

Company registration number (England and Wales): 01151522

## **KIRLY LIMITED**

***DIRECTORS' REPORT AND FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED 31 DECEMBER 2019***

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# KIRLY LIMITED

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# KIRLY LIMITED

## COMPANY INFORMATION

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### COMPANY PERSONNEL

**Directors** M W Johnson  
M A Johnson

### COMPANY ADDRESSES

**Registered office** 11 Luard Road  
Cambridge  
CB2 8PJ

**Auditors** Humphrey & Co Audit Services Ltd  
7 - 9 The Avenue  
Eastbourne  
East Sussex  
BN21 3YA

# KIRLY LIMITED

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

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The directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 2019.

### Directors

The directors who held office at any time during the year are listed below:

M W Johnson

M A Johnson

### Dividends

Ordinary dividends were paid during the year amounting to £184,065 (2018: £Nil) The directors do not recommend the payment of a final dividend.

### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

The auditors, Humphrey & Co Audit Services Ltd, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

### Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information (information needed by the group's and company's auditors in connection with preparing their report) of which the auditors of the group and company are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the group and company are aware of that information.

Approved by the Board on 30 December 2020 and signed on its behalf by:



**M W Johnson**  
Director

# KIRLY LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2019

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The directors have pleasure in presenting their strategic report for the year ended 31 December 2019.

#### Results and dividends

The profit for the year after taxation was £27,649,967 (2018: profit £61,436). Ordinary dividends were paid during the year amounting to £184,065 (2018: £Nil) The directors do not recommend the payment of a final dividend.

#### Principal activities and review of the business

By the end of 2019 Kirly Limited owned substantially all the share capital of the old NW Brown Group and we had, perhaps slightly confusingly, renamed it Kirly Group Holdings Limited. Essentially what was happening here was that the investment management operation of NWB Group had been sold to Brown Shipley and the most efficient way of dealing with the varying needs of the owners was to buy their shares. Although the acquisition took place in 2019 the implementation of the business plan formulated at that time has taken some time. At the current date it appears we are well on the way to deploying the extra liquidity in line with the business plan, and some of this is mentioned in the individual reports below.

The effect of COVID-19 on your company has of course been considerable. In summary our insurance claims are about £500,000 to date, our losses in Freedom slightly more and we will have written off a similar amount on our investment in Life's Kitchen, now in liquidation. Many of our other investments have lost money as a result, and it is only because we have husbanded our resources in prior years that we have been able to offer support where needed. You will see below more detail on the two companies which were either driven out of business, or came close, but the largest effects are on our insurance operations where the travel insurance business evaporated and the cancellation of almost every sporting and entertainment event in the entire world led to unprecedented and unforeseen claims on policies, many of which are underwritten on our Lloyd's account in the London market. Going forward we are encouraged by the increase in insurance rates generally, and the way in which the housing market has held up. We keep our fingers crossed that with widespread use of the various vaccines the Covid 19 affected businesses will return to good health in 2021, but there is currently little sign of any recovery. A loss in 2020 seems likely but we remain confident of a return to profitability in 2021.

In these accounts we can see the return to marginal profitability of our Lloyd's based insurance underwriting operations. Our largest insurance operation is Chariot (II) Underwriting and this company shows a profit of £90,329 in 2019 compared to a loss of £313,484 last year. In Paddock St Holdings we have seen a lot of activity further reported on in Kate's report below. We have also seen many changes in the occupancy and use of our properties. Towards the end of the year the disposal of the investment operations of NW Brown were brought to a successful conclusion. The company remained profitable and solvent and we have increased our insurance and our property development business. We remain able and willing to finance development of our properties and expansion of our investment companies when opportunities arise. At the time of writing we have a major target in our sights but commercial confidentiality means we will tell our shareholders about it only when it happens. We and the rest of private industry continue to watch Brexit developments with total horror. The terms of the trade agreement may cost us our Irish travel business and any EU business in Lloyd's now has an extra layer of expense. The main risks to our continued profitability are significant catastrophe claims or a downturn in the commercial property market. Following the sale of NW Brown & Co we are much less exposed to a fall in the level of the stock market although some of the reserves we now hold are invested in equities.

Kate Dyer writes about Paddock St Holdings: It has been an active year for development with the Potter's House church (<http://www.pottershousenorwich.co.uk/>) transforming our Paddock Street building into an amazing and inspiring place of worship whilst in St Neot's we have filled the offices (<https://shiftmomentum.co.uk/>) and in Cambridge (<https://www.thecarestaff.com/contact.php>) we also have previously empty space occupied. We expect commercial tenants to shortly take possession of our Barker St warehouse and have let another small office in Norwich to a computer consultancy. In Northampton we have some small vacant spaces in the offices.

Of course against these successes we have several tenants going through difficult times and have experienced bad debts and frequent delays in rent payment. The Futon Company, Life-Force Fitness, Freedom and Elsie Mae's Electric Coffee Shop have all been pretty well shut for major parts of 2020 and this will be reflected in our 2020 results. Our biggest venture of the previous year was a commercial centre in Tartu, Estonia where we have done reasonably well and although we end the year with vacant office space the predicted healthy returns continue to be achieved. We anticipate the development of Chartwell House will commence in 2022 and as I write we are in course of converting 509 Coldham's Lane into 33 flats. In both of these properties we are applying for planning permission for extra accommodation in the existing car parks. We continue to co-operate with Pigeon in several different ways.

# KIRLY LIMITED

## STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

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### Principal activities and review of the business (continued)

Alex Axiom: The underwriting for 2019 year of account was probably a small loss and of course at this stage it is too early to say much about 2020, but there is a clear improvement in rates pretty well across the board. For exactly the same risks we are now being paid about 20% more and this has persuaded us to increase our underwriting in Chariot to £7.7m for 2021. Our open year profits will probably be favourably influenced by our decision to underwrite substantial amounts of motor business for the first time. From 2019 we have combined the underwriting capacity of all our vehicles into Chariot but remain open to the possibility of purchasing other vehicles going forward. Although the results of Freedom itself are very disappointing we will be in an excellent position to trade into 2021 with higher rates, much better systems and probably less competition. We have committed large sums to Freedom to fund its Covid related losses and now own about 75% of that company. We continue to look for suitable acquisitions in travel insurance and will provide finance for such expansion.

Following the sale of its regulated company to Brown Shipley we have bought out all the external shareholders in Kirly Group Holdings Ltd (previously NW Brown Group). This has opened a new chapter for Kirly as we both have significant cash resources available and a lot more management time to exploit opportunities which are put to us. We retain ownership of 20% of Cambridge Network and 100% of Cambridge Index. We continue to invest in IP in the investment management systems but have failed so far to convince anyone to use them.

Victoria Montgomery: this year has been truly trying for most of our early stage investments. Apertus Ltd depends for most of its income on clients' electricity usage and has a purely industrial and commercial client base. Consumption at the low point was running at 40% of 2019. We have continued our financial support and anticipate a return to profitability in 2021. Bayfield Training is a training provider. They have done fantastically well in converting to an entirely online offering but demand for courses has been running at less than half of last year. Mykindacrowd has similarly been seeing lower demand due to Covid 19. Hampden Underwriting has had a pretty thin time due to Lloyd's losses in recent years but should see a substantial recovery in profits when 2021 results come through. We are exploring another possible venture which would add several early stage investments to our portfolio and also bring in management expertise but at the time of writing we have not had agreement to our terms, nor have we yet had the offer of bank finance which we have been negotiating. We are always looking at proposals where we can finance new and profitable companies, one major investment area is alternative energy where to date we have never been convinced by any of the projects shown to us but as I write we are seriously considering solar generation of electricity in Estonia. Whilst awaiting investment opportunities we continue to make short term loans where we can do so at rates and taking risks which are acceptable to your Board.

### Financial risk management objectives and policies

The group is principally exposed to financial risk through its participation on Lloyd's Syndicates. It has delegated sole management and control of its underwriting through each Syndicate to the Managing Agent of that Syndicate and it looks to the Managing Agents to implement appropriate policies, procedures and internal controls to manage each Syndicate's exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The Company is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the Company. Hedge accounting is not used by the group.

### Key Performance Indicators

The directors monitor the performance of the group by reference to the following key performance indicators:

	2019	2018
Capacity (youngest underwriting year) (£)	3,234,547	3,469,825
Gross premium written as a % of capacity	121.8 %	100.3 %
Combined ratio	100.1 %	112.1 %

The combined ratio is the ratio of net claims incurred, commissions and expenses to net premiums earned.

Approved by the Board on 30 December 2020 and signed on its behalf by:



**M W Johnson**  
Director

# KIRLY LIMITED

## INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF KIRLY LIMITED

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### Opinion

We have audited the financial statements of Kirly Limited for the year ended 31 December 2019 on pages 7 to 46. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our 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.

### Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report and Strategic 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.

# KIRLY LIMITED

## INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF KIRLY LIMITED (continued)

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### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, 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 group and parent 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 group or parent company or to cease operations, or have no realistic alternative but to do so.

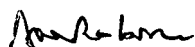
### Auditor's responsibilities for the audit of the financial statements

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

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

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.



**Andrew Robinson (Senior Statutory Auditor)**  
for and on behalf of Humphrey & Co Audit Services Ltd  
Chartered Accountants  
Statutory Auditor

Date: 30 December 2020

Humphrey & Co Audit Services Ltd  
7 - 9 The Avenue  
Eastbourne  
East Sussex  
BN21 3YA



# KIRLY LIMITED

## CONSOLIDATED INCOME STATEMENT - TECHNICAL ACCOUNT (GENERAL BUSINESS) FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Gross premiums written	5	3,939,831	3,478,731
Outward reinsurance premiums		(1,002,534)	(720,772)
<b>Net premiums written</b>		<b>2,937,297</b>	<b>2,757,959</b>
<b>Change in the provision for unearned premiums</b>			
Gross provision	7	6,094	44,122
Reinsurers' share	7	61,605	56,935
Net change in the provision for unearned premiums		67,699	101,057
<b>Earned premiums net of reinsurance</b>		<b>3,004,996</b>	<b>2,859,016</b>
<b>Allocated investment return transferred from the non-technical account</b>		<b>132,763</b>	<b>31,408</b>
<b>Claims paid</b>			
Gross amount		(2,518,001)	(2,148,892)
Reinsurers' share		597,043	459,732
Net claims paid		(1,920,958)	(1,689,160)
<b>Change in provision for claims</b>			
Gross amount	7	(47,646)	(254,178)
Reinsurers' share	7	99,618	(57,356)
Net change in provision for claims		51,972	(311,534)
<b>Claims incurred net of reinsurance</b>		<b>(1,868,986)</b>	<b>(2,000,694)</b>
Net operating expenses	9	(1,138,437)	(1,204,717)
<b>Balance on technical account for general business</b>		<b>130,336</b>	<b>(314,987)</b>

All amounts above relate to continuing operations.

# KIRLY LIMITED

## CONSOLIDATED INCOME STATEMENT - NON TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		Total £	Total £
<b>Balance on the general business technical account</b>		<b>130,336</b>	<b>(314,987)</b>
Investment income	8	778,172	502,807
Realised (loss)/gain on investments	8	31,960,603	(371,536)
Unrealised (loss)/gain on investments	8	279,636	29,888
Investment expenses and charges	8	(3,012)	(3,622)
Allocated investment return transferred to the technical account		(132,763)	(31,408)
Other income	10	3,145,828	2,106,346
Other charges		(8,251,417)	(1,741,634)
<b>Profit on ordinary activities before taxation</b>	11	<b>27,907,383</b>	<b>175,854</b>
Tax on profit on ordinary activities	22	(257,416)	(114,418)
<b>Profit for the financial year</b>		<b>27,649,967</b>	<b>61,436</b>
<b>Profit for the financial year attributable to:</b>			
Non-controlling interests		651,728	37,830
Owners of the parent company		26,998,239	23,606
<b>Profit for the financial year</b>		<b>27,649,967</b>	<b>61,436</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2019	2018
		£	£
Profit for the financial year from continuing operations		27,649,967	61,436
Other comprehensive income		2,937	-
<b>Profit for the financial year</b>		<b>27,652,904</b>	<b>61,436</b>
<b>Total comprehensive income for the year attributable to:</b>			
Non-controlling interests		651,728	37,830
Owners of the parent company		27,001,176	23,606
<b>Profit for the financial year</b>		<b>27,652,904</b>	<b>61,436</b>

All amounts above relate to continuing operations.

# KIRLY LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

ASSETS	Note	Syndicate Assets £	Corporate £	2019 Total £	2018 Total £
Intangible fixed assets	13	-	17,809,556	<b>17,809,556</b>	249,082
Tangible fixed assets	14	-	1,031,007	<b>1,031,007</b>	779,521
Investment properties	15	-	729,519	<b>729,519</b>	-
Fixed asset investments	17	-	5,025	<b>5,025</b>	4,138,027
<b>Total fixed assets</b>		-	<b>19,575,107</b>	<b>19,575,107</b>	5,166,630
<b>Investments</b>					
Financial investments	16	3,126,854	5,751,907	<b>8,878,761</b>	5,566,807
Deposits with ceding undertakings		637	-	<b>637</b>	535
<b>Total investments</b>		<b>3,127,491</b>	<b>5,751,907</b>	<b>8,879,398</b>	5,567,342
<b>Reinsurers' share of technical provisions</b>					
Provision for unearned premiums	7	367,699	-	<b>367,699</b>	284,329
Claims outstanding	7	1,066,648	-	<b>1,066,648</b>	943,111
Other technical provisions		578,009	-	<b>578,009</b>	499,329
<b>Total reinsurers' share of technical provisions</b>		<b>2,012,356</b>	-	<b>2,012,356</b>	1,726,769
<b>Debtors</b>					
Arising out of direct insurance operations					
Policyholders	18	3	-	<b>3</b>	6
Intermediaries	18	835,536	-	<b>835,536</b>	849,363
Arising out of reinsurance operations	18	372,914	5,230	<b>378,144</b>	383,701
Other debtors	19	986,045	10,510,137	<b>11,496,182</b>	3,119,606
<b>Total debtors</b>		<b>2,194,498</b>	<b>10,515,367</b>	<b>12,709,865</b>	4,352,676
<b>Other assets</b>					
Stocks	35	-	4,635,755	<b>4,635,755</b>	4,590,000
Cash at bank	20	507,041	15,781,201	<b>16,288,242</b>	3,455,268
Other		79,798	-	<b>79,798</b>	39,448
<b>Total other assets</b>		<b>586,839</b>	<b>20,416,956</b>	<b>21,003,795</b>	8,084,716
<b>Prepayments and accrued income</b>					
Accrued interest		7,777	-	<b>7,777</b>	5,561
Deferred acquisition costs	7	432,279	-	<b>432,279</b>	424,017
Other prepayments and accrued income		21,394	120,640	<b>142,034</b>	54,173
<b>Total prepayments and accrued income</b>		<b>461,450</b>	<b>120,640</b>	<b>582,090</b>	483,751
<b>Total assets</b>		<b>8,382,634</b>	<b>56,379,977</b>	<b>64,762,611</b>	25,381,884

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# KIRLY LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued) AS AT 31 DECEMBER 2019

	Note	Syndicate Liabilities £	Corporate £	2019 Total £	2018 Total £
<b>Capital and reserves</b>					
Called-up share capital	21	-	1,408	1,408	1,315
Share premium account		-	2,491,172	2,491,172	1,047,515
Revaluation reserve		-	731,452	731,452	2,787,144
Capital redemption reserve		-	170,119	170,119	170,119
Profit and loss account		(875,845)	37,897,938	37,022,093	10,204,982
<b>Shareholder's funds attributable to equity interests</b>		(875,845)	41,292,089	40,416,244	14,211,075
<b>Non-controlling interest</b>	34	-	616,961	616,961	(191,838)
<b>Total equity</b>		(875,845)	41,909,050	41,033,205	14,019,237
<b>Technical provisions</b>					
Provision for unearned premiums	7	1,735,615	-	1,735,615	1,584,794
Claims outstanding - gross amount	7	6,204,071	-	6,204,071	5,792,544
<b>Total technical provisions</b>		7,939,686	-	7,939,686	7,377,338
<b>Provisions for other risks and charges</b>					
Other provisions		1,478	210,000	211,478	987
Provision for taxation	22	-	126,862	126,862	173,080
<b>Total provisions for other risks and charges</b>		1,478	336,862	338,340	174,067
<b>Deposits received from reinsurers</b>		118,629	-	118,629	65,437
<b>Creditors due within one year</b>					
Arising out of direct insurance operations		138,782	-	138,782	178,482
Arising out of reinsurance operations		695,292	-	695,292	640,978
Amounts due to credit institutions	26	6,399	-	6,399	2,181
Other creditors	23	252,616	2,513,823	2,766,439	1,540,550
<b>Total creditors</b>		1,093,089	2,513,823	3,606,912	2,362,191
<b>Creditors due after more than one year</b>	24	-	11,130,857	11,130,857	1,179,880
<b>Accruals and deferred income</b>					
Other accruals and deferred income		105,597	489,385	594,982	203,734
<b>Total liabilities</b>		8,382,634	56,379,977	64,762,611	25,381,884

Approved by the Board on 30 December 2020 and signed on its behalf by:



M W Johnson  
Director

Company Registration No. 01151522

# KIRLY LIMITED

## COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	2019 Total £	2018 Total £
<b>Fixed assets</b>			
Tangible assets	14	1,341	1,788
Fixed asset investments	17	37,546,379	8,885,276
		<b>37,547,720</b>	8,887,064
<b>Current assets</b>			
Debtors	19	4,435,546	2,144,034
Cash at bank and in hand		609,698	2,097,663
Financial investments	16	3,969,369	2,629,397
		<b>9,014,613</b>	6,871,094
<b>Creditors: amounts falling due within one year</b>			
Trade creditors	23	(836)	-
Amounts due to associated undertakings	23	(21,145,557)	(1,798,330)
Taxes and social security costs	23	(5,417)	(53,133)
Directors' current account	23	(324,744)	(296,716)
Other creditors	23	(1,295,041)	(562,807)
Accruals and deferred income		(25,996)	(17,280)
		<b>(22,797,591)</b>	(2,728,266)
<b>Net current assets/(liabilities)</b>		<b>(13,782,978)</b>	4,142,828
<b>Total assets less current liabilities</b>		<b>23,764,742</b>	13,029,892
<b>Creditors: amounts falling due after more than one year</b>	24	<b>(11,130,857)</b>	(494,880)
<b>Provision for liabilities</b>	22	-	-
<b>Net assets</b>		<b>12,633,885</b>	12,535,012
<b>Capital and Reserves</b>			
Called up share capital	21	1,408	1,315
Share premium account		2,491,172	1,047,515
Revaluation reserve		-	2,055,692
Capital redemption reserve		170,119	170,119
Profit and loss account		9,971,186	9,260,371
<b>Total shareholders funds</b>		<b>12,633,885</b>	12,535,012

No profit and loss account is presented for Kirly Limited, as permitted by section 408 of the Companies Act 2006. The parent company's profit after tax for the financial year was £894,880 (2018: £317,051).

Approved by the Board on 30 December 2020 and signed on its behalf by:



M W Johnson  
Director  
Company Registration No. 01151522

**KIRLY LIMITED**
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
AS AT 31 DECEMBER 2019**

	Note	Called up share capital £	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Retained earnings £	Non- Controlling Interest £	Total £
At 1 January 2018		1,315	1,047,515	3,499,635	170,119	9,491,776	(195,436)	14,014,924
Profit for the financial year		-	-	-	-	23,606	-	23,606
Other comprehensive income for the year		-	-	-	-	(5,566)	-	(5,566)
Transfers		-	-	(712,491)	-	712,491	-	-
Non-controlling interest	34	-	-	-	-	(17,325)	3,598	(13,727)
<b>At 31 December 2018</b>		<b>1,315</b>	<b>1,047,515</b>	<b>2,787,144</b>	<b>170,119</b>	<b>10,204,982</b>	<b>(191,838)</b>	<b>14,019,237</b>
At 1 January 2019		1,315	1,047,515	2,787,144	170,119	10,204,982	(191,838)	14,019,237
Profit for the financial year		-	-	-	-	26,998,239	-	26,998,239
Other comprehensive income for the year		-	-	-	-	2,937	-	2,937
Dividends paid		-	-	-	-	(184,065)	-	(184,065)
Other movements		93	1,443,657	(2,055,692)	-	-	-	(611,942)
Non-controlling interest	34	-	-	-	-	-	808,799	808,799
<b>At 31 December 2019</b>		<b>1,408</b>	<b>2,491,172</b>	<b>731,452</b>	<b>170,119</b>	<b>37,022,093</b>	<b>616,961</b>	<b>41,033,205</b>

**KIRLY LIMITED****COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
AS AT 31 DECEMBER 2019**

	Called up share capital £	Share premiun account £	Revaluation reserve	Capital redemption reserve	Retained earnings £	Total £
At 1 January 2018	1,315	1,047,515	2,768,183	170,119	8,230,829	12,217,961
Profit for the financial year	-	-	-	-	317,051	317,051
Transfers	-	-	(712,491)	-	712,491	-
<b>At 31 December 2018</b>	<b>1,315</b>	<b>1,047,515</b>	<b>2,055,692</b>	<b>170,119</b>	<b>9,260,371</b>	<b>12,535,012</b>
At 1 January 2019	1,315	1,047,515	2,055,692	170,119	9,260,371	12,535,012
Profit for the financial year	-	-	-	-	894,880	894,880
Dividends paid	-	-	-	-	(184,065)	(184,065)
Other movements	93	1,443,657	(2,055,692)	-	-	(611,942)
<b>At 31 December 2019</b>	<b>1,408</b>	<b>2,491,172</b>	<b>-</b>	<b>170,119</b>	<b>9,971,186</b>	<b>12,633,885</b>

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

	Note	2019 £	2018 £
<b>Cash (outflow)/inflow from operating activities</b>	27	<b>(365,702)</b>	830,158
Interest received		477,228	68,285
Interest paid		(318,712)	(81,521)
UK corporation tax paid		(151,599)	(219,601)
Foreign tax paid		(120)	(2,561)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(358,905)</b>	594,760
<b>Cash inflow from investing activities</b>			
Purchase of syndicate participation rights		(207,963)	(780)
Proceeds from sale of syndicate participation rights		205,713	282,642
Purchase of tangible fixed assets		(28,410)	(153,060)
Proceeds on disposal of tangible fixed assets		120	(30,221)
Purchase of investments		(15,491,595)	673,185
Proceeds from sale of investments		29,406,595	-
Purchase of current asset investments		(1,085,693)	(246,207)
Proceeds from sale of current asset investments		12,270	173,522
Cash acquired on investment		2,641,715	-
Loans made		(2,508,772)	-
Dividends received		391,034	409,241
Dividends paid to non-controlling interest		(99,415)	(26,362)
<b>Net cash inflow from investing activities</b>		<b>13,235,599</b>	1,081,960
<b>Cash outflow from financing</b>			
Funds lent to/(withdrawn from) the company by the company's shareholders		28,028	(63,823)
Repayment of borrowings		-	(200,000)
Dividends paid to the company's shareholders		(184,065)	-
<b>Net cash outflow from financing</b>		<b>(156,037)</b>	(263,823)
<b>Increase in cash</b>		<b>12,720,657</b>	1,412,897
Net funds at 1 January		3,067,439	1,654,542
Increase in cash in the year		12,720,657	1,412,897
Effect of foreign exchange rates		(6,895)	-
<b>Net funds at 31 December</b>		<b>15,781,201</b>	3,067,439

The Company has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the Cash Flow Statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from the Syndicates at Lloyd's.



# KIRLY LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 General Information

The Company is a private company limited by shares that was incorporated in England and Wales and whose registered office and number is given on page one of these financial statements. The principal activity of the Company is that of consultancy and holding investments in group and other undertakings.

### 2 Accounting policies

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts", the Companies Act 2006 and Regulation 6 of Schedule 3 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, relating to insurance.

The financial statements have been prepared with early application of the FRS 102 Triennial Review 2017 amendments in full.

The directors do not consider the Company to be a financial institution under FRS 102.

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

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

#### 2.2 Basis of consolidation

The amounts shown in the column to the balance sheet headed 'corporate' consolidate the accounts of Kirly Limited and its subsidiary undertakings. The amounts shown in the column to the balance sheet headed 'total' consolidate the accounts of Kirly Limited and its subsidiary undertakings and a pro rata share of the assets and liabilities of the syndicates on which they participate.

No profit and loss account is presented for Kirly Limited, as permitted by section 408 of the Companies Act 2006.

#### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of identifiable assets and liabilities exceeds the cost of the business combination the excess is recognised separately on the face of the consolidated statement of financial position immediately below goodwill.

#### Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the group (its subsidiaries). Control is achieved where the group has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

# KIRLY LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2019

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### **Investment in associates**

Investments in associates are recognised initially in the consolidated statement of financial position at the transaction price and subsequently adjusted to reflect fair value through the profit and loss account. Fair value of investments is calculated by reference first to recent trades and then via NAV or PER values.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition, although treated as goodwill, is presented as part of the investment in the associate. Amortisation is charged so as to allocate the cost of goodwill over its estimated useful life, using the straight-line method. Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

Investments in associates are accounted for fair value through profit and loss in the individual financial statements.

### **2.3 Basis of accounting**

The Financial Statements are prepared under the historical cost basis of accounting modified to include the revaluation of certain financial instruments held at fair value, through the income statement.

The technical account has been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums net of re-insurance. Amounts reported in the technical account relate to movements in the period in respect of all relevant years of account of the Syndicates on which the company participates.

Accounting information in respect of the Syndicate participations has been provided by the Syndicate managing agents through an information exchange facility operated by Lloyd's and has been reported on by the Syndicate auditors.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents and are shown separately on the Balance Sheet as "Syndicate Assets" and "Syndicate Liabilities". The assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

In continuing to apply the going concern basis to this Group's Financial Statements the following factors have been taken into account: the likely timing of any underwriting and non-underwriting cash flows, any Funds at Lloyd's supporting the Group's underwriting and not reflected in the Group's Statement of Financial Position and the continued support of the Directors and Shareholders including the potential deferral of balances due to them.

### **General business**

#### **i Premiums**

Gross premiums are accounted for in the period in which the risk commences, together with adjustments to premiums written in previous accounting periods. Future premiums relating to risks commencing in the period are based upon estimates made by the Syndicates' management. Other adjustments are accounted for as arising.

#### **ii Unearned premiums**

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the statement of financial position date, calculated on a time apportionment basis having regard where appropriate, to the incidence of risk. The specific basis adopted by each Syndicate is determined by the relevant managing agent.

#### **iii Deferred acquisition costs**

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

#### **iv Reinsurance premiums**

Reinsurance premium costs are allocated by the Managing Agent of each Syndicate to reflect the protection arranged in respect of the business written and earned.

# KIRLY LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

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### v Claims

Provision is made for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date, and for the related cost of settlement. Claims incurred comprise amounts paid or provided in respect of claims occurring during the current year, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year.

The claims provision determined by the managing agent will have been based on information that was currently available at the time. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided and will be reflected in the financial statements for the period in which the adjustment is made.

### vi Closed years of account

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling costs.

Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring Syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The company has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

### vii Run-off years of account

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

### viii Investments and allocated investment income

In accordance with Lloyd's current accounting practice, investments are stated at market value, including accrued interest at the financial reporting date. Investment income is included in the General Business Technical Account reflecting that earned on the investment portfolio managed by the Syndicates. The allocated investment income therefore comprises income received and investment profits and losses arising in the calendar year including appreciation/depreciation and accrued interest consequent upon the revaluation of investments at 31 December. All gains and losses on investments are treated as realised at the financial reporting date.

### ix Financial assets and financial liabilities

The syndicates' investments comprise of debt and equity investments, derivatives, cash and cash equivalents and loans and receivables.

# KIRLY LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

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### ix Financial assets and financial liabilities (continued)

Debtors/creditors arising from insurance/reinsurance operations shown in the Statement of Financial Position include the totals of all the syndicate's outstanding debit and credit transactions as processed by the Lloyd's central facility. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

#### Recognition

Financial assets and liabilities are recognised when the syndicate becomes party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the syndicate after deducting all of its liabilities.

#### Initial measurement

All financial assets and liabilities are initially measured at transaction price (including transaction cost), except for those financial assets classified as at fair value through the income statement, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

#### Subsequent measurement

Non-current debt instruments are subsequently measured at amortised cost using the effective interest rate method.

Debt instruments that are classified as payable or receivable within one financial year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

Other debt instruments are measured at fair value through the income statement.

#### Derecognition of financial assets and liabilities

Financial assets are derecognised when and only when a) the contractual rights of the cash flow from the financial asset expire or are settled, b) the syndicates transfer to another party substantially all of the risks and rewards of ownership of the financial asset or c) the syndicates, despite having retained some significant risks and rewards of ownership, have transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

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

#### Fair value measurement

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

#### Impairment of financial instruments measured at amortised cost or cost

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

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

# KIRLY LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

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### ix Financial assets and financial liabilities (continued)

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in the income statement immediately.

### x Basis of currency translation

Syndicates maintain separate funds in Sterling, United States and Canadian dollars, and may also do so in certain other currencies. All transactions where separate currencies are maintained are translated into Sterling at the rates of exchange ruling at the financial reporting date. Transactions during the period in other overseas currencies are expressed in Sterling at the rates ruling at the transaction date.

Monetary assets and liabilities, which according to FRS 103 are deemed to include unearned premiums and deferred acquisition costs, are translated into Sterling at the rates of exchange at the financial reporting date.

Any non-monetary items are translated into the functional currency using the rate of exchange prevailing at the time of the transaction. FRS 103 states that insurance assets and liabilities (unearned premiums and deferred acquisition costs) are required to be treated as monetary items. These assets and liabilities have been translated at the period end to the functional currency at the closing rate.

### xi Debtors/creditors arising from insurance/reinsurance operations

The amounts shown in the Statement of Financial Position include the totals of all the Syndicates outstanding debit and credit transactions. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the Syndicates and each of their counterparty insurers, reinsurers or intermediaries as appropriate.

### xii Distribution of profits and collection of losses

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between Syndicates and their members. Lloyd's continues to require membership of Syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the Syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The Syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

## 2.4 Reinsurance at corporate level

Where considered applicable by the Directors, the company may purchase additional reinsurance to that purchased through the syndicates. Any such reinsurance premiums and related reinsurance recoveries are treated in the same manner as described for syndicates in Note 2.1 (iv) and (v).

## 2.5 Taxation

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

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

The group is taxed on its results including its share of underwriting results declared by the syndicates and these are deemed to accrue over the calendar year in which they are declared. The syndicate results included in these financial statements are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for corporation tax in relation to open years of account. However, full provision is made for deferred tax on underwriting results not subject to current corporation tax.

HM Revenue & Customs agrees the taxable results of the syndicates at a syndicate level on the basis of computations submitted by the managing agent. At the date of the approval of these financial statements the syndicate taxable results of years of account closed at this and previous year ends may not be fully agreed with HM Revenue & Customs. Any adjustments that may be necessary to the tax provisions established by the Group and Parent Company, as a result of HM Revenue & Customs agreement of syndicate results, will be reflected in the financial statements of subsequent periods.

# KIRLY LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

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### 2.6 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the financial reporting date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities have not been discounted.

### 2.7 Intangible assets

Costs incurred by the Group in the Corporation of Lloyd's auctions in order to acquire rights to participate on Syndicates' underwriting years are included within intangible assets and amortised over a 3 year period beginning with the respective year of Syndicate participation. The intangible assets are reviewed for impairment where there are indicators for impairment and any impairment is charged to the income statement for the period.

### 2.8 Current asset investments

Current asset investments held directly by the Group and Company, by trustees of the Premium Trust Fund, or as the Lloyd's Deposit, are stated at fair value.

### 2.9 Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks, other short-term liquid investments with original maturities of three months or less and cash in hand.

### 2.10 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Rental income is recognised in respect of the period to which it relates.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

### 2.11 Tangible fixed assets

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	10% / 25% / 33.33% straight line
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Investment properties are included in the balance sheet at their open market value. Depreciation is provided only on those investment properties which are leasehold and where the unexpired lease term is less than 20 years.

Although this accounting policy is in accordance with the applicable accounting standard, FRS 102 section 16 "Investment Properties", it is a departure from the general requirement of the Companies Act 2006 for all tangible assets to be depreciated. In the opinion of the directors compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

### 2.12 Going concern

At the time of approving the financial statements the directors have a reasonable expectation that the company and group has adequate resources to continue in operational existence for the foreseeable future. The directors have considered the expected impact of the ongoing Covid-19 pandemic in making their assessment and details of this impact have been included in the Strategic Report. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

# KIRLY LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

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### 2.13 Stocks

Property held for development is stated at the lower of direct cost and net realisable value. Direct costs include acquisition fees and taxes, contractors' costs, associated professional charges and other attributable overheads. Net realisable value is assessed by estimating selling prices and further costs to completion, including sales and marketing expenses.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

### 3 Key accounting judgements and estimation uncertainties

In applying the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. These judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The measurement of the provision for claims outstanding is the most significant judgement involving estimation uncertainty regarding amounts recognised in these financial statements in relation to underwriting by the syndicates and this is disclosed further in Note 4.

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Group looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate.

The key accounting judgements and sources of estimation uncertainty set out below therefore relate to those made in respect of the Group only, and do not include estimates and judgements made in respect of the Syndicates.

#### i Purchased syndicate capacity

Estimating value in use:

Where an indication of impairment of capacity values exists, the Directors will carry out an impairment review to determine the recoverable amount, which is the higher of fair value less cost to sell and value in use. The value in use calculation requires an estimate of the future cash flows expected to arise from the capacity and a suitable discount rate in order to calculate present value.

Determining the useful life of purchased syndicate capacity:

The assessed useful life of syndicate capacity is 3 years. This is on the basis that this is the life over which the original value of the capacity is used up.

#### ii Assessing indicators of impairment

In assessing whether there have been any indicators of impairment of assets, the Directors consider both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

#### iii Recoverability of debtors

The Group establishes a provision for debtors that are estimated not to be recoverable. When assessing recoverability, factors such as the ageing of the debtors, past experience of recoverability, and the credit profile of individual groups of customers are all considered.

# KIRLY LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

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### 4 Risk management

This section summarises the financial and insurance risks the Company and group is exposed to either directly at its own corporate level or indirectly via its participation in the Lloyd's syndicates.

#### **Risk background**

The syndicate's activities expose it to a variety of financial and non-financial risks. The managing agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. Each year, the managing agent prepares a Lloyd's Capital Return ("LCR") for the syndicate, the purpose of this being to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the syndicate's business, and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the LCR, and, typically, the majority of the total assessed value of the risks concerned is attributable to insurance risk.

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risks arise from the risk that the reinsurer fails to meet their share of a claim. The management of the syndicate's funds is exposed to risks of investments, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks including its ability to continue to trade. However, supervision by Lloyd's provides additional controls over the syndicate's management of risks.

The group manages the risks faced by the syndicates on which it participates by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate for the following year, with a review of the business plan prepared for each syndicate by its managing agent. In addition, quarterly reports and annual accounts together with any other information made available by the managing agent are monitored and if necessary enquired into. If the group considers that the risks being run by the syndicate are excessive it will seek confirmation from the managing agent that adequate management of the risk is in place and, if considered appropriate, will withdraw from the next underwriting year. The group relies on advice provided by the members' agent which acts for it, who are specialists in assessing the performance and risk profiles of syndicates. The group also mitigates its risks by participating across several syndicates.

The Directors do not consider any members of the group to be a financial institution under FRS 102, on the basis that the group itself does not undertake the business of effecting or carrying out insurance contracts. Therefore there is no requirement to discuss financial risks arising from syndicate investment activities. The analysis below provides details of the financial risks the group is exposed to from syndicate insurance activities as required by FRS 103.

#### **Syndicate risks**

##### **i Liquidity risk**

The syndicates are exposed to daily calls on their available cash resources, principally from claims arising from its insurance business. Liquidity risk arises where cash may not be available to pay obligations when due, or to ensure compliance with the syndicate's obligations under the various trust deeds to which it is party.

The syndicates aim to manage their liquidity position so that they can fund claims arising from significant catastrophic events, as modelled in their Lloyd's realistic disaster scenarios ("RDS").



# KIRLY LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

### ii Credit risk

Credit ratings to syndicate assets emerging directly from insurance activities, excluding cash at bank and financial investments, which are neither past due nor impaired are as follows:

	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
<b>2019</b>						
Deposits with ceding undertakings	-	-	-	-	636	636
Reinsurers share of claims outstanding	27,714	326,955	1,147,942	777	137,989	1,641,377
Reinsurance debtors	275	6,704	39,475	671	42,100	89,225
Insurance debtors	330	1,235	34,930	4,626	612,234	653,355
<b>Total</b>	<b>28,319</b>	<b>334,894</b>	<b>1,222,347</b>	<b>6,074</b>	<b>792,959</b>	<b>2,384,593</b>
<b>2018</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Deposits with ceding undertakings	-	-	-	-	536	536
Reinsurers share of claims outstanding	18,071	276,593	1,013,495	442	125,938	1,434,539
Reinsurance debtors	354	3,735	22,930	-	9,323	36,342
Insurance debtors	-	-	-	-	1,294,441	1,294,441
<b>Total</b>	<b>18,425</b>	<b>280,328</b>	<b>1,036,425</b>	<b>442</b>	<b>1,430,238</b>	<b>2,765,858</b>

Syndicate assets emerging directly from insurance activities, excluding cash at bank and financial investments, past their due date or impaired are as follows:

	Less than 3 months £	Between 3 and 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
<b>2019</b>						
Deposits with ceding undertakings	-	-	-	-	-	-
Reinsurers share of claims outstanding	-	-	-	-	(273)	(273)
Reinsurance debtors	49,639	24,664	4,584	5,125	(11)	84,001
Insurance debtors	43,616	29,929	14,862	13,880	(551)	101,736
<b>Total</b>	<b>93,255</b>	<b>54,593</b>	<b>19,446</b>	<b>19,005</b>	<b>(835)</b>	<b>185,464</b>
<b>2018</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Deposits with ceding undertakings	-	-	-	-	-	-
Reinsurers share of claims outstanding	-	-	-	-	(306)	(306)
Reinsurance debtors	38,937	15,190	3,360	5,254	(21)	62,720
Insurance debtors	35,720	16,144	13,314	11,701	(571)	76,308
<b>Total</b>	<b>74,657</b>	<b>31,334</b>	<b>16,674</b>	<b>16,955</b>	<b>(898)</b>	<b>138,722</b>

### iii Interest rate and equity price risk

Interest rate risk and equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates and market prices respectively.

# KIRLY LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

### iv Currency risk

The syndicates' main exposure to foreign currency risk arises from insurance business originating overseas, primarily denominated in US dollars. Transactions denominated in US dollars form a significant part of the syndicates' operations. This risk is, in part, mitigated by the syndicates maintaining financial assets denominated in US dollars against its major exposures in that currency.

The tables below provides details of syndicate assets and liabilities by currency:

	GBP £ converted	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
<b>2019</b>						
Total assets	1,405,401	5,909,155	352,277	497,056	218,745	<b>8,382,634</b>
Total liabilities	(2,134,874)	(5,961,076)	(361,968)	(404,882)	(395,679)	<b>(9,258,479)</b>
Surplus/(deficiency) of assets	(729,473)	(51,921)	(9,691)	92,174	(176,934)	<b>(875,845)</b>
<b>2018</b>						
Total assets	1,267,758	5,209,480	420,564	473,624	218,351	7,589,777
Total liabilities	(1,846,651)	(5,551,618)	(456,171)	(338,346)	(288,047)	(8,480,833)
Surplus/(deficiency) of assets	(578,893)	(342,138)	(35,607)	135,278	(69,696)	(891,056)

### Company and group risks

#### i Investment, credit, liquidity and currency risks

The significant risks faced by the group are with regard to the investment of the available funds within its own custody. The elements of these risks are investment risk, credit risk, liquidity risk, currency risk and interest rate risk. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the group to meet the claim. In order to minimise investment, credit and liquidity risk the group's funds are invested in readily realisable short term deposits. The syndicates can distribute their results in Pound Sterling, US Dollars or a combination of the two. The group is exposed to movements in the US Dollar between the Statement of Financial Position date and the distribution of the underwriting profits and losses, which is usually in the May following the closure of the year of account. The group does not use derivative instruments to manage risk and, as such, no hedge accounting is applied.

#### ii Regulatory risks

The subsidiaries are subject to continuing approval by Lloyd's to be a member of a Lloyd's syndicate. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's. The capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. A variety of factors are taken into account by Lloyd's in setting these requirements including market conditions and syndicate performance and although the process is intended to be fair and reasonable, the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the group is able to support.

#### iii Operational risks

As there are relatively few transactions actually undertaken by the group there are only limited systems and operational requirements of the group and therefore operational risks are not considered to be significant. Close involvement of all Directors in the group's key decision making and the fact that the majority of the group's operations are conducted by syndicates, provides control over any remaining operational risks.

# KIRLY LIMITED

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

5 Class of business	Gross written premiums	Gross premiums earned	Gross claims incurred	Operating expenses	Reinsurance balance
	£	£	£	£	£
<b>2019</b>					
<b>Direct</b>					
Accident and health	84,997	99,676	(59,313)	(41,116)	(4,972)
Motor - third party liability	29,617	25,303	(18,360)	(7,376)	(513)
Motor - other classes	517,974	434,650	(285,839)	(133,308)	(9,855)
Marine, aviation and transport	278,625	355,907	(194,958)	(126,375)	(31,273)
Fire and other damage to property	985,722	1,004,965	(627,875)	(298,576)	(119,157)
Third party liability	649,851	632,884	(432,790)	(207,408)	(12,310)
Credit and suretyship	86,565	101,758	(73,950)	(24,500)	9,466
Other	19,701	15,888	(10,559)	(6,543)	(299)
<b>Total direct</b>	<b>2,653,052</b>	<b>2,671,031</b>	<b>(1,703,644)</b>	<b>(845,202)</b>	<b>(168,913)</b>
<b>Reinsurance business</b>					
Reinsurance balance	1,286,779	1,274,894	(862,003)	(293,235)	(75,355)
<b>Total</b>	<b>3,939,831</b>	<b>3,945,925</b>	<b>(2,565,647)</b>	<b>(1,138,437)</b>	<b>(244,268)</b>
<b>2018</b>					
<b>Direct</b>					
Accident and health	97,021	98,513	(49,092)	(43,087)	(2,703)
Motor - third party liability	23,849	26,356	(16,545)	(9,572)	(2,015)
Motor - other classes	302,428	314,867	(129,556)	(108,124)	(69,049)
Marine, aviation and transport	390,495	419,928	(308,981)	(158,992)	(45,748)
Fire and other damage to property	861,336	879,001	(634,436)	(315,448)	(74,340)
Third party liability	601,837	554,389	(382,833)	(220,899)	17,908
Credit and suretyship	87,163	95,315	(45,222)	(32,550)	(13,699)
Other	15,073	14,618	(5,104)	(7,119)	(560)
<b>Total direct</b>	<b>2,379,202</b>	<b>2,402,987</b>	<b>(1,571,769)</b>	<b>(895,791)</b>	<b>(190,206)</b>
<b>Reinsurance business</b>					
Reinsurance balance	1,099,529	1,119,866	(831,301)	(308,926)	(71,255)
<b>Total</b>	<b>3,478,731</b>	<b>3,522,853</b>	<b>(2,403,070)</b>	<b>(1,204,717)</b>	<b>(261,461)</b>

Any open year loss provisions, stop loss premiums and stop loss recoveries have been allocated across the classes of business by reference to the gross premiums written.

# KIRLY LIMITED

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

### 6 Geographical analysis

	2019	2018
	£	£
<b>Direct gross premiums written in:</b>		
United Kingdom	2,653,052	2,378,009
Other EU member states	-	132
The rest of the world	-	1,061
<b>Total</b>	<b>2,653,052</b>	<b>2,379,202</b>

The majority of our business written at Lloyd's emanates from the United States or is worldwide business denominated in US dollars.

### 7 Technical provisions

#### Movement in claims outstanding

			2019		2018	
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	£	£	£	£	£	£
At 1 January	(5,792,544)	943,111	(4,849,433)	(5,623,900)	939,435	(4,684,465)
Movement in technical account	(47,646)	99,618	51,972	(254,178)	(57,356)	(311,534)
Other movements	(363,881)	23,919	(339,962)	85,534	61,032	146,566
<b>At 31 December</b>	<b>(6,204,071)</b>	<b>1,066,648</b>	<b>(5,137,423)</b>	<b>(5,792,544)</b>	<b>943,111</b>	<b>(4,849,433)</b>

#### Movement in unearned premiums

			2019		2018	
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	£	£	£	£	£	£
At 1 January	(1,584,794)	284,329	(1,300,465)	(1,569,549)	214,067	(1,355,482)
Movement in technical account	6,094	61,605	67,699	44,122	56,935	101,057
Other movements	(156,915)	21,765	(135,150)	(59,367)	13,327	(46,040)
<b>At 31 December</b>	<b>(1,735,615)</b>	<b>367,699</b>	<b>(1,367,916)</b>	<b>(1,584,794)</b>	<b>284,329</b>	<b>(1,300,465)</b>

#### Movement in deferred acquisition costs

	2019	2018
	Net	Net
	£	£
At 1 January	424,017	464,358
Movement in deferred acquisition costs	(40,836)	(36,905)
Other movements	49,098	(3,436)
<b>At 31 December</b>	<b>432,279</b>	<b>424,017</b>

Included within other movements are foreign exchange movements in restating the opening balances and the effect of prior years' technical provisions being reinsured to close, to the extent where the group's syndicate participation portfolio has changed between those two years of account.

# KIRLY LIMITED

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

### 7 Technical provisions (continued)

#### Assumptions, changes in assumptions and sensitivity

The majority of the risks to the group's future cash flows arise from its participation in the results of Lloyd's syndicates and are mostly managed by the managing agents of the syndicates. The group's role in managing these risks, in conjunction with the group's members' agent, is limited to a selection of syndicate participations and monitoring the performance of the syndicates and their managing agents.

The amounts carried by the group arising from insurance contracts are calculated by the managing agents of the syndicates and derived from accounting information provided by the managing agents and reported upon by the syndicate auditors.

The key assumptions underlying the amounts carried by the group arising from insurance contracts are:

- i The net premiums written calculated by the managing agent are an accurate assessment of the premiums payable as a result of the risks contractually committed to up to the financial reporting date.
- ii The net unearned premiums calculated by the managing agent are an accurate assessment of the net premiums written that reflect the exposure to risks arising after the financial reporting date, including appropriate allowance for anticipated losses in excess of the unearned premium.
- iii The claims reserves calculated by the managing agents are an accurate assessment of the ultimate liabilities in respect of claims relating to events up to the financial reporting date.
- iv The potential ultimate result of run-off year results has been accurately estimated by the managing agents.
- v The values of investments and other assets and liabilities are correctly stated at their realisable values at the financial reporting date.

There have been no changes to these assumptions in 2019.

The amounts carried by the group arising from insurance contracts are sensitive to various factors as follows:

- i A 5% increase/decrease in net earned premium (with claims incurred assumed to change pro-rata with premium) will increase/decrease the group's pre-tax profit/loss by £56,801 (2018: £42,916).
- ii A 5% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the group's pre-tax profit/loss by £310,204 (2018: £289,627).
- iii A 5% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the group's pre-tax profit/loss by £256,871 (2018: £242,472).

Claims development - gross	At end of underwriting year £	After 12 months £	After 24 months £	After 36 months £	Profit/loss on RITC received £
Underwriting pure year					
2019	1,195,565	-	-	-	-
2018	1,581,830	2,760,435	-	-	-
2017	2,166,556	3,370,396	3,539,873	-	-

# KIRLY LIMITED

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

### 7 Technical provisions (continued)

Claims development - net	At end of underwriting year £	After 12 months £	After 24 months £	After 36 months £	Profit/loss on RITC received £
Underwriting pure year					
2019	841,797	-	-	-	-
2018	1,196,745	2,090,635	-	-	-
2017	1,483,846	2,526,972	2,661,436	-	-

### 8 Investment return

The following return on investments relate to investments held at fair value.

	2019 £	2018 £
Investment income	120,034	43,311
Realised gain/(loss) on investments	8,572	(2,935)
Unrealised gain/(loss) on investments	7,169	(5,346)
Allocated investment income - technical account	135,775	35,030
Income from other investments (including interest receivable)	658,138	459,496
Realised gain/(loss) on investments	31,952,031	(368,601)
Unrealised gain on investments	272,467	35,234
Investment income - non-technical account	32,882,636	126,129
Investment expenses and charges - technical account	(3,012)	(3,622)
Total investment return	33,015,399	157,537

### 9 Net operating expenses

	2019 £	2018 £
Acquisition costs	855,678	881,875
Administrative expenses	295,991	289,078
(Profit)/Loss on exchange	(13,232)	33,764
Total	1,138,437	1,204,717

# KIRLY LIMITED

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

### 10 Other income

	2019 £	2018 £
Profit on sale of syndicate participation rights	-	61,929
Rental income	487,625	208,885
Consultancy services	32,035	78,199
Sale of property	1,511,259	-
Travel insurance	1,109,645	1,754,292
Stop loss recovery	3,689	-
Other	1,575	3,041
<b>Total</b>	<b>3,145,828</b>	<b>2,106,346</b>

### 11 Profit on ordinary activities before taxation

	2019 £	2018 £
This is stated after charging:		
Auditor's remuneration - audit (see note 12)	48,995	20,810
Auditor's remuneration - other (see note 12)	5,000	6,450
Exchange losses/gains	23,565	(13,888)
Amortisation of intangible assets	4,378,765	59,189
Depreciation of tangible fixed assets	39,367	24,935

### 12 Auditor's remuneration

The remuneration of the auditors or its associates is further analysed as follows:

	2019 £	2018 £
<b>For audit services</b>		
Audit of the financial statements	21,000	8,750
Audit of subsidiaries	27,995	12,060
<b>Total audit</b>	<b>48,995</b>	<b>20,810</b>
<b>For non-audit services</b>		
Taxation compliance services	1,200	1,150
Other non-audit services	3,800	5,300
<b>Total non-audit services</b>	<b>5,000</b>	<b>6,450</b>

**KIRLY LIMITED**

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

**13 Group intangible assets**

	Syndicate participation rights £	Negative goodwill from business combinations	Goodwill from business combinations £	Total £
<b>Cost</b>				
At 1 January 2019	339,082	(47,089)	344,450	636,443
Additions	207,963	(16,650)	21,747,926	21,939,239
Disposals	-	-	-	-
<b>At 31 December 2019</b>	<b>547,045</b>	<b>(63,739)</b>	<b>22,092,376</b>	<b>22,575,682</b>
<b>Amortisation</b>				
At 1 January 2019	298,852	(47,089)	135,598	387,361
Charge for the year	73,831	(3,330)	4,308,264	4,378,765
Impairment losses	-	-	-	-
Disposals	-	-	-	-
<b>At 31 December 2019</b>	<b>372,683</b>	<b>(50,419)</b>	<b>4,443,862</b>	<b>4,766,126</b>
<b>Net book value</b>				
At 31 December 2019	174,362	(13,320)	17,648,514	17,809,556
At 31 December 2018	40,230	-	208,852	249,082

**14 Group tangible fixed assets**

	Freehold property £	Fixtures, fittings & equipment £	Total £
<b>Cost or valuation</b>			
At 1 January 2019	851,147	129,288	980,435
Additions	12,342	10,421	22,763
Business combinations	-	268,090	268,090
Disposals	-	-	-
<b>At 31 December 2019</b>	<b>863,489</b>	<b>407,799</b>	<b>1,271,288</b>
<b>Depreciation and impairment</b>			
At 1 January 2019	149,559	51,355	200,914
Charge for the year	-	39,367	39,367
Disposals	-	-	-
<b>At 31 December 2019</b>	<b>149,559</b>	<b>90,722</b>	<b>240,281</b>
<b>Net book value</b>			
At 31 December 2019	713,930	317,077	1,031,007
At 31 December 2018	701,588	77,933	779,521



**KIRLY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2019****14 Company tangible fixed assets**

(continued)

	Fixtures, fittings & equipment £	Total £
<b>Cost</b>		
At 1 January 2019	26,895	26,895
Additions	-	-
Disposals	-	-
<b>At 31 December 2019</b>	<b>26,895</b>	<b>26,895</b>
<b>Depreciation and impairment</b>		
At 1 January 2019	25,107	25,107
Charge for the year	447	447
Disposals	-	-
<b>At 31 December 2019</b>	<b>25,554</b>	<b>25,554</b>
<b>Net book value</b>		
At 31 December 2019	1,341	1,341
At 31 December 2018	1,788	1,788

**15 Group investment property**

	2019 £
<b>Fair value</b>	
At 1 January 2019	-
Business combinations	729,519
<b>At 31 December 2019</b>	<b>729,519</b>

The value of the investment property at the period end was determined by reference to a report from an independent surveyor dated 4 June 2019. The surveyor is a registered member of the Royal Institute of Chartered Surveyors with knowledge of the local market.

If investment properties were stated on a historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	2019 £
Cost	942,450
Accumulated depreciation	-
<b>Carrying amount</b>	<b>942,450</b>

The company held no investment property at the year-end.

# KIRLY LIMITED

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

### 16 Investments

#### Financial investments

#### The group

#### At market value

		£	Syndicate £	Corporate £	Total £
<b>2019</b>					
Shares and other variable yield securities	- level 1	366,459			
	- level 2	360,980			
	- level 3	<u>6,760</u>	734,199	5,751,907	<b>6,486,106</b>
Debt securities and other fixed income securities	- level 1	769,116			
	- level 2	1,501,783			
	- level 3	<u>-</u>	2,270,899	-	<b>2,270,899</b>
Participation in investment pools	- level 1	3,646			
	- level 2	36,697			
	- level 3	<u>5,399</u>	45,742	-	<b>45,742</b>
Loans guaranteed by mortgage	- level 1	2,436			
	- level 2	1,222			
	- level 3	<u>179</u>	3,837	-	<b>3,837</b>
Other loans	- level 1	67,592			
	- level 2	4,159			
	- level 3	<u>426</u>	72,177	-	<b>72,177</b>
<b>Total</b>			<b>3,126,854</b>	<b>5,751,907</b>	<b>8,878,761</b>
<b>2018</b>					
Shares and other variable yield securities	- level 1	168,555			
	- level 2	455,958			
	- level 3	<u>145</u>	624,658	2,910,305	<b>3,534,963</b>
Debt securities and other fixed income securities	- level 1	850,286			
	- level 2	1,020,746			
	- level 3	<u>-</u>	1,871,032	-	<b>1,871,032</b>
Participation in investment pools	- level 1	26,321			
	- level 2	52,638			
	- level 3	<u>13,377</u>	92,336	-	<b>92,336</b>
Loans guaranteed by mortgage	- level 1	3,430			
	- level 2	242			
	- level 3	<u>-</u>	3,672	-	<b>3,672</b>
Other loans	- level 1	59,852			
	- level 2	4,326			
	- level 3	<u>626</u>	64,804	-	<b>64,804</b>
<b>Total</b>			<b>2,656,502</b>	<b>2,910,305</b>	<b>5,566,807</b>

The corporate investments held include £2,030,589 (2018: £1,705,471) at market value in respect of Lloyd's deposits that are held in accordance with the constraints detailed in note 32.

# KIRLY LIMITED

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

### 16 Investments (continued)

#### The group (continued)

The group uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets

Level 2: prices based on recent transactions in identical assets

Level 3: prices determined using a valuation technique

None of the above investments are valued at amortised cost.

<i>At cost</i>	Syndicate £	Corporate £	2019 Total £	2018 Total £
Shares and other variable yield securities	606,937	5,288,088	5,895,025	2,543,103
Debt securities and other fixed income securities	1,871,746	-	1,871,746	2,804,614
Participation in investment pools	86,015	-	86,015	86,015
Loans guaranteed by mortgage	3,860	-	3,860	3,860
Other	76,040	-	76,040	76,040
<b>Total</b>	<b>2,644,598</b>	<b>5,288,088</b>	<b>7,932,686</b>	<b>5,513,632</b>

#### The Company

<i>At cost</i>	2019 Total £	2018 Total £
At 1 January	2,631,918	2,505,114
Additions	1,085,693	246,207
Disposals	-	(119,403)
<b>Total</b>	<b>3,717,611</b>	<b>2,631,918</b>

<i>At market value</i>	2019 Total £	2018 Total £
At 1 January	2,629,397	3,136,108
Additions	1,085,693	246,206
Disposals	-	(138,288)
Fair value adjustment	254,279	(614,629)
<b>At 31 December</b>	<b>3,969,369</b>	<b>2,629,397</b>

The company held listed current asset investments included above with market values totalling £3,290,710 (2018: £2,528,703).

# KIRLY LIMITED

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

### 17 Fixed Asset Investments

Company fixed asset investments	2019 £	2018 £
Investment in subsidiaries	37,541,354	4,747,249
Investment in associates	5,025	4,138,027
	<b>37,546,379</b>	<b>8,885,276</b>

#### The company fixed asset investments at cost

	Investments in subsidiaries £
<b>Cost</b>	
At 1 January 2019	4,747,249
Additions	32,794,105
Disposals	-
At 31 December 2019	37,541,354
<b>Net book value</b>	
At 31 December 2019	37,541,354
At 31 December 2018	4,747,249

#### The company and the group fixed asset investment at fair value dealt with through profit and loss:

	Investments in associates £
<b>Valuation</b>	
At 1 January 2019	4,138,027
Additions	-
Reclassification of investment	(3,998,002)
Fair value movement in year	(135,000)
At 31 December 2019	5,025
<b>Net book value</b>	
At 31 December 2019	5,025
At 31 December 2018	4,138,027

The historic cost of investments in associates at 31 December 2019 is £140,025 (2018: £2,052,195).

#### Investments in associates

At 31 December 2019 the group and the company had interests in the following associates:

Associate	Type of shares held	Proportion held (%)	Registered Office	Nature of business
Life's Kitchen Limited	Ordinary	22.0%	2a Chequers Court, Huntingdon, Cambridgeshire, PE29 3LJ	Catering
The Apertus Group Limited	Ordinary	20.0%	3 Deanery Court, Preston Deanery, Northampton, England, NN7 2DT	Utilities

# KIRLY LIMITED

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

### 17 Fixed Asset Investments (continued)

#### Investments in subsidiaries

At 31 December 2019 the group and the company had interests in the following subsidiaries:

Subsidiary	Type of shares held	Proportion held (%)		Registered office	Nature of business
		Direct	Indirect		
Chariot (II) Underwriting Limited	Ordinary	100%		(A)	Corporate member of Lloyd's
Maturin-Baird (Underwriting) LLP		100%		(B)	Corporate member of Lloyd's
Paddock St Holdings Limited	Ordinary	100%		(C)	Property development
Kirly Realisations Limited	Ordinary	100%		(C)	Investment company
Bolton's Warehouse Company Limited	Ordinary	100%		(C)	Dormant
Freedom Insurance Services Limited	Ordinary	43.6%	8.7%	(D)	Holiday insurance sales
OK to Travel Limited	Ordinary		52.3%	(D)	Holiday insurance sales
It's So Easy Travel Insurance Limited	Ordinary		52.3%	(E)	Holiday insurance sales
Freetime Travel Limited	Ordinary		52.3%	(D)	Dormant
OK to Travel Cruise Insurance Solutions	Ordinary		52.3%	(D)	Dormant
Travel Positive Limited	Ordinary		52.3%	(D)	Dormant
Nomina 599 LLP		100%		(B)	Corporate member of Lloyd's
Kirly Group Holdings Ltd	Ordinary	93.1%	4.6%	(C)	Investment company
Kirly Property Services Ltd	Ordinary		97.7%	(C)	Property development
Kirly EB Ltd	Ordinary		97.7%	(F)	Dormant
DAN Holdings Limited	Ordinary		97.7%	(C)	Dormant
Kirly FS Ltd	Ordinary		97.7%	(C)	Dormant
Kirly WM Ltd	Ordinary		97.7%	(C)	Dormant
Cambridge Index Ltd	Ordinary		97.7%	(C)	Dormant

All of the above subsidiaries have been included within the consolidated accounts.

#### Registered office addresses (all UK):

- (A) 7-9 The Avenue, Eastbourne, East Sussex, BN21 3YA
- (B) 5th Floor 40 Gracechurch Street, London, EC3V 0BT
- (C) 11 Luard Road, Cambridge, CB2 8PJ
- (D) 58 Market Square, St. Neots, PE19 2AA
- (E) 27 Old Gloucester Street, London, WC1N 3XX
- (F) Richmond House, 16-20 Regent Street, Cambridge, CB2 1DB

# KIRLY LIMITED

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

### 17 Fixed Asset Investments (continued)

#### Acquisitions

On 30 September 2019, Kirly Limited acquired an additional 75.3% of the issued share capital of Kirly Group Holdings Limited and its subsidiary undertakings. The following amounts of assets and liabilities were recognised at the acquisition date:

	Book value £	Adjustments £	Fair value £
Property, plant and equipment	268,003		268,003
Investment property	850,000	(120,481)	729,519
Investments	3,716,032		3,716,032
Trade and other receivables	4,423,161		4,423,161
Cash and cash equivalents	2,637,910		2,637,910
Trade and other payables	(67,663)		(67,663)
Tax liabilities	(95,793)		(95,793)
Provisions	(210,000)		(210,000)
<b>Total identifiable net assets</b>	<b>11,521,650</b>	<b>(120,481)</b>	<b>11,401,169</b>
Non-controlling interest			(262,227)
Goodwill			21,543,623
<b>Total consideration</b>			<b>32,682,565</b>

The consideration was satisfied by:

	£
Cash - existing holding reclassified from associate	1,912,170
Cash	15,353,993
Loan notes issued	13,972,652
Share for share exchange	1,443,750
<b>Total consideration</b>	<b>32,682,565</b>

An adjustment was made to revalue the investment property held by subsidiary company Kirly Property Services Limited to fair value.

Kirly Limited issued 9,374 shares in exchange for 55,000 shares held in Kirly Group Holdings Limited.

# KIRLY LIMITED

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

### 17 Fixed Asset Investments (continued)

#### Acquisitions (continued)

On 28 October 2019, Kirly Limited acquired a 100% interest in Nomina 599 LLP for £105,801 in cash. The following amounts of assets and liabilities were recognised at the acquisition date:

	Book value £	Adjustments £	Fair value £
Intangible assets	71,737	133,976	205,713
Investments	535,832		535,832
Reinsurers share of technical provisions	264,814		264,814
Trade and other receivables	499,543		499,543
Cash and cash equivalents	28,176		28,176
Other assets	46,480		46,480
Technical provisions	(1,203,923)		(1,203,923)
Provisions for other risks and charges	(2,737)		(2,737)
Deposit received from reinsurers	(3,885)		(3,885)
Trade and other payables	(247,562)		(247,562)
Total identifiable net assets	(11,525)	133,976	122,451
Negative goodwill			(16,650)
Total consideration			105,801

An adjustment was made to revalue syndicate capacity to fair value.

On 7 May 2019, group company Freedom Insurance Services Limited acquired 100% of the issued share capital in It's So Easy Travel Insurance Limited for £197,419 in cash and £76,860 in deferred consideration.

	Book value £	Adjustments £	Fair value £
Property, plant and equipment	87		87
Trade and other receivables	880		880
Cash and cash equivalents	94,971		94,971
Trade and other payables	(21,461)		(21,461)
Tax liabilities	(7,109)		(7,109)
Deferred tax	(25)	2,633	2,608
Total identifiable net assets	67,343	2,633	69,976
Goodwill			204,303
Total consideration			274,279

# KIRLY LIMITED

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

### 18 Group debtors arising out of direct insurance and reinsurance operations

	Syndicate £	Corporate £	2019 Total £	2018 Total £
The following amounts are due after one year:				
Direct insurance operations	6,913	-	6,913	3,693
Reinsurance operations	9,003	-	9,003	4,184
<b>Total</b>	<b>15,916</b>	<b>-</b>	<b>15,916</b>	<b>7,877</b>

### 19 Other debtors

#### Amounts falling due within one year

	The company		The group			
	2019 Total £	2018 Total £	Syndicate £	Corporate £	2019 Total £	2018 Total £
Other	4,435,546	1,867,518	470,633	4,977,144	5,447,777	2,252,571
<b>Total</b>	<b>4,435,546</b>	<b>1,867,518</b>	<b>470,633</b>	<b>4,977,144</b>	<b>5,447,777</b>	<b>2,252,571</b>

#### Amounts falling due after one year

	The company		The group			
	2019 Total £	2018 Total £	Syndicate £	Corporate £	2019 Total £	2018 Total £
Other	-	276,516	515,412	5,532,993	6,048,405	867,035
<b>Total</b>	<b>-</b>	<b>276,516</b>	<b>515,412</b>	<b>5,532,993</b>	<b>6,048,405</b>	<b>867,035</b>

#### Total

	The company		The group			
	2019 Total £	2018 Total £	Syndicate £	Corporate £	2019 Total £	2018 Total £
Other	4,435,546	2,144,034	986,045	10,510,137	11,496,182	3,119,606
<b>Total</b>	<b>4,435,546</b>	<b>2,144,034</b>	<b>986,045</b>	<b>10,510,137</b>	<b>11,496,182</b>	<b>3,119,606</b>



# KIRLY LIMITED

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

### 20 Cash at bank

	Syndicate £	Corporate £	2019 Total £	2018 Total £
Lloyd's deposit	256,572	118,669	375,241	258,954
Cash at bank and in hand	250,469	15,662,532	15,913,001	3,196,314
<b>Total</b>	<b>507,041</b>	<b>15,781,201</b>	<b>16,288,242</b>	<b>3,455,268</b>

Any Lloyd's deposit is held in accordance with the constraints detailed in note 32.

### 21 Share capital

	2019 £	2018 £
<i>Allotted, called up and fully paid</i>		
140,849 (2018 - 131,475) Ordinary shares of £0.01 each	1,408	1,315

Ordinary shares rank pari passu with equal rights to the distribution of dividends.

### 22 Taxation

	2019 £	2018 £
<i>Analysis of charge in year</i>		
<i>Current tax</i>		
UK Corporation Tax on profits of the year	186,443	117,738
Adjustments in respect of prior years	117,096	5,875
Foreign tax	120	2,561
<b>Total current tax</b>	<b>303,659</b>	<b>126,174</b>
<i>Analysis of charge in year</i>		
<i>Deferred tax</i>		
Origination and reversal of timing differences	(46,243)	(198,850)
Changes in tax rates	-	-
Adjustment to the estimated recoverable amounts of deferred tax assets arising in prior years	-	-
Other items	-	8,406
<b>Total deferred tax</b>	<b>(46,243)</b>	<b>(11,756)</b>
<b>Tax on profit on ordinary activities</b>	<b>257,416</b>	<b>114,418</b>

# KIRLY LIMITED

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

### 22 Taxation (continued)

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

The tax assessed for the year is lower (2018 - higher) than the standard rate of Corporation Tax in the UK of 19.00%. The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before taxation	27,907,383	175,854
Profit on ordinary activities before taxation multiplied by the standard rate of Corporation Tax in the UK of 19.00%.	5,302,403	33,412
<i>Effects of:</i>		
Income/expenses not taxable/allowable	(5,238,858)	(30,459)
Timing differences arising from the taxation of the underwriting results	(32,478)	97,929
Timing differences arising from the taxation of syndicate participation movements	3,375	(148)
Utilisation of tax losses	(7,599)	(23,436)
Adjustments to tax charge in respect of prior periods	109,595	5,875
Other adjustments	120,978	31,245
Total tax charge for the year	257,416	114,418

#### *Factors that may affect future tax charges*

The group has trading losses of £Nil (2018 - £45,912) available for carry forward against future trading profits.

	2019 £	2018 £
<i>Provision for deferred tax</i>		
At 1 January	173,080	184,836
Credit to the profit and loss account	(46,218)	(11,756)
At 31 December	126,862	173,080

During the year the company provided for a deferred tax gain of £Nil (2018: £18,988). The deferred tax provision on the balance sheet at 31 December 2018 was £Nil (2018: £Nil)

Full provision has been made for all timing differences apart from the recovery of taxation losses against future trading profits, which cannot be prudently anticipated at this time.

The deferred tax asset not provided for in respect of Corporation Tax losses, and deferred tax losses not yet assessable to Corporation Tax, amounted to £Nil (2018 - £3,866).

# KIRLY LIMITED

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

### 23 Creditors: falling due within one year

	The company		The group			
	2019 £	2018 £	Syndicate £	Corporate £	2019 £	2018 £
Other creditors	22,441,434	2,361,137	252,616	1,752,527	2,005,143	1,085,082
Other taxation and social security	5,417	1,039	-	33,503	33,503	16,718
Corporation tax	-	52,094	-	403,049	403,049	142,034
Shareholders' loan account	324,744	296,716	-	324,744	324,744	296,716
<b>Total</b>	<b>22,771,595</b>	<b>2,710,986</b>	<b>252,616</b>	<b>2,513,823</b>	<b>2,766,439</b>	<b>1,540,550</b>

The above shareholders' loan has been included in the related party transactions note 33.

### 24 Creditors: falling due after more than one year

	The company		The group			
	2019 £	2018 £	Syndicate £	Corporate £	2019 £	2018 £
Other creditors	-	148,457	-	-	-	833,457
Convertible loan stock	-	346,423	-	-	-	346,423
Loan notes	11,130,857	-	-	11,130,857	11,130,857	-
<b>Total</b>	<b>11,130,857</b>	<b>494,880</b>	<b>-</b>	<b>11,130,857</b>	<b>11,130,857</b>	<b>1,179,880</b>

Other creditors represent the deferred consideration for the purchase of the shares of Paddock St Holdings Limited (formerly Wentworth Country Homes Limited).

The loan stock was convertible to ordinary share capital at any time with 30 days written notice from the shareholder to the company. During the year ended 31 December 2019, £Nil of loan stock was converted into ordinary share capital (2018: £Nil). £346,423 (2018: £Nil) was repaid by the company during the year to 31 December 2019.

# KIRLY LIMITED

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

### 25 Obligations under leases and hire purchase contract

#### Operating lease agreements where the Group is lessor

The operating lease agreements represent leases of such properties to third parties. The leases are negotiated over terms of up to 25 years, with fixed rentals and break clauses in line with the individual terms of the leases.

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £	2018 £
Within one year	457,020	94,680
Between two and five years	1,192,870	128,780
In over five years	818,775	-
	<b>2,468,665</b>	<b>223,460</b>

#### Operating lease agreements where the Group is lessee

The group's lease of Kirly Group Holdings's Cambridge premises at 16 Regent Street expires on 24 December 2033. The group has sublet, under operating leases to third parties, a part of the land and building leased above.

At the reporting end date the group had contracted with tenants for the following minimum lease payments:

	2019 £	2018 £
Within one year	240,000	-
Between two and five years	990,000	-
In over five years	2,250,000	-
	<b>3,480,000</b>	<b>-</b>

### 26 Group financial liabilities

All financial liabilities are measured at amortised cost except for:

	2019 £	2018 £
Amounts due to credit institutions	6,399	2,181

This liability has been disclosed at fair value using a valuation technique. The group uses the following hierarchy for determining and disclosing the fair value of financial liabilities by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical liabilities
- Level 2: prices based on recent transactions in identical liabilities
- Level 3: prices determined using a valuation technique

# KIRLY LIMITED

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

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### 27 Reconciliation of profit before tax to cash (outflow)/inflow from operating activities

	2019 £	2018 £
Profit before tax	27,907,383	175,854
Finance costs	343,327	81,521
Finance income	(731,652)	(470,014)
Current year result not distributable in year	(152,501)	312,037
Prior year result distributable in year	(60,946)	272,126
Loss/(Profit) on sale of syndicate participation rights	-	(53,143)
Increase in creditors	19,451,090	558,211
Increase in debtors	(19,253,283)	(493,304)
Increase in stocks	(45,755)	-
Decrease in deferred income	(1,000)	-
Amortisation and impairment of syndicate participation rights	73,828	-
(Profit)/loss on disposal of tangible fixed assets	(120)	36,891
Depreciation of tangible fixed assets	53,402	24,935
Amortisation and impairment of other intangible fixed assets	4,304,937	59,189
Fair value adjustments	(224,139)	361,089
Profit on disposal of fixed asset investments	(31,957,371)	-
Exchange gains and losses	3,958	-
Loss on disposal of current asset investments	(76,860)	(35,234)
<b>Cash (outflow)/inflow from operating activities</b>	<b>(365,702)</b>	<b>830,158</b>

# KIRLY LIMITED

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

### 28 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	24,683	24,000

### 29 Employees

#### Number of employees

The average monthly number of employees (including directors) employed by the group and company during the year was:

	The company		The group	
	2019 Number	2018 Number	2019 Number	2018 Number
Directors of the parent	2	2	2	2
Directors of subsidiaries	-	-	6	4
Administration	4	4	20	29
Total	6	6	28	35

#### Employment costs

Their aggregate remuneration comprised:

	The company		The group	
	2019 £	2018 £	2019 £	2018 £
Wages and salaries	42,131	42,000	493,518	739,023
Social security costs	3,319	309	29,543	60,492
Pension costs	-	10,000	70,631	89,926
	45,450	52,309	593,692	889,441

The number of directors of the company for who retirement benefits are accruing under defined contribution schemes amounted to 0 (2018 - 0).

### 30 Reserves

#### *Share premium account*

This reserve records the amount above the nominal value received for shares issued, less transaction costs.

#### *Revaluation reserve*

This reserve is used to record the non-distributable increases and decreases in the fair values of financial investments.

#### *Capital redemption reserve*

This reserve records the nominal value of the shares repurchased by the company.

### 31 Controlling party

The directors control the company by virtue of their controlling interest in the issued ordinary share capital.

# KIRLY LIMITED

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

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### 32 Funds at Lloyd's

Cash balances of £118,669 (2018: £71,858) detailed in note 20 and investments of £2,030,589 (2018: £1,705,471) detailed in note 16 are held within the company's Lloyd's deposit. These balances exclude any amounts held via syndicates.

The Lloyd's deposit represents funds deposited with the Corporation of Lloyd's (Lloyd's) to support the company's underwriting activities as described in the accounting policies. The company has entered into a legal agreement with Lloyd's which gives the Corporation the right to apply these funds in settlement of any claims arising from the company's participation on Lloyd's Syndicates. These funds can only be released from the provision of this deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset or after the expiration of the company's liabilities in respect of its underwriting.

In addition to these amounts, the directors and shareholders of the company have also made available to Lloyd's assets amounting to approximately £Nil (2018: £Nil) which are also used by the company to support its Lloyd's underwriting.

### 33 Related party transactions

#### Company

At the end of the year the group and company owed M W Johnson & M A Johnson £324,744 (2018 - £296,716). M W Johnson & M A Johnson are directors of the company and their loan is interest free and no specific terms for repayment exist.

At the year-end Kirly Limited was owed £450,000 (2018 - £480,889) by Forinvesta UBA. Forinvesta UBA is a wholly owned subsidiary of Varoteks OU, a company owned by the daughters of the directors. Interest is chargeable at the Base Rate +1%, which is considered a market rate of interest by the directors. The loan was acquired from the Kirly Pension Scheme, of which M W Johnson is a trustee.

During the year to 31 December 2019 Kirly Limited provided a loan of £1,618,772 to Varoteks OU in order to finance the acquisition of the Aardla business centre real estate. The company receives interest equalling 80% of the total profit of the venture. Interest receivable by Kirly Limited during the year was £191,618. The final term of the loan is 31 December 2028 and the company has the right to request repayment of the loan and interest on 31 December 2023.

During the year to 31 December 2019 Kirly Limited provided consultancy services totalling £14,499 (2018 - £15,300) to Freedom Insurance Services Limited, a subsidiary of the company. The outstanding balance owed to Kirly Limited by Freedom Insurance Services Limited at the year-end was £4,518 (2018 - £10,882).

During the year to 31 December 2019 Kirly Limited provided an additional loan of £40,000 to The Apertus Group Limited, a company in which Kirly Limited has a participating interest. The outstanding balance owed to Kirly Limited at the year-end was £60,000 (2018 - £20,000). The loans are interest-free and payable in full by 31 March 2021. The group charged rent to The Apertus Group Limited of £5,400 (2018 - £2,200) on an arm's length basis.

During the year to 31 December 2019 Kirly Limited provided an additional loan of £100,000 to Life's Kitchen Limited, a company in which Kirly Limited has a participating interest. The outstanding balance owed to Kirly Limited at the year-end was £375,000 (2018 - £275,000). The loans are considered irrecoverable due to the winding-up of Life's Kitchen subsequent to the year end, and have been written off in full during the year to 31 December 2019.

At the year-end Kirly Limited was owed £192,000 (2018 - £221,812) by the sister of M W Johnson. Interest receivable by Kirly Limited during the year was £5,010 (2017 - £5,010). Interest is chargeable at the Base Rate +1.5%, which is considered a market rate of interest by the directors. The loan is repayable in full by 31 January 2030.

At the year-end Kirly Limited was owed £20,000 by the Kirly Pension Scheme (2018 - £385,240 owed to the Kirly Pension Scheme), of which M W Johnson is a trustee. The loan is interest-free and no specific terms for repayment exist.

#### Group

Kirly Limited has taken advantage of the exemption conferred by FRS 102.33.1A not to disclose transactions with its wholly-owned subsidiaries.

# KIRLY LIMITED

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

### 34 Non-controlling interests

	2019 £	2018 £
At 1 January	(191,838)	(195,436)
Non-controlling interest eliminated on increase of shareholdings	(5,741)	(7,870)
Fair value of non-controlling interest on business combinations during the year	262,227	-
Share of subsidiary's profit for the year	651,728	37,830
Dividends paid to subsidiary	(99,415)	(26,362)
<b>At 31 December</b>	<b>616,961</b>	<b>(191,838)</b>

### 35 Stocks

	2019 £	2018 £
Property held for development	4,635,755	4,590,000

### 36 Analysis of changes in net debt - group

	2019 £
<b>Opening net funds/(debt)</b>	
Cash at bank and in hand	3,067,439
Borrowings excluding overdrafts	(685,000)
Convertible loan notes	(346,423)
<b>At 1 January</b>	<b>2,036,016</b>
<b>Changes in net debt arising from:</b>	
Cash flows	10,187,594
Borrowings excluding overdrafts	(11,130,857)
Convertible loan notes	346,423
Acquisitions and disposals	2,367,722
Exchange rate movements	(3,958)
<b>Closing net funds/(debt) as analysed below</b>	<b>1,439,176</b>
<b>Closing net funds/(debt)</b>	
Cash at bank and in hand	1,347,381
Borrowings excluding overdrafts	(11,815,857)
Convertible loan notes	-
<b>At 31 December</b>	<b>(10,468,476)</b>

### 37 Events after the reporting date

Following the year end, the Covid-19 pandemic has caused significant uncertainty around the world and the subsequent economic consequences are unknown. Details of the expected impact of the pandemic are noted in the Strategic Report.