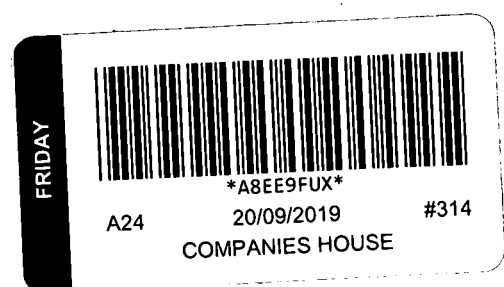


CBC UK Limited
Annual report and financial statements
For the year ended 31 December 2018

Registered number: 01973536



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Company information

Directors	R P Cottingham J S Newman S R Padda A S Wallas (Chairman)
Secretary	D J Field
Registered office	8-11 Crescent London EC3N 2LY
Company number	01973536
Auditor	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD

Chairman's Statement

I am pleased to present the Audited Financial Statement of CBC UK Ltd for the year ended 31st December 2018.

It has been a solid year of good progress, continuing to build a firm foundation for the future.

At this time last year, following the Management Buy Out (MBO) the operating profit increased from £74,000 to £731,000. In the year under review, the operating profit has increased from £731,000 to £946,000, a further increase of circa 30%. Our preferred measurement, EBITDA, has grown from £793,000 to £1,105,000, an increase of 39%. This represents a very strong performance against the background of difficult trading conditions.

Following the MBO in February 2017, the Company undertook an important process to discover its intention going forward. An intention goes much deeper and is more profound than goal setting. Intention is the seed of change and it is the creative power that fuels our business. It represents the DNA of our organisation.

The intention of CBC UK Ltd is made up of four critical elements, each of which carries equal weight:

1. To employ quality people
2. To act with integrity, innovation and excellence
3. To have fun
4. To create financial value of £25 million.

Over the past 12 months, we have made valuable progress in each of these areas.

Employing quality people is the cornerstone of our business. Quality people will produce highly desirable business, innovate and excel to create value for shareholders. We are currently talking to a number of dynamic and experienced individuals within the Lloyd's Market. During the coming year, I anticipate that we will employ an additional 10 to 15 individuals who will greatly enhance the product offering and professionalism of the organisation.

If we are to compete with the much larger broking houses, it is critical that we innovate and excel in our areas of expertise. We are consistently exploring new ways of delivering the services our clients require. It is not sufficient to sell "off the shelf" products or vanilla packages. We need to be market leaders and pioneers in our chosen fields.

The insurance products that we arrange for individuals and corporations provide valuable protection for their hard-won assets. This financial transaction carries with it responsibility and a level of seriousness. However, over the past decade, many business leaders have come to realise that happy, fulfilled people create greater profitability. This is not yet fully understood or appreciated by the business community as a whole, let alone encouraged. At CBC, we want all our employees to enjoy coming to work and to have fun interacting with each other, with clients and all shareholders.

In 2017 we purchased the business for £4.0 million. In the following two years we have increased the value to around £11.08 million. Our current intention is to reach a value of £25 million.

These four elements, taken together, form the DNA of our business.

In addition to articulating the intention of the Company, we have focused on the accountability of each individual within the CBC family. We live and operate within a business culture and a wider society that is sadly becoming less and less accountable; it is fashionable to blame someone or something else rather than to take responsibility. Every employee has a business card and an e-mail signature that reminds the giver/sender and the recipient that each one of us is accountable. We are accountable to the Company, to each other, to clients, to capacity providers and to all our wider stakeholders. We seek to encourage and support each other to embody this reality.

Individual accountability is totally aligned with the new regulatory framework being introduced by the Financial Conduct Authority (FCA) who is changing the current Approved Persons Regime to The Senior Managers and Certification Regime (SM&CR) which will fundamentally shift how people working in financial services are regulated, moving towards individual accountability.

Chairman's Statement (continued)

I would like to thank and congratulate Rob Cottingham and his experienced, dedicated team on another year of excellent results. I would particularly like to acknowledge the considerable support the Company has received from Sam Hovey in relation to our finance function and Tallis Kemp in relation to operations which has been invaluable. And finally, I would also like to reaffirm my appreciation for our two non-executive Directors, Suneeta Padda and Millie Kenyon for their robust and valuable support and guidance over the past 12 months. Millie resigned from the Board on 12th June 2019 and has been replaced by Jon Newman who was appointed to the board on 13th June 2019.

The Company is moving forward with confidence and enthusiasm.

Andrew Wallas

Chairman

Chief Executive Officer's report

The year under review, 2018, was the first full financial year following the previous year's management buy out and I am pleased to report that we have continued to flourish from both a financial and cultural perspective.

The top and bottom lines grew in line with budget and we have also focused, in earnest, on laying the infrastructural foundations for significant future growth and diversification.

During the period we have successfully completed a rebranding process, with a new logo, website and marketing material; all of which are designed to reflect our ethos and intention. PBS Insurance Limited has been renamed CBC Jersey Limited and we have also hired a dedicated individual to concentrate on ongoing marketing and development throughout the Group.

The process of bringing certain key services in house (which were previously handled by way of a third-party service arrangement) began during the year. Notably in this regard, during Q4 we started to build a new stand-alone finance area, which will finalise during early 2019.

On the broking side of the business, we have continued to expand, restructure and recruit quality individuals to join the existing divisions. New senior personnel have joined our Art & Private Client team and a niche Professional Indemnity team has resigned from their existing employer and are expected to join the Corporate Risks division within early 2019.

Additionally, the insurance market is showing, for the first time in many years, positive rate increases, which in turn will provide organic growth on the current book of business.

The ongoing intention is to establish new trading divisions within CBC and Andrew Wallas and I have dedicated a great deal of time during the year to seeking quality new individuals to join the business.

Continuing M&A activity in the Insurance intermediary sector is resulting in fewer and fewer SME brokers. Since its publication in September 2018, at least three of the brokers in the Insurance Times top 50 Brokers list have been acquired.

It is becoming increasingly apparent that talented individuals are looking for opportunities outside the big broking houses and this puts us in a good position to attract new personnel and new business.

We have been introduced to many people over the past 12 months and from the outset we have resisted the temptation to take on anyone who we feel will not complement the DNA of our business. We expect to establish at least two new broking divisions in 2019.

Our Channel Islands business, CBC Jersey Limited, which we acquired in June, is proving to be a useful addition and has integrated well. We expect this business to grow steadily and to enjoy a symbiotic relationship with the other trading areas.

The underwriting side of the business, Bell Underwriting Limited, successfully renewed its Lloyd's capacity for its longstanding property business portfolio. The renewal of this facility was far from straightforward due to recently implemented Lloyd's sign off procedures and generically, capacity for all classes is hard to source for these same reasons.

However, notwithstanding the above, we have sourced additional capacity to write two new facilities (high net worth property and commercial property) in 2019. A new underwriter joined during 2019 to take over responsibility for the day to day underwriting for all the business lines within Bell Underwriting.

In summary, 2018 has been another good year and a continuation of what we initiated in February 2017. We have set ourselves another challenging budget for 2019 but I am confident that this trend will continue and that 2019 will demonstrate a significant expansion to our existing business capabilities.

R P Cottingham

Chief Executive Officer

Directors' report

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

The Company's principal activity in the year under review remains that of a London Market general insurance intermediary. The directors are not aware, at the date of this report, of any likely major changes in the Company's principal activities in the forthcoming year.

On 29 June 2018, the Company acquired 100% of the share capital of PBS Insurance Limited, a company registered in Jersey. For further details see note 12.

Business review

The directors continue to seek to extend the scope of the Company's activities. During 2018 there were items of income that should be considered a 'one-off', such as other income of £68,642 being primarily the return of call on closed years relating to E&O insurance, and other amounts relating to the clearance of old ledger items.

Dividends

A dividend of £800,000 was declared and paid during 2018 (2017: £0)

Competitive environment

Despite the absence of any material general strengthening of premium rates in the London Market, the Directors believe an improvement in the company's profitability to be achievable.

Future developments

Appropriate advantage is being taken of any material development opportunities.

Key performance indicators

	2018	2017	Change
	£'000	£'000	%
Turnover	5,692	5,436	4.71
Operating profit	946	731	29.41
Profit for the financial year	833	646	28.95
Capital and reserves	1,988	1,955	1.69

Directors' report (continued)

Directors

The Directors of the Company during the year, and to the date of this report, are as follows:

I Cooke (appointed 17 December 2018, resigned 20 March 2019)
R P Cottingham
T A Kemp (resigned 19 October 2018)
C S Kenyon (appointed 19 February 2018, resigned 12 June 2019)
J S Newman (appointed 13 June 2019)
S R Padda
M J Pincombe (appointed 1 January 2017, resigned 4 April 2018)
D J Topping (appointed 17 February 2017, resigned 19 February 2018)
A S Wallas (Chairman - appointed 17 February 2017)

Going concern

These financial statements have been prepared on a going concern basis. For further information refer to the notes to these financial statements.

Principal risks and uncertainties

The Company's financial risk management objectives are to minimise the key financial risks through having a clearly defined terms of business with counterparties and stringent credit control over transactions with them and regular monitoring of cash flow and management accounts to ensure regulatory capital requirements are not breached and the Company maintains adequate working capital. The Company's principal foreign currency exposures arise from income denominated in foreign currencies.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Directors' report (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Brexit

The Directors have considered possible outcomes Brexit, the primary concern being the impact on the brokerage revenue, and do not consider that there will be any material impact on the Company in relation to this concern. There is minimal income in Euros, or with European clients.

Liability insurance

During the year, the Company maintained liability insurance for the Directors and other officers of the Company as permitted by Section 233 of the Companies Act 2006.

Statement as to disclosure of information to auditor

So far as each person who is a Director is aware, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken all steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

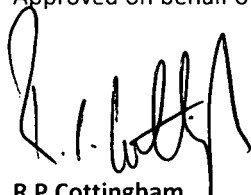
Auditor

Mazars LLP has expressed its willingness to continue in office and a resolution concerning reappointment will be put to the Directors at the board meeting approving these financial statements.

Small Companies exemption

A Strategic Report has not been provided on the basis of the small company's relief afforded by section 415(A) of the Companies Act 2006.

Approved on behalf of the board on 1 July 2019 and signed on its behalf by



R P Cottingham
Director

Independent auditor's report to the member of CBC UK Limited

Opinion

We have audited the financial statements of CBC UK Limited (the 'Company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 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.

The impact of uncertainties due to United Kingdom exiting the European Union on our audit

The Director's view on the impact of Brexit is disclosed on page 7. The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

Independent auditor's report to the member of CBC UK Limited (continued)

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent auditor's report to the member of CBC UK Limited (continued)

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on pages 6 - 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

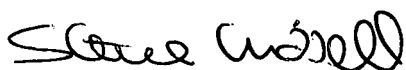
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

Independent auditor's report to the member of CBC UK Limited (continued)

Use of the audit report

This report is made solely to the Company's member 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 member 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 member as a body for our audit work, for this report, or for the opinions we have formed.



Steve Liddell (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD

1 July 2019

Statement of comprehensive income

For the year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	3	5,692,493	5,436,265
Administrative expenses		(4,746,802)	(4,704,993)
Operating profit	4	945,691	731,272
Dividend income		792	753
Interest receivable and similar income	7	27,422	5,180
Interest payable and similar charges	8	-	(312)
Profit on ordinary activities before taxation		973,905	736,893
Taxation	9	(140,647)	(91,367)
Profit for the year		833,258	645,526

All amounts relate to continuing operations.

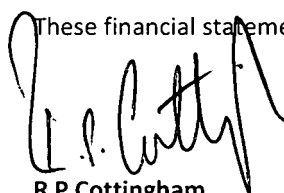
The notes on pages 14 to 32 are an integral part of these financial statements.

Statement of financial position

As at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible fixed assets	10	458,464	495,559
Tangible assets	11	154,958	79,425
Subsidiary undertaking	12	390,490	-
		<u>1,003,912</u>	<u>574,984</u>
Current assets			
Debtors	13	2,162,255	2,123,903
Investments		20,057	23,984
Cash at bank and in hand	14	225,350	277,765
		<u>2,407,662</u>	<u>2,425,652</u>
Creditors: amounts falling due within one year			
Trade and other creditors	15	(1,423,112)	(1,045,432)
		<u>984,550</u>	<u>1,380,220</u>
Net current assets			
		<u>1,988,462</u>	<u>1,955,204</u>
Total assets less current liabilities			
		<u>1,988,462</u>	<u>1,955,204</u>
Net assets			
		<u>1,988,462</u>	<u>1,955,204</u>
Capital and reserves			
Called up share capital	18	750,000	750,000
Profit and loss account		1,238,462	1,205,204
		<u>1,988,462</u>	<u>1,955,204</u>
Shareholder's funds			
		<u>1,988,462</u>	<u>1,955,204</u>

These financial statements were approved by the board of directors and authorised for issue on 1 July 2019.



R P Cottingham
Director

The notes on pages 14 to 32 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2018

	Called up share capital £	Profit and loss account £	Total £
At 1 January 2017	750,000	559,678	1,309,678
Profit for the year		645,526	645,526
Other comprehensive income		-	-
Total comprehensive income		645,526	645,526
Dividends payable		-	-
At 31 December 2017	<u>750,000</u>	<u>1,205,204</u>	<u>1,955,204</u>
Profit for the year		833,258	833,258
Other comprehensive income		-	-
Total comprehensive income		833,258	833,258
Dividends payable		(800,000)	(800,000)
At 31 December 2018	<u>750,000</u>	<u>1,238,462</u>	<u>1,988,462</u>

The notes on pages 14 to 32 are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2018

1 Accounting policies

1.1 General information

CBC UK Limited ("the Company") is a private limited company incorporated in the United Kingdom. The address of its registered office and principal place of business is 8-11 Crescent, London, EC3N 2LY.

The financial statements present information about the Company as an individual undertaking. The Company has not prepared consolidated accounts as it wholly owned by Paladin Holdings Limited which prepares consolidated accounts.

These Company financial statements have been presented in Pounds Sterling as this is the Company's functional currency, being the primary economic environment in which the Company operates.

1.2 Basis of preparation

These financial statements have been prepared in accordance with FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* ("FRS 102") and applicable legislation, as set out in the Companies Act 2006 and The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008. These financial statements have been prepared under the historical cost convention, as modified for the fair value of certain financial instruments.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders.

In preparing the Company individual financial statements, the Company has taken advantage of the following exemptions:

- from presenting a statement of cash flows, as required by Section 7 *Statement of Cash Flows*.

Exemption from preparing group accounts

The financial statements contain information about CBC UK Limited as an individual company and do not contain consolidated financial information as the parent of a Group. The Company has taken advantage of section 400 of the Companies Act 2006 and has not produced consolidated financial statements on the basis that it is a subsidiary of Paladin Holdings Limited, which prepares consolidated financial statement and is established under the laws of an EEA state.

Notes to the financial statements (continued)

For the year ended 31 December 2018

1 Accounting policies (continued)

1.3 Going concern

These financial statements have been prepared on a going concern basis.

The current economic conditions present increased risks for all businesses. In response to such conditions, the Directors have carefully considered these risks, including an assessment of uncertainty on future trading projections for a period of at least twelve months from the date of signing the financial statements, and the extent to which they might affect the preparation of the financial statements on a going concern basis.

Based on this assessment, the Directors consider that the Company maintains an appropriate level of liquidity, sufficient to meet the demands of the business including any capital and servicing obligations of external debt liabilities.

In addition, the Company's assets are assessed for recoverability on a regular basis, and the Directors consider that the Company is not exposed to losses on these assets which would affect their decision to adopt the going concern basis.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties that lead to significant doubt as to the Company's ability to continue as a going concern. Thus the Directors have continued to adopt the going concern basis of accounting in preparing these financial statements.

1.4 Revenue recognition

Revenue from the provision of insurance intermediary services

The Company generates revenue from commission and fees associated with placing insurance contracts.

Revenue relating to insurance broking is recognised at the later of date of invoicing of the transaction and the inception date of the coverage. Where there is an expectation of future servicing requirements, an element of income relating to the policy is deferred to cover the associated contractual obligation.

All revenue arises from the provision of insurance intermediary services.

Dividend income

Dividend income is recognised when the right to receive the distributions has been established.

Interest income

Interest income is recognised as interest accrues using the effective interest rate method.

Notes to the financial statements (continued)

For the year ended 31 December 2018

1 Accounting policies (continued)

1.5 Taxation

The tax expense for the year comprises current and deferred tax. Tax currently payable, relating to UK corporation tax, is calculated on the basis of the tax rates and laws that have been enacted as at the reporting date.

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted as at the reporting date, that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Deferred income tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.6 Foreign currencies

Foreign currency transactions are translated into the functional currency of the reporting entity using the exchange rate prevailing at the date the transactions took place. Income and expenses items are translated using an average exchange rate for the year where there are limited fluctuations in foreign exchange rates.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are reported at the rates of exchange prevailing at that date.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at the reporting date of monetary assets and liabilities are reported in profit or loss.

Notes to the financial statements (continued)

For the year ended 31 December 2018

1 Accounting policies (continued)

1.7 Goodwill

Goodwill recognised represents the excess of the consideration and directly attributable costs of the purchase consideration over the fair value of the Company's interest in the identifiable assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to the cash-generating units that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life. The useful life of goodwill is 20 years.

Goodwill is assessed for impairment where an indication of impairment exists at the reporting date.

1.8 Tangible assets

Tangible assets comprise of computer hardware and software, fixtures, fittings and office equipment, motor vehicles and leasehold improvements which are initially recognised at cost, being the purchase price plus any directly attributable costs, and are subsequently measured at cost less accumulated depreciation and any impairment losses.

Depreciation is charged on a straight line basis to administrative expenses in the statement of comprehensive income so as to allocate the asset's cost, less its estimated residual value, over its estimated useful life. The useful lives are as follows:

Computer hardware and software	- 3 years
Fixtures, fittings and office equipment	- 5 years
Motor vehicles	- 3 years
Leasehold improvements	- over the remaining term of the lease

Tangible assets are tested for impairment where an indication of impairment exists at the reporting date.

1.9 Investment in subsidiary undertaking

The investment in the subsidiary undertaking was recognised at cost less accumulated impairment losses in the Company financial statements. The investment was tested for impairment where an indication of impairment exists at the reporting date.

Notes to the financial statements (continued)

For the year ended 31 December 2018

1.10 Financial instruments

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument. The Company holds basic financial instruments, which comprise cash and cash equivalents, trade and other debtors, trade and other creditors, subordinated loan capital, and equity investments. The Company has chosen to apply the measurement and recognition provisions of Section 11 *Basic Financial Instruments*.

Financial assets – classified as basic financial instruments

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held with banks.

Trade and other debtors

Trade and other debtors are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Amounts that are receivable within one year are measured at the undiscounted amount expected to be receivable, net of any impairment.

Where a financial asset constitutes a financing transaction it is initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

At the end of each reporting year, the Company assesses whether there is objective evidence that any financial asset amount may be impaired. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the financial assets.

Investments

Current asset investments are comprised of equity investments which are publicly traded. These are carried at fair value. Movements in fair value are recognised in profit or loss.

Trade and other creditors

Trade and other creditors are initially measured at the transaction price, including any transaction costs.

Amounts that are payable within one year are measured at the undiscounted amount expected to be payable.

Subordinated loans

Subordinated loans were measured initially at the present value of future payments and subsequently at amortised cost using the effective interest method.

1.11 Equity share capital

A financial instrument is dealt with as an equity instrument where it evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Notes to the financial statements (continued)

For the year ended 31 December 2018

1.12 Employee benefits

Short-term benefits

Short-term benefits, including holiday pay and other similar benefits, are recognised as an expense in the period in which the service is received. An accrual is recognised for short term compensated absences where entitlement has accumulated, but has not been taken, at the reporting date.

Post-employment benefits

The Company operates defined contribution pension plans for its employees.

Contributions to the defined contribution pension plans are charged to profit or loss in the year to which the contributions relate.

1.13 Lease arrangements

Lease arrangements are classified as a finance lease where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other lease arrangements are classified as operating leases.

Payments made under operating lease arrangements are charged to profit or loss on a straight-line basis over the lease term.

1.14 Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that the obligation will be required to be settled, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are discounted when the time value of money is material.

2 Critical accounting judgements and key sources of estimation uncertainty

In applying the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Directors' 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 periodically reviewed. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

Notes to the financial statements (continued)

For the year ended 31 December 2018

2.1 Critical judgement in applying the Company's accounting policies

The critical judgement that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are discussed below.

Computation of deferred brokerage

Management estimation of projected ultimate claims servicing and accounting costs and costs of policy production for business placed up to the balance sheet date is required in order to determine the appropriate deferral of brokerage. The model employed assumes, where there is no specific intelligence to the contrary, that historic patterns, and relative significances, of incurring of such expenses will hold good over future financial reporting periods.

Estimated impairment of goodwill

In accordance with the accounting policy stated in note 1.7, the Company tests annually whether goodwill has suffered any impairment. These calculations require the use of estimates. The carrying value of goodwill is £458,464 (2017: £495,559).

Estimated impairment of investment in subsidiary undertakings

In accordance with the accounting policy stated in note 1.9, the Company tests annually whether investment in subsidiary undertakings has suffered any impairment. These calculations require the use of estimates. The carrying value of investment in subsidiary undertakings is £390,490 (2017: £Nil).

2.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recoverability of receivables

A provision for debtors is established where it is estimated that the debtors are not considered to be fully recoverable. When assessing recoverability the Directors consider factors such as the aging of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

3 Turnover

The Company's turnover was wholly represented by brokerage, commissions and fees in both the financial reporting period and in the comparative period.

Turnover is wholly attributable to the principal activity of the Company.

Turnover is substantially attributable to the United Kingdom.

Notes to the financial statements (continued)

For the year ended 31 December 2018

4 Operating profit

This is stated after charging/ (crediting):

	2018 £	2017 £
Amortisation of intangible assets	37,095	33,030
Revaluation of fixed asset investments	3,813	(1,106)
Depreciation of tangible assets	29,746	33,475
Foreign exchange losses / (gains)	2,327	(227)
Operating lease expenses – land and buildings	395,228	364,538
Operating lease expenses – other	1,605	1,563
Auditor's remuneration	39,400	40,359
An analysis of the auditor's remuneration is as follows:		
Fees payable to the Company's auditors and their associates for the audit of the Company's annual accounts	28,750	28,000
Taxation compliance services	3,900	4,000
Other services	6,750	8,359
	<u>39,400</u>	<u>40,359</u>

Notes to the financial statements (continued)

For the year ended 31 December 2018

5 Employee benefits

The average monthly number of employees (including directors) was:

	2018	2017
Broker and technical support staff (including claims)	37	47
Directors	2	3
	<u>39</u>	<u>49</u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	2,341,258	2,286,184
Social security costs	250,623	284,759
Pension costs (note 17)	155,002	191,106
	<u>2,746,884</u>	<u>2,762,049</u>

6 Directors' emoluments

The key management personnel of the Company are considered to be the executive directors. Their aggregate remuneration comprised:

	2018 £	2017 £
Remuneration:		
For management services	312,747	443,823
Compensation to Directors or past Directors in respect of loss of office	49,050	-
Pension contributions to defined contribution schemes	17,435	28,043
	<u>379,232</u>	<u>471,866</u>

There were two executive directors (2017: four) to whom benefits accrued under defined contribution pension schemes.

	2018 £	2017 £
Remuneration of the highest paid director:		
Remuneration for management services	228,682	193,130
Pension contributions to defined contribution schemes	15,600	12,800
	<u>244,282</u>	<u>206,730</u>

Notes to the financial statements (continued)

For the year ended 31 December 2018

7 Interest receivable and similar income

	2018 £	2017 £
Interest receivable on cash at bank and in hand	27,422	5,180
	<u>27,422</u>	<u>5,180</u>

8 Interest payable and similar charges

	2018 £	2017 £
Interest payable	-	312
	<u>-</u>	<u>312</u>

9 Taxation

The tax charge recognised in the Statement of Comprehensive Income comprises:

	2018 £	2017 £
Current tax		
UK corporation tax	133,350	101,622
Adjustments in respect of prior years	5,432	(1,806)
Total current tax	<u>138,782</u>	<u>99,816</u>
Deferred tax		
Origination and reversal of timing differences	1,865	(8,449)
Total deferred tax	<u>1,865</u>	<u>(8,449)</u>
Total tax on profit	<u>140,647</u>	<u>91,367</u>

Notes to the financial statements (continued)

For the year ended 31 December 2018

9 Taxation (cont'd)

Tax on profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are reconciled below:

	2018 £	2017 £
Profit on ordinary activities before taxation	973,905	736,893
Income tax calculated at 19.00% (2017: 19.25%)	185,042	141,852
Expenses not deductible for tax purposes	21,326	19,191
Group relief received	(61,661)	(51,792)
Depreciation in excess of capital allowances	(11,358)	(7,629)
Impact of change in tax rate	-	-
Adjustments to tax charge in respect of previous periods	5,432	(1,806)
Tax expense for the year	138,782	99,816

10 Intangible assets

	Goodwill £
Cost	
At 1 January 2018	680,294
Additions	-
Disposals	-
At 31 December 2018	680,294
Amortisation and impairment	
At 1 January 2018	184,735
Amortisation for the year	37,095
At 31 December 2018	221,830
Carrying value	
At 31 December 2018	458,464
At 31 December 2017	495,559

Notes to the financial statements (continued)

For the year ended 31 December 2018

11 Tangible assets

	Computer equipment £	Fixtures, fittings and equipment £	Motor vehicles £	Leasehold Improvements £	Total £
Cost					
At 1 January 2018	101,771	3,218	22,766	60,658	188,413
Additions	4,941	6,010	35,234	68,907	115,092
Disposals	-	-	(22,766)	-	(22,767)
At 31 December 2018	106,712	9,228	35,234	129,565	280,739
Depreciation					
At 1 January 2018	91,834	2,566	12,574	2,014	108,988
Depreciation charge	5,420	1,269	8,229	14,829	29,747
Disposals	-	-	(12,954)	-	(12,954)
At 31 December 2018	97,254	3,835	7,849	16,843	125,781
Carrying value					
At 31 December 2018	9,458	5,393	27,385	112,722	154,958
At 31 December 2017	9,937	652	10,192	58,644	79,425

The net carrying amount of assets held under finance lease included in tangible assets was £nil (2017: £nil).

Notes to the financial statements (continued)

For the year ended 31 December 2018

12 Investment in subsidiary undertaking

	2018 £	2017 £
Cost		
At 1 January	-	-
Acquisition of subsidiary undertaking	390,490	-
At 31 December	390,490	-
Provision for impairment charged to statement of comprehensive income		
At 1 January	-	-
Impairment charge	-	-
At 31 December	-	-
Carrying value		
At 1 January	-	-
At 31 December	390,490	-

On 29 June 2018, the Company acquired 100% of the share capital of PBS Insurance Limited, a company registered in Jersey.

The Company had the following investment in subsidiary undertakings:

Name	Country of incorporation	Nature of business	Proportion of capital held
Bell Risk Limited	United Kingdom	Dormant	100%
PBS Insurance Limited	United Kingdom	Insurance Broking	100%

Notes to the financial statements (continued)

For the year ended 31 December 2018

13 Debtors

	2018 £	2017 £
Amounts due within one year:		
Insurance debtors		
Net fiduciary assets (note 14)	1,684,312	1,488,641
Other debtors	105,340	177,026
Intercompany debtors	17,285	141,802
Prepayments and accrued income	355,318	316,434
	<u>2,162,255</u>	<u>2,123,903</u>

Insurance debtors of £5,470,962 (2017: £5,506,623) have been de-recognised, a net fiduciary asset being dealt with within the balance sheet.

14 Cash and cash equivalents

	2018 £	2017 £
Own funds	225,350	277,765
Fiduciary funds	12,653,836	8,999,221
	<u>12,879,186</u>	<u>9,276,986</u>
De-recognition of fiduciary funds	(12,653,836)	(8,999,221)
	<u>225,350</u>	<u>277,765</u>

In accordance with the regulations of the Financial Conduct Authority, all insurance funds are held in Non-Statutory Trust accounts ("NST"). As at 31 December 2018, the funds held in the NST accounts totalled £16,366,697 (2017: £8,999,221). Of this balance, £5,292 (2017: £1,920) related to contracts falling within the scope of section 5.3 of the Marine Act 1906.

The fiduciary funds are held in a trust, attributable risks and rewards residing in parties other than the Company. The Company administers the monies on behalf of counterparties. Accordingly, they have been de-recognised, only the Company's own funds being dealt with in the balance sheet. A net fiduciary asset has been dealt with within the balance sheet (see note 13).

Notes to the financial statements (continued)

For the year ended 31 December 2018

15 Trade and other creditors

	2018 £	2017 £
Amounts due within one year:		
Other creditors	213,953	183,251
Tax and social security	98,001	140,517
Corporation tax	133,385	98,606
Accruals and deferred income	496,982	623,058
Inter-company Creditors	480,791	-
	<u>1,423,112</u>	<u>1,045,432</u>

Insurance creditors of £12,633,869 (2017: £12,986,627) have been de-recognised. A net fiduciary asset has been dealt with within the balance sheet (see note 13).

16 Subordinated loans

During 2017 the Company was party to three subordinated loan agreements with its previous majority shareholder, Dr J P Booth, who was also a Director. Each of the subordinated loans was in the form specified by the Financial Conduct Authority ("FCA").

One of the subordinated loans, of £500,000, by extension of its original term, had a maturity date of 12 December 2018. The two further loans of £300,000 and £225,000, advanced on 30 March 2012 and 20 December 2012, respectively, had a maturity date of 30 March 2017 and 20 December 2017.

Each of these loans attracted interest at 10% per annum, which the directors consider to represent a commercial interest rate. Accordingly, as the loans are both basic financial instruments and financing instruments, the loan payables were discounted at the rate chargeable under the three agreements.

All three of the subordinated loans were settled as part of the management buy-out in 2017.

Notes to the financial statements (continued)

For the year ended 31 December 2018

17 Post-employment benefits

The Company operates two defined contribution schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The amounts charged to Company profit and loss account in the year totalled £155,002 (2017: £191,106). As at the balance sheet date, contributions amounting to £14,897 (2017: £10,798) had not been paid over to the fund and are included in other creditors.

18 Called up share capital

	2018 Number	2017 Number	2018 £	2017 £
Ordinary Shares of £1 each:				
Allotted, called up and fully paid	750,000	750,000	750,000	750,000

The ordinary shares have the right to receive notice of and attend and vote at any General Meeting duly convened, are entitled to participate in any winding up of the Company and have the right to receive a dividend when declared by the Company.

19 Operating leases

The Company had outstanding commitments for future minimum lease payments under operating leases as at the reporting date as follows:

	Land and buildings 2018 £	Other 2018 £	Land and buildings 2017* £	Other 2017* £
Not later than one year	415,261	5,139	405,880	1,605
Later than one year not later than five years	1,661,043	8,673	1,634,200	3,210
Later than five years	726,706	-	1,123,513	-
Total	2,803,010	13,812	3,166,263	4,815

The prior year comparatives have been updated to reflect full lease payment, having previously been 'non-cancellable' only.

20 Contingent liabilities and other commitments

As at 31 December 2018, the value of capital commitments contracted for but not recognised was £nil (2017: Nil).

21 Off balance sheet arrangements

The Company has not entered into any off balance sheet arrangements at the reporting date (2017: £nil).

Notes to the financial statements (continued)

For the year ended 31 December 2018

22 Related party transactions

During the year the Company paid expenses to BP Marsh and Partners plc, which is a 44.32% (2017: 35%) shareholder of Paladin Holdings Limited, of £325,252. During the year the Company also paid consulting fees to the following companies, which are controlled by the active directors of CBC UK Limited: Business Alchemy £160,000 (2017: £107,000); and Padda Consulting Limited £4,100 (2017: £3,550).

At year end the Company had outstanding balances of £81,623 (2017: £72,977) due to BP Marsh and £50,000 (2017: £40,000) due to Business Alchemy.

As at 31 December 2018 CBC UK Limited owed £480,791 (2017: Dr £141,802), included within creditors (2017: debtors), to the parent Company (note 15).

As at 31 December 2018 CBC UK Limited was owed £17,285 (2017: £Nil), included within debtors, from PBS Insurance Limited (subsidiary) (note 13).

23 Ultimate controlling party

The ultimate controlling party as at 31 December 2018 was Paladin Holdings Limited.

On 17 February 2017, 100% of the share capital of CBC UK Limited was acquired by Paladin Holdings Limited, via a management buy-out. The transaction was approved by the Financial Conduct Authority and CBC UK Limited continues to trade as before.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Paladin Holdings Limited. Copies of the group financial statements are available on request from 8-11 Crescent, London, EC3N 2LY.

24 Acquisition

On 29th June 2018 the Company acquired 100% of the share capital of PBS Insurance Limited, a Company registered in Jersey and whose primary activity is insurance broking, for consideration comprising of cash only. The fair value of the total consideration was £390,490.

Consideration at 29 June 2018

Cash consideration	365,858
Directly attributable costs	24,632
Total consideration	<u>390,490</u>

For cash flow purposes the amounts disclosed are as follows:

Cash consideration	365,858
Directly attributable costs	24,632
Less:	
Cash and cash equivalents acquired	<u>(40,592)</u>
Net cash outflow	<u>349,898</u>

Notes to the financial statements (continued)

For the year ended 31 December 2018

24 Acquisitions (continued)

The acquisition has been accounted for under the acquisition method. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Company:

	Book values £	Adjustments £	Fair Value £
Current assets			
Net client money fiduciary funds balances	25,319	-	25,319
Non IBA current bank accounts & cash	40,592	-	40,592
Total assets	65,911	-	65,911
Creditors			
Accruals	10,889	-	10,889
Provisions			
Taxation	-	-	-
Total liabilities	10,889	-	10,889
Net assets	55,022	-	55,022