the occurrence of an incurred loss, the reporting of that loss to the Group and the Group's payment of the loss and the receipt of reinsurance recoveries. These uncertainties are inherent in much of the business underwritten by the Group.

#### Insurance claims handling expenses

The provision for the cost of handling and settling outstanding claims to extinction and for all other costs of managing the run-off is based on an analysis of the expected costs to be incurred in run-off activities, incorporating expected savings from the reduction of transaction volumes over time.

The period of run-off may vary depending on the nature of insurance liabilities within each insurance company subsidiary. Ultimately, the period of run-off is dependent on the timing and settlement of claims and the collection of reinsurance recoveries; consequently, similar uncertainties apply to the assessment of the provision of such costs.

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 3. Significant management judgements in applying accounting policies and estimation uncertainty (continued)

#### Assessment of impairment of intangible assets

Goodwill is deemed to have infinite life as it is expected to have value in use that does not erode or become obsolete over the course of time. Consequently, goodwill is not amortised but tested for impairment on an annual basis or if events or changes in circumstance indicate the carrying value may be impaired.

#### Determining the carrying value of the Group's net defined benefit obligation.

The Group has obligations in respect of a defined benefit pension scheme. The cost of the retirement benefit and the present value of the obligation depend on a number of factors including: life expectancy, salary increases, pension increases and the discount rate on high quality corporate bonds. These factors are estimated in determining the pension liability at the reporting date. The assumptions and estimates reflect current trends and historical experience.

### 4. Management of insurance and financial risks

The Group's activities expose it to a variety of insurance and financial risks. The Board is responsible for managing the Group's exposure to these risks and, where possible, for introducing controls and procedures that mitigate the effects of the exposure to risk.

The following describes the Group's exposure to the more significant risks and the steps management have taken to mitigate their impact.

#### Investment risk, including market and interest rate risk

The Board is responsible for setting an investment strategy for the management of the Group's assets. The investments of the Group are primarily managed by external investment managers, appointed by the Board. The Board is responsible for setting the policy to be followed by the investment managers. The Board strives to mitigate the impact of interest rate fluctuation and credit risks and to provide appropriate liquidity, in addition to monitoring and managing foreign exchange exposures.

The main objective of the Group's investment policy is to maximise return whilst protecting the underlying fund and ensuring the Group continues to meet its solvency requirements.

The investment allocation at the end of the year is shown below:

	2017	2016
	£000	£000
Government Bonds	4,359	5,127
Treasury Bills/Notes	-	5,621
Corporate Bonds	64,414	62,533
Public bonds	1,108	3,052
Investment Funds/Trusts	5,353	5,312
	<u>75,234</u>	<u>81,645</u>

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 4. Management of insurance and financial risks (continued)

#### Liquidity risk

Liquidity risk is the risk that the Company may not have liquid assets available at the right times to be able to pay its liabilities, despite the fact that it meets its regulatory solvency requirements.

The following shows the maturity dates of the Group's debt securities:

	Less than one year	After one year but less than two years	After two but less than five years	More than five years	Total
<b>2017</b>					
<b>Maturity date</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Government Bonds	2,226	1,344	789	-	4,359
Treasury Bills/Notes	-	-	-	-	-
Corporate Bonds	12,190	14,866	32,325	5,033	64,414
Public bonds	221	-	887	-	1,108
Investment Funds/Trusts	4,311	-	1,042	-	5,353
<b>Total as at 31 December 2017</b>	<b>18,948</b>	<b>16,210</b>	<b>35,043</b>	<b>5,033</b>	<b>75,234</b>

	Less than one year	After one year but less than two years	After two but less than five years	More than five years	Total
<b>2016</b>					
<b>Maturity date</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Government Bonds	2,129	477	2,100	421	5,127
Treasury Bills/Notes	3,922	1,640	59	-	5,621
Corporate Bonds	18,171	15,924	21,884	6,553	62,532
Public bonds	-	480	2,573	-	3,053
Investment Funds/Trusts	5,312	-	-	-	5,312
<b>Total as at 31 December 2016</b>	<b>29,534</b>	<b>18,521</b>	<b>26,616</b>	<b>6,974</b>	<b>81,645</b>

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 4. Management of insurance and financial risks (continued)

#### Capital management

As defined in the Group's Capital Management Policy, capital management is a key component whereby the results are used to inform important strategic and business decisions such as business planning, acquisitions, risk appetite, investment allocation and regulatory capital compliance. The objectives of capital management are to:

document how the Group is capitalised to meet both its and the regulator's requirement in terms of capital.

describe the process of monitoring and review of capital levels.

describe the framework for preventing and/or rectifying appropriately any capital shortfall in an orderly way.

As part of the ORSA process, the Group produces capital projections over the 3 year business planning period. The ratio of eligible own funds to meet the SCR and MCR are reviewed on a quarterly basis.

The Group Board is responsible for setting capital risk appetite and tolerance levels, and enforcing the capital management plan for the current business and over the business planning period ensuring that capital risk is understood and effectively managed within defined tolerance levels.

#### Market risk

The Group is exposed to market risk as a consequence of fluctuations in values or returns on assets which are influenced by one or more external factors. These include changes and volatility in interest rates and inflation expectations.

The following interest rate sensitivity analysis has been based on the Group's largest entity, Bothnia International Insurance Company Limited (Bothnia), a 100% owned entity. The analysis depicts the change in Bothnia's investment market value given two scenarios. Bothnia's investment market value at balance date was £44m (€53m).

	Scenario 1		Scenario 2	
		£000		£000
Up 100bps	-0.16%	72	0.75%	336
Up 50bps	0.46%	206	0.91%	407
Up 25bps	0.77%	344	1.00%	447
Down 25bps	1.19%	(532)	1.06%	(474)
Down 50bps	1.29%	(577)	1.02%	(456)
Down 100bps	1.50%	(671)	0.96%	(429)

The following assumptions have been used:

- The interest rate shocks used under each scenario are applied across all the interest rate markets that the portfolio was exposed to at the end of 2017.
- The effects that these interest rate changes would have on foreign exchange rates and the resulting impact that this would have on portfolio returns has not been incorporated.

#### Currency risk

Currency risk is the risk that fair values of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's principal non-Sterling transactions are in Euro and therefore its exposure to foreign exchange risk arises primarily with respect to that currency. The Group's financial assets are primarily denominated in the same currency as its insurance liabilities and reinsurance thereon.



## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 4. Management of insurance and financial risks (continued)

#### Currency risk (continued)

The Group's principal current assets and liabilities by currency are shown below:

	Sterling	Euro	US Dollar	Swedish Krona	Other	Total
	£000	£000	£000	£000	£000	£000
Reinsurance Assets/Liabilities	1,873	(27,674)	(156,072)	80	(8,529)	(190,322)
Financial instruments	6,172	46,222	22,388	182	270	75,234
Insurance receivables/payables	1,359	(1,067)	12,036	-	519	12,847
Loans and receivables	67	965	767	-	(475)	1,324
Other receivables/payables	(1,895)	946	-	(602)	(146)	(1,697)
Current tax assets/liabilities	-	(1,318)	-	-	(3)	(1,321)
Defined Benefit obligations	-	(11,712)	-	-	-	(11,712)
Cash and cash equivalents	32,798	74,258	95,008	557	11,812	214,433
Insurance liabilities including provisions	(854)	(3,254)	(661)	-	(1,390)	(6,159)
Other provisions	(962)	(959)	163	(12)	(50)	(1,820)
<b>Total as at 31 December 2017</b>	<b>38,558</b>	<b>76,407</b>	<b>(26,371)</b>	<b>205</b>	<b>2,008</b>	<b>90,807</b>

	Sterling	Euro	US Dollar	Swedish Krona	Other	Total
	£000	£000	£000	£000	£000	£000
Reinsurance Assets/Liabilities	(1,551)	(11,232)	(41,021)	94	(5,195)	(58,905)
Financial instruments	6,976	37,826	28,349	8,218	276	81,645
Insurance receivables/payables	1,417	(676)	907	7	205	1,860
Loans and receivables	75	432	1,230	-	77	1,814
Other receivables/payables	(137)	(272)	(2,679)	(409)	(108)	(3,605)
Current tax assets/liabilities	(141)	(1,173)	-	(314)	(7)	(1,635)
Defined Benefit obligations	-	(12,226)	-	-	-	(12,226)
Cash and cash equivalents	4,353	5,614	17,763	115	14,131	41,976
Insurance liabilities including provisions	(866)	1,502	(725)	(3,399)	(1,495)	(4,983)
Other provisions	(167)	76	195	45	(37)	112
<b>Total as at 31 December 2016</b>	<b>9,959</b>	<b>19,871</b>	<b>4,019</b>	<b>4,357</b>	<b>7,847</b>	<b>46,053</b>

The Group has no concentration of currency risk.

A ten-percentage movement in the Euro to Sterling exchange rate would result in £0.9m (2016: £2.5m) gain in the Statement of comprehensive income and a ten-percentage movement in the US Dollar to Sterling exchange rate would result in £0.7m (2016: £0.08m) gain in the Statement of comprehensive income and the value of the Euro and US Dollar principal assets and liabilities shown above.

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 4. Management of insurance and financial risks (continued)

#### Currency risk (continued)

##### Insurance Risk

The Group includes insurance risk carriers who provide run-off services but do not provide live underwriting operations. The Group is therefore not exposed to underwriting risk except as provided below under reserving risk.

##### Reserving risk

Reserving risk represents a significant risk to the Group in terms of driving capital requirements and the threat to profit and loss.

Reserving risk is managed through the application of an appropriate reserving approach and the application of extensive due diligence on new run-off acquisitions prior to acceptance.

The Group faces risk under insurance and reinsurance contracts from which the actual amounts of claims and benefit payments, or the timings thereof, differ from expectations. The frequency of claims, their severity, actual benefits paid, subsequent development of long-tail claims and external factors beyond the Group's control, especially inflation, legal and regulatory developments, and others, have an influence on the principal risk faced by the Group. Additionally, the Group is subject to the underwriting of cedants for certain reinsurance treaties and to claims management by companies and other data provided by them. Despite these uncertainties, the Group seeks to ensure that sufficient reserves are available to cover its liabilities.

##### Credit risk

Credit risk arises when another party fails to perform their financial obligations or fails to perform them in a timely fashion. The primary sources of credit risk to the Group are:

Credit risk within the investment funds is principally managed through the credit ratings carried out by the external investment managers. The investment guidelines are designed to mitigate credit risk by ensuring diversification of holdings.

The credit risk in respect of reinsurance debtors is managed by the monitoring of reinsurers ratings and the exposure of the debt to each reinsurer.

The Group's major exposure to counterparty credit risk is as follows:

The carrying values represent the maximum exposure to credit risk at the financial position date in respect of the above assets.

The following table sets out the credit risk exposure and ratings of financial investments which are susceptible to credit risk. The ratings used have been sourced from S&P, Moody's or Fitch. The remaining unrated assets are not classified by S&P, Moody's or Fitch.

	2017 (carrying value)	2016 (carrying value)
	£000	£000
Deposits with ceding undertakings	1,324	1,814
Reinsurance assets	12,376	18,155
Insurance receivables	22,342	13,506
Other receivables	38	564
Cash and cash equivalents	214,433	41,976
	<u>250,513</u>	<u>76,015</u>

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 4. Management of insurance and financial risks (continued)

Credit risk (continued)

	A	AA	AAA	B	BB	BBB	Unrated	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Government Bonds	-	1,750	1,820	-	-	789	-	4,359
Treasury Bills/Notes	-	-	-	-	-	-	-	-
Corporate Bonds	11,658	7,138	6,920	2,781	9,281	26,170	466	64,414
Public bonds	-	887	221	-	-	-	-	1,108
Investment Funds/Trusts	823	1,124	3,406	-	-	-	-	5,353
Cash and Cash equivalents	43,655	162,274	8,407	-	-	88	9	214,433
Reinsurance assets	-	12,376	-	-	-	-	-	12,376
As at 31 December 2017	56,136	185,549	20,774	2,781	9,281	27,047	475	302,043

	A	AA	AAA	B	BB	BBB	Unrated	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Government Bonds	831	-	2,935	-	-	862	499	5,127
Treasury Bills/Notes	-	-	5,621	-	-	-	-	5,621
Corporate Bonds	9,926	8,009	10,037	807	12,460	16,184	5,109	62,532
Public bonds	-	-	2,198	-	-	-	855	3,053
Investment Funds/Trusts	493	1,628	3,191	-	-	-	-	5,312
Cash and Cash equivalents	29,283	6,107	6,314	-	-	264	8	41,976
Reinsurance assets	13	17,253	-	-	-	-	889	18,155
As at 31 December 2016	40,546	32,997	30,296	807	12,460	17,310	7,360	141,776

### 5. Adoption of new and revised standards

The following standards and interpretations have been adopted in the financial statements as they are mandatory for the year ended 31 December 2017:

	<i>EU effective date – periods beginning on or after</i>
<i>Amendment to IAS 7 Statement of Cash Flows: Disclosure initiative</i>	<i>1 January 2017</i>
<i>Amendment to IAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses</i>	<i>1 January 2017</i>

The adoption of the standards and interpretations above has not had a material impact on the Group's financial statements.

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 5. Adoption of new and revised standards (continued)

The adoption of the following mentioned standards, amendments and interpretations in future years are not expected to have a material impact on the Group's financial statements.

	<i>EU effective date – periods beginning on or after</i>
<i>Amendment to IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>	<i>1 January 2018</i>
<i>IFRS 9 Financial Instruments</i>	<i>1 January 2018</i>
<i>IFRS 15 Revenue from Contracts with Customers</i>	<i>1 January 2018</i>
<i>Annual Improvements to IFRSs (2014 - 2016)</i>	<i>Expected to be endorsed 2018</i>
<i>Annual Improvements to IFRSs (2015 - 2017)</i>	<i>Expected to be endorsed 2018</i>
<i>IFRS 16 Leases</i>	<i>1 January 2019</i>
<i>IFRS 17 Insurance Contracts</i>	<i>1 January 2021</i>

### 6. Investment income

	2017	2016
	£000	£000
Financial assets at fair value through profit or loss		
Interest income	1,188	1,336
Loans and receivables interest income	40	48
Cash and cash equivalents interest income	24	5
	<u>1,252</u>	<u>1,389</u>

### 7. Net realised gains and losses

	2017	2016
	£000	£000
Financial assets at fair value through profit or loss		
Realised gains		
-Equity securities	-	10
-Debt securities	168	556
Realised losses		
-Debt securities	(214)	(661)
	<u>(46)</u>	<u>(95)</u>

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 8. Fair value gains and losses

	2017 £000	2016 £000
Recognised in profit or loss		
Unrealised gains		
-Debt securities	40	249
Unrealised loss		
-Debt securities	(11)	-
	<u>29</u>	<u>249</u>

### 9. Other operating revenue and income

	2017 £000	2016 £000
Fees from administration and management services receivable	5	89
Recoveries from liquidated estates	159	132
	<u>164</u>	<u>221</u>

All the Group's revenue arises from business activity carried out within the EEA.

### 10. Finance costs

	2017 £000	2016 £000
Interest expense on cash and overdraft	18	20
Net interest expense on defined pension benefit obligation	384	355
Interest expense on borrowings	326	-
	<u>728</u>	<u>375</u>

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 11. Other operating and administrative expenses

	2017	2016
	£000	£000
Acquisition related transaction costs	519	105
Auditors' remuneration (note 12)	376	309
Goodwill impairment (note 16)	1,440	-
Employee benefits expense	601	1,020
Provisions	(2,397)	2,789
Operating lease expense	68	35
Operational expenses	7,731	6,286
Foreign exchange gain	(75)	(2,563)
	<u>8,263</u>	<u>7,981</u>

Movement in the income statement includes the provision of £2.8m (USD 3.3m) recorded in 2016 has been released in 2017 after the successful completion of a portfolio transfer. This has been partly offset by a new provision in 2017 of £0.4m for the closure of a service entity based in Sweden.

### 12. Auditor's remuneration

	2017	2016
	£000	£000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	79	60
Fees payable to the Company's auditor and their associates for the audit of other subsidiaries in Group	192	166
Fees payable to other auditors for the audit of subsidiary annual accounts	67	-
<b>Total audit fees</b>	<u>338</u>	<u>226</u>
- Taxation compliance services	4	71
- Other taxation services	4	-
- Other assurance services	30	12
<b>Total non-audit fees</b>	<u>38</u>	<u>83</u>
<b>Total auditor's remuneration</b>	<u>376</u>	<u>309</u>

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 13. Employees

#### Number of employees

The average monthly number of employees (including directors) during the year, analysed by category was as follows:

	2017	2016
Number of employees		
The average number of employees (including directors) during the period was:		
	48	46
Directors	7	7
Staff	41	39
	48	46

	2017	2016
	£000	£000
Employment costs		
Wages and salaries	4,371	3,315
Social security costs	451	369
Other pension costs	(33)	651
	4,789	4,335

### 14. Directors' remuneration

	2017	2016
	£000	£000
Directors' emoluments	1,122	1,008
Group contributions to pension schemes	65	95
	1,187	1,095

	2017	2016
	£000	£000
Remuneration disclosed above include the following amounts paid to the highest paid director:		
Directors' emoluments	185	185
Group contributions to pension schemes	13	8
	198	193

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 15. Income tax

	2017 £000	2016 £000
Profit before tax	6,284	6,782
Tax credit at the applicable rate of 35%	(2,199)	(2,374)
Tax effect:		
Non-allowable Expenses	(382)	1,259
Exempt Income	555	136
Unrecognised Deferred tax Movement	(120)	(414)
Difference in Tax Rates	833	(74)
Over/(under) provision in prior years	13	-
Other differences	(50)	-
Tax charge for the period	(1,350)	(1,467)

### 16. Goodwill

	2017 £000	2016 £000
<b>Cost</b>		
As at 1 January	7,756	7,756
Acquisition of subsidiary	1,440	-
As at 31 December	9,196	7,756
<b>Accumulated impairment</b>		
As at 1 January	-	-
Impairment charge for the year	1,440	-
As at 31 December	1,440	-
<b>Carrying amount</b>		
At 31 December	7,756	7,756

In October 2017, DubliMont DAC was purchased at a premium, creating a goodwill asset of £1.4m, refer note 20. In accordance with IAS36 -Impairment of Assets, at year-end, the directors reviewed goodwill in the Group and decided to impair the goodwill created by the DubliMont acquisition. This cost has been recorded in the consolidated income statement.

The directors have reviewed the remaining component parts of the goodwill calculation and concluded that there is no requirement to further impair that asset.



## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 17. Intangible assets

Computer software	December 2017	December 2016
Cost	£000	£000
As at 1 January	69	55
Foreign exchange differences	3	1
Additions	38	13
As at 31 December	110	69
Amortisation charge		
As at 1 January	45	44
charge	16	1
As at 31 December	61	45
Carrying amount		
As at 31 December	49	24

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 18. Property, plant and equipment

	Computer equipment £000	Furniture and equipment £000	Total £000
<b>Cost</b>			
As at 1 January 2016	105	120	225
Additions	5	5	10
Foreign exchange differences	3	7	10
As at 1 January 2017	113	132	245
Additions	32	14	46
Foreign exchange differences	1	2	3
As at 31 December 2017	146	148	294
<b>Depreciation</b>			
As at 1 January 2016	101	114	215
Charge	3	2	5
Foreign exchange differences	3	7	10
As at 1 January 2017	107	123	230
Charge	5	4	9
Foreign exchange differences	1	1	2
As at 31 December 2017	113	128	241
<b>Carrying amount</b>			
As at 31 December 2017	33	20	53
As at 31 December 2016	6	9	15

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 19. Subsidiaries

The Group consists of the parent company, Cambridge Topco Limited, incorporated in Malta and a number of subsidiaries held directly and indirectly by Cambridge Topco Limited, which operate and are incorporated around Europe. Information about the subsidiaries of the Group are as follows:

Company	Country of incorporation	Principal activity	Percentage shareholding
Cambridge Holdco Limited	Malta	Holding company	84
Compre (1) Limited	UK	Holding company	100
Compre Holdings Limited	UK	Holding company	100
Compre Services (UK) Limited	UK	Service company	100
Chiltington International Holdings Limited	UK	Non-trading company	100
Claremin 2 Limited	UK	Non-trading company	100
Compre Limited	UK	Non-trading company	100
Compre Services (Finland) Oy		Service company	100
Claremin 1 Limited	UK	Service company	100
Compre Broker Services Limited	UK	Service company	100
Compre Services (Sweden) AB	Sweden	Service company	100
Compre Services (Switzerland) AG	Switzerland	Service company	100
Finnex Holdings Limited	UK	Holding company	100
London & Leith Insurance PCC SE	Malta	Insurance company	100
Compre Service (Germany) GmbH	Germany	Service company	100
Aurora Versicherungs AG	Switzerland	Reinsurance company	100
Bothnia International Insurance Company Limited	Finland	Reinsurance company	100
Moorgate Insurance Company Limited	UK	Insurance company	100
Hamburger Internationale Rückversicherung AG	Germany	Reinsurance company	100
DubliMont DAC	Ireland	Insurance Company	100

Cambridge Holdco Limited is a subsidiary of the Company; all other entities are either direct or indirect subsidiaries of Cambridge Holdco Limited.

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 20. Acquisition of subsidiary

Acquisition of DubliMont DAC, formerly known as Equinox CA Europe Limited.

On 16<sup>th</sup> October 2017, Compre Holdings Limited, an indirect subsidiary of the Company, acquired 100% of the voting shares in DubliMont DAC, an unlisted Insurance entity in run-off, based in Ireland. The consideration was £6.1m (€6.9m).

	£000
Assets	
Cash and cash equivalent	19,220
Prepayments	1
Deferred Tax Asset	107
Total assets	<u>19,328</u>
Liabilities	
Gross insurance liabilities	13,914
Other liabilities	715
Total liabilities	<u>14,629</u>
Total identifiable net assets at fair value	<u>4,699</u>
Goodwill arising on acquisition (note16)	1,440
Purchase consideration transferred	<u><u>6,139</u></u>

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 21. Financial assets

The following table compares the fair values of the financial instruments to their carrying values.

	2017	
	Carrying amounts	Fair value
	£000	£000
<b>Financial assets</b>		
-Deposits with ceding undertakings	1,324	1,324
Financial assets at fair value through profit or loss		
-Debt securities	75,234	75,234
As at December 2017	76,558	76,558

The financial assets shown are all level 1 (unadjusted quoted prices in active markets for identical assets or liabilities) in the fair value hierarchy.

### 22. Reinsurance assets

	December 2017	December 2016
	£000	£000
Reinsurers' share of technical provisions	12,376	18,155

At 31 December 2017, the Group conducted a review of the reinsurance assets and did not recognise any impairment loss.

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 23. Insurance receivables

	2017	2016
	£000	£000
Due from reinsurers		
	<u>22,342</u>	<u>13,506</u>

Insurance receivables are stated net of impairment for estimated irrecoverable amounts of £1.7m (2016: £1.9m.) This impairment has been determined by reference to past default experience and known issues. Write offs are made when the irrecoverable amount becomes certain. The directors consider that the carrying amount of insurance receivables approximates to their fair value.

All amounts are receivable within one year.

Movement on the allowance for irrecoverable amounts on insurance receivables are as follows:

	2017	2016
	£000	£000
At 1 January/on acquisition of subsidiaries	1,940	2,174
Reduction for doubtful receivables	<u>(191)</u>	<u>(234)</u>
At December	<u>1,749</u>	<u>1,940</u>

The directors consider the carrying value of insurance receivables that are neither past due nor impaired to be approximately equal to their fair value.

### 24. Cash and cash equivalents

	2017	2016
	£000	£000
Cash on hand and in bank	211,041	36,468
Short-term deposits	<u>3,392</u>	<u>5,508</u>
	<u>214,433</u>	<u>41,976</u>

Within cash on hand and in bank, £14.2m (2016 £17.4m) relates to funds that are ring fenced for payment of claims relating to the RFP transaction. Also, £125.4m (2016: nil) which relates to funds that are ring fenced for payment of claims relating to the Assicurazioni Generali S. p. A. transaction.

The directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 25. Issued share capital

Class of share	31 December 2017		
	Number of shares	nominal value £	Total £000
A Ordinary shares	72,251	0.50000	36
B Ordinary shares	11,749	1.50000	18
Total	84,000		54

Class of share	31 December 2016		
	Number of shares	nominal value £	Total £000
A Ordinary shares	72,251	0.50000	36
B Ordinary shares	11,749	1.50000	18
Total	84,000		54

The Ordinary A shares and Ordinary B shares shall rank *pari passu* in respect of dividend rights and rights upon distribution of assets of the Company upon its liquidation and winding up.

The holders of Ordinary A shares shall be entitled to one vote per Ordinary A share. The holders of the Ordinary B shall be entitled to three votes per Ordinary B share.

### 26. Share premium

Class of share	31 December 2017		
	Number of shares	Issued at premium	Total £000
A Ordinary shares	70,251	522.067300	36,676
A Ordinary shares	2,000	0.000000	-
B1 Ordinary shares	7,735	491.0780200	3,798
B1 Ordinary shares	4,014	456.7441000	1,833
Total	84,000		42,307

Class of share	31 December 2016		
	Number of shares	Issued at premium	Total £000
A Ordinary shares	70,251	522.067300	36,676
A Ordinary shares	2,000	0.000000	-
B1 Ordinary shares	7,735	491.0780200	3,798
B1 Ordinary shares	4,014	456.7441000	1,833
Total	84,000		42,307

Share premium is the payment for shares in excess of the nominal value of those shares.

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 27. Non-controlling interest

During the year, the shareholders of the Group invested £8.0m (2016 £7.2m) in additional equity to provide new capital to support solvency requirements for new business acquisitions. The new investment was made directly into Cambridge Holdco Limited, a direct subsidiary of the Company and whilst treated as non-controlling interest for the purposes of these accounts, is considered Own Equity within the Group for Solvency II purposes. The additional shares do not have any economic or voting rights.

In Cambridge Holdco Limited the total non-controlling interest held is £17.2m, which is 95% (2016 90%) of the share capital of that business.

### 28. Insurance contract liabilities

	Gross liabilities, including other provisions £000	Reinsurance £000	Net liabilities £000
At 1 January	82,043	(18,155)	63,888
Movement through the income statement	(18,906)	3,490	(15,416)
Liabilities acquired on DubliMont DAC acquisition	13,914	-	13,914
Liabilities acquired on portfolio transfers	136,036	-	136,036
Reclassification	-	-	-
Foreign exchange	(4,230)	2,289	(1,942)
At 31 December 2017	208,856	(12,376)	196,480

	Gross liabilities, including other provisions £000	Reinsurance £000	Net liabilities £000
At 1 January	57,215	(18,164)	39,051
Movement through the income statement	(18,744)	3,049	(15,695)
Liabilities acquired on portfolio transfers	33,103	-	33,103
Reclassification	299	-	299
Foreign exchange	10,170	(3,040)	7,130
At 31 December 2016	82,043	(18,155)	63,888

The movement for portfolio transfers reflects claims portfolio reserves taken on in the year which are matched by equivalent transfers of financial assets at fair value and reflected in investments and cash in the balance sheet. For further details of reinsurance assets, see note 22.



## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 29. Defined benefit obligation

Hamburger Internationale Rückversicherung AG (HIR), a subsidiary of the Group, provides pension benefits based on a final pensionable pay and length of service. These pension liabilities are recognised on the balance sheet. There is no requirement under German legislation to hold segregated assets in relation to the pension obligation. The investments held by HIR therefore fund obligations in respect of both the underwriting and pension liabilities. Accordingly, assets to meet the pension obligations are not held separately from those of the subsidiary and are invested along with those of the insurance company. No contributions are made by members.

There are no active employees, 5 former employees and 49 pensioners or their widows/widowers.

The pension scheme liabilities are determined by Mercer Deutschland GmbH, a professional firm of actuarial consultants on the basis of annual valuations using the projected unit method.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out as at 31 December 2017.

The Scheme typically exposes the Group to actuarial risks such as: interest rate risk and longevity risk.

Interest risk – A decrease in the bond interest rate will increase the pension liability.

Longevity risk – The present value of the defined benefit liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2017	2016
	%	%
Discount rate	1.57	1.43
Expected rate of return of scheme assets		
Future pension increases	1.00	1.50
Inflation assumptions	1.00	1.50

Mortality assumptions:

The assumptions relating to the mortality rates underlying the pension scheme liabilities at the reporting date are based on the Heubeck 2005G biometrical/mortality tables. All members are retired.

Amounts recognised in profit or loss are as follows:

	2017	2016
	£000	£000
Service costs	58	2,050
Interest expense	382	352
	<u>440</u>	<u>2,402</u>

Service costs has been included in other operating and administrative costs and the interest expense has been included in finance costs.

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 29. Defined benefit obligation (continued)

The amount included in the statement of financial position is as follows:

	2017 £000	2016 £000
Present value of defined benefit obligation	11,712	12,226
Net liability recognised on the statement of financial position	<u>11,712</u>	<u>12,226</u>
	2017 £000	2016 £000
Actuarial loss on scheme liabilities	<u>16</u>	<u>-</u>

Movement in the present value of defined benefit obligation in the year was as follows:

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting year, while holding all other assumptions constant.

	2017 £000	2016 £000
Opening defined benefit obligation	12,226	9,258
Movement in defined benefit obligation	39	880
Movement in changes in actuarial demographic assumptions	159	599
Movement in changes in actuarial financial assumptions	(156)	795
Pension payments made	(1,030)	(967)
Movement in foreign exchange	474	1,661
Closing defined benefit obligation	<u>11,712</u>	<u>12,226</u>

The maturity profile of the defined of the benefit obligation, using the weighted average duration of liabilities is 9.8 years (2016 10.3 years).

If the life expectancy increases 20% for members, the defined benefit obligation would increase by £1.2m (2016 £1.2m.)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting year, which is the same as that applied in calculating the defined benefit liability recognised in the statement of financial position.

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 30. Other provisions

The Group has a provision for future run-off costs. The provision represents the Group's assessment of its future excess net management expenses, after taking account of expected future investment income returns. The movements for the year are shown in note 28.

### 31. Deferred taxation

Deferred tax assets have not been recognised in respect of losses due to the uncertainty over recovery.

### 32. Insurance payables

	2017	2016
	£000	£000
Payables in relation to reinsurance business	<u>9,495</u>	<u>11,646</u>

The directors consider that the carrying amount of insurance payables approximates to their fair value. All amounts are payable within one year.

### 33. Other payables

	2017	2016
	£000	£000
Bank overdraft	1	65
Social security and other taxes	227	322
Provisions	-	2,789
Other payables	<u>1,519</u>	<u>993</u>
	<u>1,747</u>	<u>4,169</u>
Amounts falling due within one year	<u>1,747</u>	<u>4,169</u>

Details of the provisions are shown in Note 11. The directors consider that the carrying amount of other payables approximates to their fair value.

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 34. Borrowings

	2017 £000	2016 £000
Revolving Credit Facility	8,983	-
Subordinated Notes	22,810	-
	<u>31,793</u>	<u>-</u>
Amounts falling due after one year	<u>31,793</u>	<u>-</u>

#### Revolving credit facility

In May 2017, the Group secured a multicurrency Revolving Credit Facility (RCF) with Royal Bank of Scotland for £20m plus an incremental facility of £5m. The term of the RCF is 5 years, with the loan to be repaid in full by that date.

At the year end, the Group has made the following drawdowns:

- £4.5m on the 9 October 2017
- £4.9m (£5.5m) on the 1 December 2017

The Group pays a commitment fee based on the unutilised amount of the loan.

#### Subordinated loan notes

In December 2017, the Group made 2 floating rate subordinated note issues (£2.5m through Compre Holdings Limited and €24m through Bothnia International Insurance Company), both due for repayment on 5 January 2028. The notes were initially in the form of a temporary global note in bearer form, without coupons attached, which were deposited with a common safe keeper for Euroclear and Clearstream, Luxembourg. Interests in the temporary global note were exchangeable for interests in a permanent global note, without coupons attached, on or after the date falling 40 days after the issue date, upon certification as to non-U.S. beneficial ownership.

The notes bear interest on their principal amount, plus any arrears of interest from the date of issue, to the date of their redemption, payable quarterly in arrears on 5 January, 5 April, 5 July and 5 October in each year. The notes are freely transferrable in minimums denominations of €100,000 in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg SP.

The €2.5m subordinated notes are listed on The International Stock Exchange, which is registered in Guernsey and are classed as Tier 2 capital.

The Group has complied with the financial covenants of its borrowing facilities during the 2017 reporting period.

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

### 35. Financial commitments

As at December 2017, the Group's minimum rentals payable under non-cancellable operating leases were as follows:

	Land and buildings £000	Other operating leases £000	Total £000
In one year or less	128	7	135
Between one and five years	163	15	178
In five years or more	-	-	-
As at December 2017	291	22	313

	Land and buildings £000	Other operating leases £000	Total £000
In one year or less	128	12	140
Between one and five years	291	23	314
In five years or more	-	-	-
As at December 2016	419	35	454

The Group has no finance leases during the year under review.

### 36. Contingencies and other commitments

There were no outstanding capital commitments, contingent assets or liabilities at 31 December 2017 (2016: £2.8).

### 37. Related party relationships and transactions

#### *Compensation of key management personnel*

The key management personnel are considered to be the Board of Directors only. Please refer to Note 14 for details of the Directors' remuneration.

#### *Transactions and balances with other related parties*

The Group did not have transactions with any related party during the year and therefore does not have any outstanding balances with related parties at the year end.

### 38. Events after the reporting year

There are no significant events after the year-end.

### 39. Ultimate controlling party

The Group's ultimate controlling party is CBPE Capital LLP. CBPE Capital LLP is controlled by a discretionary trust and consequently there is no controlling individual in terms of IAS 24.

CBPE Capital holds an 84-percentage share of the Company with the balance of shares being held by executive and non-executive directors of the business.

## Company Statement of Comprehensive Income

for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Administrative expenses	42	(274)	(116)
<b>Loss before taxation</b>		<u>(274)</u>	<u>(116)</u>
Income tax expense	44	<u>-</u>	<u>-</u>
<b>Loss for the year</b>		<u>(274)</u>	<u>(116)</u>
Other comprehensive income, net of tax		-	-
<b>Total comprehensive income for the year</b>		<u><u>(274)</u></u>	<u><u>(116)</u></u>

## Company Statement of Financial Position

As at 31 December 2017

	Notes	2017 £000	2016 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	45	42,361	42,361
		<hr/>	<hr/>
<b>Current assets</b>			
Trade and other receivables	46	96	30
		<hr/>	<hr/>
<b>Total assets</b>		<hr/> 42,457 <hr/>	<hr/> 42,391 <hr/>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	47	(486)	(146)
		<hr/>	<hr/>
<b>Total liabilities</b>		<hr/> (486) <hr/>	<hr/> (146) <hr/>
<b>Net assets</b>		<hr/> 41,971 <hr/>	<hr/> 42,245 <hr/>
<b>EQUITY</b>			
Share capital	25	54	54
Share premium account	26	42,307	42,307
Exchange reserve		(11)	-
Retained earnings		(379)	(116)
<b>Total Equity</b>		<hr/> 41,971 <hr/>	<hr/> 42,245 <hr/>

## Company Statement of Changes in Equity

for the year ended 31 December 2017

	Share capital £000	Share premium account £000	Exchange reserve £000	Retained earnings £000	Total equity £000
<b>At December 2015</b>	54	42,307	-	-	42,361
Loss for the year	-	-	-	(116)	(116)
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	(116)	(116)
<b>At December 2016</b>	54	42,307	-	(116)	42,245
Loss for the year	-	-	-	(274)	(274)
Other comprehensive income	-	-	-	-	-
Transfer of unrealised exchange difference	-	-	(11)	11	-
<b>Total comprehensive income</b>	-	-	(11)	(263)	(274)
<b>At December 2017</b>	54	42,307	(11)	(379)	41,971



## Company Statement of Cash Flows

for the year ended 31 December 2017

	2017 £000	2016 £000
<b>Cash flow from operating activities</b>		
Loss before tax	(274)	(116)
Adjustment for:		
- change in operating asset	(66)	60
- change in operating liabilities	340	56
<b>Net cash from operating activities</b>	<u>-</u>	<u>-</u>
Movement in cash and cash equivalents	-	-
Cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at end of the year	<u><u>-</u></u>	<u><u>-</u></u>

## Notes to the Company's Financial Statements

for the year ended 31 December 2017

### 40. Accounting policies

The financial statements of the Company have also been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below:

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

### 41. Audit remuneration

Audit remuneration for the Company have been borne by Cambridge Holdco Limited, a subsidiary of the Cambridge Topco Limited Group.

### 42. Administrative expenses

Operating loss is stated after charging:

	2017	2016
	£000	£000
Legal and professional fees	61	4
Director's remuneration	32	27
Staff costs	79	-
Other expenses	23	85
Audit services	79	-
	<u>274</u>	<u>116</u>

In 2016, staff costs and audit remuneration for the Company were borne by Cambridge Holdco Limited, a subsidiary of the Cambridge Topco Limited Group.

### 43. Employees

The Company had one employee during the year and the related costs were:

	2017	2016
	£000	£000
Employment costs	70	-
Social security costs	9	-
	<u>79</u>	<u>-</u>

## Notes to the Company's Financial Statements

for the year ended 31 December 2017

### 44. Income tax expense

The Company did not incur a tax charge in the current year and prior year.

Tax applying the statutory domestic income tax rate and the tax charge for the year are reconciled as follows:

	2017 £000	2016 £000
Loss before taxation	(274)	(116)
Tax at the applicable rate of 35%	(96)	(41)
Tax effect of:		
Unrecognised deferred tax movement	4	-
Non-allowable expenses	92	41
	-	-

### 45. Investments in subsidiaries

Details of subsidiaries have been disclosed in note 19.

### 46. Trade and other receivables

	2017 £000	2016 £000
Other receivables	96	30

### 47. Trade and other payables

	2017 £000	2016 £000
Amounts owed to group undertakings	366	97
Accruals	120	49
	486	146

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

### 48. Financial risk

The Company is not exposed to significant financial risk, other than in relation to the group of which it is a holding company, and therefore the Company has not made additional IFRS 7 disclosures.

