

Berry Palmer & Lyle Limited
Annual report and financial statements
For the year ended 31 March 2019

Registered number: 01661686

THURSDAY



A8H8WGRT

A19

31/10/2019

#166

COMPANIES HOUSE

Contents

Company information	1
Strategic report	2
Directors' report	4
Independent auditor's report to the members of Berry Palmer & Lyle Limited	7
Profit and loss account	10
Statement of comprehensive income	11
Balance sheet	12
Statement of changes in equity	13
Notes to the financial statements	14

Company information

Directors	E P Ashworth	(resigned 18 June 2019)
	S D Aspinall	
	G J P Bellord	(resigned 18 June 2019)
	J C H Berry	
	D J B Brindley	(resigned 18 June 2019)
	T J Cullis	
	J W Esdaile	
	M J Graham	
	R K Kotecha	(resigned 18 June 2019)
	M J Lagrue	(resigned 18 June 2019)
	C H Y Radcliffe	(resigned 18 June 2019)
	J C C Reynolds	(resigned 18 June 2019)
	A J Taylor	(resigned 18 June 2019)
	P G Torrington	(resigned 18 June 2019)
	O G W Wright	(resigned 18 June 2019)
	S J G Evans	(resigned 18 June 2019)
Secretary	T J Cullis	
Company number	01661686	
Registered office (until 24 April 2019)	52 Leadenhall Street London EC3A 2EB	
Registered office (from 24 April 2019)	52 Lime Street London EC3M 7AF	
Auditor	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD	
Banker	HSBC Bank plc 60 Fenchurch Street London EC3M 4BA	

Strategic report

The directors present their strategic report for Berry Palmer & Lyle Limited (the "Company") for the year ended 31 March 2019.

Principal activity and review and analysis of the business

The Company's principal activity is the intermediation of specialist insurance contracts concerning trade and investment risks predominantly in emerging markets. The Company has an international client base and operates from offices in the UK, Dubai and Hong Kong.

Business development and financial performance remain satisfactory, as shown by the key performance indicators below:

		2019	2018
Turnover	+13.8%	£35,647,781	£31,316,628
Operating profit	+37.1%	£13,213,764	£9,640,935
Operating margin		37.1%	30.8%

Turnover

During the year management updated certain estimates and assumptions surrounding the measurement of deferred brokerage.

Changes to the amount of brokerage deferred relating to claims handling and to potential future policy cancellations resulted in an exceptional net increase in turnover of £1.4m.

Employee share ownership

The Board considers that preserving the Company's independence is vital to its continuing success. A dividend of £4,500,000 (2018: £8,000,000) was paid to its parent during the year to facilitate both ongoing equity redistribution transactions and the payment of dividends to shareholders of its parent.

Capital expenditure

On 24 April the Company moved into new London offices. Costs totalling £4.15m were capitalised within tangible assets during the year in relation to this move.

Working capital

Credit control is managed in accordance with terms of settlement set by underwriters on a contract by contract basis.

The Company's business does not follow a seasonal pattern and cash flows can be subject to material fluctuations depending on the timing and quantum of individual transactions. Moreover the Company from time to time receives and settles material claims and claims recoveries. For these reasons comparisons of period end balances are not necessarily significant. Working capital is managed in accordance with the client money rules of the Financial Conduct Authority (FCA) and its counterpart in Hong Kong. Fiduciary funds exceeded settlement liabilities by the required margin at all times during the year.

Strategic report

Regulatory capital

The Board aims to maintain regulatory capital levels materially in excess of the minimum requirement of the FCA as set out in its MIPRU regulation.

Business development

The Board maintains a variety of key performance indicators concerning business transaction volume, income forecasts, development of new sources, and statistics by class of business. However the directors consider that it would be prejudicial to the Company's business and a breach of their obligations under section 172 of the Companies Act to publish such information in a public document visible to its competitors. Other key performance indicators relate to internal workflow and quality control, which are applied and monitored continuously.

Regulatory and compliance

There have been no changes to the Company's regulatory position, nor any intervention by the Company's regulators, during the year.

Principal risks and uncertainties facing the business

The Board maintains a risk register and monitors the key risks facing the Company, together with the adequacy of the controls used for managing these risks. The Board conducts a formal review at least annually.

The Board considers that the principal commercial risks and uncertainties facing the Company are as follows:

Commercial risks

The Company acts in a competitive marketplace and is mindful of the capabilities and actions of its competitors. It counters this risk by maintaining its focus on the quality of its staff and the breadth of its service.

Reputational risk

It also places a high priority on the protection of its reputation, which it achieves by maintaining its focus on the training and competence of its workforce and the application of quality controls.

Regulatory risk

A varied approach is taken to the underwriting of the Company's specialist classes of insurance business by international regulators. The Company monitors the ability of the insurance markets with which it places insurance to continue to conduct business in the event of regulatory change.

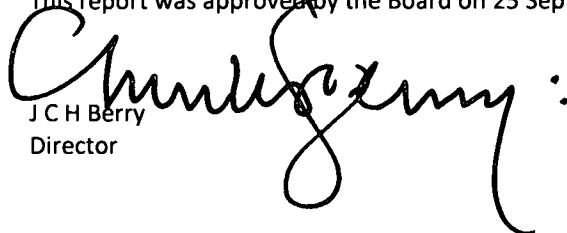
Operational and other risks

The Board considers that it has adequate protections in place concerning operational risks, including business disruption, and that its margins provide adequate protection against exchange rate, liquidity and credit risks.

Strategic report

Approval

This report was approved by the Board on 25 September 2019 and signed on its behalf by:

 :
J C H Berry
Director

Directors' report

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

The Company's registration number is 01661686.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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.

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.

Future developments

A combination of continued strong demand for the Company's services and the weakening of Sterling following the vote to leave the European Union in June 2016 contributed to a 13.8% increase in turnover during the year, and a rise in operating profit of 37.1%.

The directors continue to monitor and evaluate the potential impact of Brexit on the Company's business and have established a UK branch via a fellow subsidiary undertaking, BPL SAS, which is incorporated in France. This will enable the Company to continue to be able to service EEA-domiciled business via the wider BPL (Holdings) Limited group.

Results and dividends

The profit for the year, after taxation, was £10,718,165 (2018: £8,317,072).

During the year, the directors recommended and paid a dividend of £4,500,000 (2018: £8,000,000) to enable the Company's parent to finance equity redistribution transactions among employees and dividend payments.

Directors' report (continued)

Branches

The Company operates branches in Hong Kong and Dubai.

Financial instruments

Foreign exchange risk

The Company is exposed to foreign exchange risk through transactions in foreign currencies. This risk is managed by matching assets and related liabilities by currency wherever possible, and through the use of foreign exchange contracts as disclosed in Note 15.

Credit risk

The Company has a concentration of credit risk on its cash investments. It manages this risk by operating an investment policy that restricts placement of these investments only with highly creditworthy financial institutions. There is also a risk that other debtors will not pay. The Company minimises this risk by maintaining sound credit and collection policies.

Interest rate risk

The Company's operations are subject to the risk of interest rate fluctuations only as it affects interest earning assets.

Directors

The directors set out below held office during the year from 1 April 2018 to the date of this report, except as stated.

J C H Berry	Chairman
E P Ashworth	(resigned 18 June 2019)
S D Aspinall	Joint Managing Director
G J P Bellord	(resigned 18 June 2019)
D J B Brindley	(resigned 18 June 2019)
T J Cullis	Company Secretary
J W Esdaile	Joint Managing Director
M J Graham	
R K Kotecha	(resigned 18 June 2019)
M J Lagrue	(resigned 18 June 2019)
C H Y Radcliffe	(resigned 18 June 2019)
J C C Reynolds	(resigned 18 June 2019)
A J Taylor	(resigned 18 June 2019)
P G Torrington	(resigned 18 June 2019)
O G W Wright	(resigned 18 June 2019)
S J G Evans	(resigned 18 June 2019)

Charitable contributions

During the year, the Company made payments for charitable purposes of £97,512 (2018: £92,143).

Directors' report (continued)

Qualifying third party indemnity provisions

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers.

Going concern

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

The directors consider that the Company maintains an appropriate level of liquidity, sufficient to meet the demands of the business.

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 upon 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.

Statement as to disclosure of information to auditor

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

- so far as that director is aware, there is no audit information which should have been made available to the Company's auditor and has not been; and
- that director has taken all the steps that ought to have been taken as a director to establish information that might be needed by the Company's auditor in connection with preparing their report and to pass on that information to the Company's auditor.

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on 25 September 2019 and signed on its behalf by:



J C H Berry
Director

Independent auditor's report to the members of Berry Palmer & Lyle Limited

We have audited the financial statements of Berry Palmer & Lyle Limited (the "Company") for the year ended 31 March 2019 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the 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 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 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 Directors' view on the impact of Brexit is disclosed on page 4.

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.

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

Independent auditor's report to the members of Berry Palmer & Lyle Limited (continued)

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair

Independent auditor's report to the members of Berry Palmer & Lyle Limited (continued)

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.

Use of the audit report

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



Amanda Barker (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katherine's Way
London
E1W 1DD
Date 25/9/19

Profit and loss account

For the year ended 31 March 2019

Continuing operations	Note	2019 £	2018 £
Turnover	3	35,647,781	31,316,628
Administrative expenses		(22,434,017)	(21,675,693)
Operating profit	4	13,213,764	9,640,935
(Losses)/gains arising on derivative financial instruments held at fair value	15	(79,279)	26,784
Interest receivable and similar income	7	169,986	78,633
Profit on ordinary activities before taxation		13,304,471	9,746,352
Taxation	8	(2,586,306)	(1,429,280)
Profit for the year attributable to the owners of the Company		10,718,165	8,317,072

The notes on pages 15 to 33 are an integral part of these financial statements.

Statement of comprehensive income

For the year ended 31 March 2019

Continuing operations	2019 £	2018 £
Profit for the year attributable to the owners of the Company	10,718,165	8,317,072
Other comprehensive income		
Exchange differences arising on translation of foreign operations	31,958	(61,852)
Total comprehensive income for the year attributable to the owners of the Company	<u>10,750,123</u>	<u>8,255,220</u>

The notes on pages 15 to 33 are an integral part of these financial statements.

Balance sheet

As at 31 March 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	9	27,418	94,032
Tangible assets	10	4,214,049	315,353
		<u>4,241,467</u>	<u>409,385</u>
Current assets			
Debtors	11	7,467,267	5,169,541
Cash at bank and in hand	12	35,580,656	17,457,690
		<u>43,047,923</u>	<u>22,627,231</u>
Creditors: amounts falling due within one year	13	(28,934,201)	(11,634,876)
Net current assets		<u>14,113,722</u>	<u>10,992,355</u>
Total assets less current liabilities		<u>18,355,189</u>	<u>11,401,740</u>
Creditors: amounts falling due after more than one year	14	(3,878,932)	(3,314,348)
Net assets		<u>14,476,257</u>	<u>8,087,392</u>
Capital and reserves			
Called up share capital	17	500,000	500,000
Capital contribution reserve	18	768,349	629,607
Profit and loss account	18	13,207,908	6,957,785
Total equity		<u>14,476,257</u>	<u>8,087,392</u>

These financial statements were approved by the Board and signed on its behalf by:



T J Cullis
Director

25 September 2019

The notes on pages 15 to 33 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 March 2019

	Called up share capital	Capital contribution reserve	Profit and loss account	Total
	£	£	£	£
At 31 March 2017	500,000	517,944	6,702,565	7,720,509
Profit for the year	-	-	8,317,072	8,317,072
Other comprehensive income	-	-	(61,852)	(61,852)
Total comprehensive income	-	-	8,255,220	8,255,220
Capital contribution from the parent company in respect of share-based payments	-	111,663	-	111,663
Dividends paid	-	-	(8,000,000)	(8,000,000)
At 31 March 2018	<u>500,000</u>	<u>629,607</u>	<u>6,957,785</u>	<u>8,087,392</u>
Profit for the year	-	-	10,718,165	10,718,165
Other comprehensive income	-	-	31,958	31,958
Total comprehensive income	-	-	10,750,123	10,750,123
Capital contribution from the parent company in respect of share-based payments	-	138,742	-	138,742
Dividends paid	-	-	(4,500,000)	(4,500,000)
At 31 March 2019	<u>500,000</u>	<u>768,349</u>	<u>13,207,908</u>	<u>14,476,257</u>

The notes on pages 15 to 33 are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2019

1 Accounting policies

1.1 General information

Berry Palmer & Lyle 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 52 Lime Street, London, EC3M 7AF.

These financial statements have been presented in Pounds Sterling as this is the Company’s functional currency, being the currency of 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 Large and Medium-sized Companies and Groups (Accounts and Reports) 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.

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

- from disclosing key management personnel compensation, as required by paragraph 7 of Section 33 *Related Party Disclosures*;
- from presenting a reconciliation of the number of shares outstanding at the beginning and end of the year, as required by paragraph 12 of Section 4 *Statement of Financial Position*; and
- from presenting a statement of cash flows, as required by Section 7 *Statement of Cash Flows*.

On the basis that equivalent disclosures are given in the consolidated financial statements of the parent company, the Company has also taken advantage of the exemption not to provide certain disclosures required by Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues*. Details of where the parent company’s financial statements can be obtained are given in note 22.

Notes to the financial statements (continued)

For the year ended 31 March 2019

1 Accounting policies (continued)

1.3 Revenue

Revenue is measured at the fair value of the consideration receivable, net of discounts and rebates, and excluding VAT and other sales taxes or duty.

1.3.1 Turnover

Turnover comprises brokerage and fees.

Brokerage

Brokerage is derived from insurance contracts and is recognised on the inception date of individual contracts, or if later, the date on which placement has been completed. Brokerage is stated net of commissions to third parties.

Instalments

For contracts where the premium is payable in instalments, brokerage on such instalments is normally recognised when they fall due. Where premium instalments arise from deferred credit terms, and there is no possibility of cancellation, income on such instalments is recognised on inception or, if later, when the placement has been completed.

Adjustments

Brokerage arising from mid-term premium adjustments is recognised when such adjustments are made.

Future servicing obligation

Most contracts carry an obligation to provide post placement services, principally contract administration and amendment, claims handling and advice. Where there is the possibility of future servicing, an element of income relating to the policy is deferred to cover such associated contractual obligations.

Returned premiums and cancellations

In determining the fair value of brokerage to be recognised, an adjustment is made to reflect the amount of brokerage that may become repayable due to the cancellation and return premium of the underlying policy. In addition, certain contracts contain contingent obligations to make a return of premium, where a proportion of the brokerage earned would also be returnable. Accordingly, the relevant proportion of brokerage is deferred for recognition in the periods in which these services are provided, or in which relevant contingencies lapse.

Fee income

Fee income represents amounts receivable for consultancy services, and is recognised over the period in which the services are performed.

1.3.2 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 March 2019

1 Accounting policies (continued)

1.4 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 or substantively enacted as at the reporting date.

Deferred tax liabilities are provided in full on timing differences that result in an obligation at the balance sheet 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.

Timing differences arise from the inclusion of items of total comprehensive income in taxation computations in periods different from those in which they are included in the financial statements. 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 are not discounted.

1.5 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.

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 of monetary assets and liabilities at the reporting date, are reported within administrative expenses within profit or loss.

Where currencies are forward sold, gains or losses arising in relation to exchange rate movements at the reporting date are reported as gains or losses arising on derivative financial instruments held at fair value within profit or loss. The Company does not enter into derivative contracts for speculative purposes.

The assets and liabilities of the overseas branches are translated at the exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognised as other comprehensive income.

Notes to the financial statements (continued)

For the year ended 31 March 2019

1 Accounting policies (continued)

1.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the assets and liabilities of businesses acquired. Goodwill is amortised to profit or loss over its expected useful life of 10 years.

1.7 Intangible assets other than goodwill

Intangible assets other than goodwill comprise computer software.

Intangible assets are initially recognised at cost and are subsequently measured at cost less any accumulated amortisation and impairment losses.

Amortisation is calculated to write off the cost less residual value of all intangible fixed assets, to profit or loss in equal annual instalments over their estimated useful lives at the following rates:

Computer software	25% - 33.3% straight line
-------------------	---------------------------

1.8 Tangible assets

Tangible assets comprise computer hardware, office equipment and fixtures and fittings that are initially recognised at cost and are subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost less residual value of all tangible fixed assets, to profit or loss in equal annual instalments over their estimated useful lives at the following rates:

Computer hardware	25% - 33.3% straight line
Office equipment	20% straight line
Fixtures and fittings	Over the lease term

1.9 Impairment of assets

At each reporting date, the Company reviews the carrying value of its assets, or cash generating units, to determine whether there is any indication that those assets, or cash generating units, have suffered an impairment loss. If any such indication exists the recoverable amount is estimated in order to determine the extent of the impairment loss.

The recoverable amount of an asset, or cash generating unit, is the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset, or cash generating unit. The present value calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset, or cash generating unit, and from its ultimate disposal, applying an appropriate discount rate to those future cash flows.

Where the recoverable amount of an asset, or cash generating unit, is less than the carrying amount an impairment loss is recognised immediately in profit or loss. An impairment loss recognised for all assets, or cash generating units, is reversed in a subsequent year if, and only if, the reasons for the impairment loss have ceased to apply.

Notes to the financial statements (continued)

For the year ended 31 March 2019

1 Accounting policies (continued)

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 and non-basic financial instruments, which comprise cash and cash equivalents, trade and other debtors, trade and other creditors, fixed asset investments and derivative financial instruments. The Company has chosen to apply the measurement and recognition provisions of Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues* in full.

Financial assets – classified as basic financial instruments

Cash and cash equivalents

Cash and cash equivalents including cash in hand, deposits held with banks, other short-term highly liquid investments with original maturities of three months or less and non-statutory trust and fiduciary cash balances.

Trade and other debtors

Trade and other debtors are initially recognised at the transaction price, including any transaction costs. All amounts are receivable within one year and are measured at the undiscounted amount expected to be receivable, net of any impairment.

Fixed asset investments

Fixed asset investments are initially recognised at the transaction price, excluding any transaction costs, and are subsequently measured at fair value through profit or loss.

At each reporting date, the Company assesses whether there is objective evidence that any financial asset, which is not held at fair value through profit or loss, 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. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows. The amount of the provision is recognised immediately in profit or loss.

Financial liabilities – classified as basic financial instruments

Trade and other creditors

Trade and other creditors are initially recognised at the transaction price, including any transaction costs. All amounts are payable within one year and are measured at the undiscounted amount expected to be payable.

Derivative financial instruments – classified as non-basic financial instruments

Derivative financial instruments comprise forward foreign exchange contracts that are initially recognised at the transaction price, excluding any transaction costs, and are subsequently measured at fair value through profit or loss.

Notes to the financial statements (continued)

For the year ended 31 March 2019

1 Accounting policies (continued)

1.11 Insurance broking debtors and creditors

The Company has no legal title to the fiduciary assets arising from its insurance broking activities because it acts as the agent of its clients. In recognition of this relationship, insurance debtors are included as assets only to the extent of the brokerage due to the Company included within the relevant insurance premiums receivable.

Notwithstanding their fiduciary status, insurance cash balances are recognised within current assets. Such cash is held by the Company to make settlements of insurance payables on behalf of the principals from which it was received. The Company is also entitled to retain investment income arising from such balances.

Insurance creditors are shown as liabilities only to the extent that the Company holds fiduciary cash to meet the settlement payable.

Where settlement of insurance debtors and creditors is made to insurers through certain market settlement bureaux, the amounts of such insurance debtors and creditors are stated as net balances due to those bureaux, rather than as debtors and creditors due from or to the individual third parties they represent.

Insurance broking debtors and creditors are basic financial instruments and are recognised and measured in accordance with the financial instrument accounting policies, set out above.

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 a defined contribution pension scheme on behalf of employees. Contributions are made to externally funded schemes and are charged to profit or loss in the year to which the contributions relate.

Share-based payments

From time to time the Company's parent, which is wholly owned by employees of its subsidiary undertakings and by employee benefit trusts, invites certain employees to invest in the parent's share capital. It does this by granting share options at exercise prices approved by HMRC. The granting of share options in this way is regarded by financial reporting standards as the making of "share-based payments".

The share-based payments expense is the fair value of the options at their date of grant, estimated using a Black Scholes model, and taken to profit or loss over their minimum vesting periods. As the share options are settled using the shares of the parent company, an equal and opposite amount is recognised in the capital contribution reserve.

1.13 Lease arrangements

Payments made under operating lease arrangements are charged to profit or loss on a straight-line basis over the lease term. Benefits receivable as operating lease incentives are recognised within profit or loss on a straight-line basis over the lease term.

Notes to the financial statements (continued)

For the year ended 31 March 2019

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 reviewed on an ongoing basis. 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.

2.1 Critical judgements in applying the Company's accounting policies

The critical judgements 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.

Assessing indicators of impairment

In assessing whether there have been any indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions and experience of recoverability.

Notes to the financial statements (continued)

For the year ended 31 March 2019

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

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.

Establishing the fair value of investments

When the fair value of investments cannot be measured based on quoted prices in active markets or on the price of a recent transaction for an identical instrument, their fair value is measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Establishing the fair value of share options

The directors apply a Black Scholes model when establishing the fair value of share options at the date at which they are granted. The directors have applied judgement when estimating the inputs to the model, the variability of which will impact the fair value calculated by the model. Changes to the fair value estimate will impact the share-based payments expense that is recognised in profit or loss. Further information is set out in note 19.

Measuring the fair value of brokerage

At the reporting date, the directors measure the fair value of brokerage which includes an adjustment to reflect potential cancellations and returned premiums. As future cancellations and returned premiums are unknown, the directors estimate cancellation and returned premium rates based on the historical incidence of return premium volumes and make adjustments accordingly. Variations to the estimates will affect the amount and timing of brokerage recognised.

Measuring deferred brokerage

The Company defers brokerage in respect of future servicing requirements associated with business placed. As the future servicing requirements are unknown, at the reporting date the directors have established an estimate of the brokerage to be deferred based on historic patterns in post-placement activities and experience of similar business placed. Variations to the estimates will affect the amount and timing of brokerage recognised.

Notes to the financial statements (continued)

For the year ended 31 March 2019

3 Turnover

Turnover represents the value of brokerage, fees and commissions charged to clients.

	2019	2018
	£	£
Brokerage	35,625,519	31,124,945
Fees	22,262	191,683
	<u>35,647,781</u>	<u>31,316,628</u>

An analysis of turnover by geographical markets is not given as the directors consider this is prejudicial to the Company's interests as provided by the Companies Act 2006 and SI 2008 No.410.

4 Operating profit

This is stated after charging/(crediting):

	2019	2018
	£	£
Amortisation of intangible assets	79,868	85,976
Depreciation of tangible assets	254,994	126,679
Loss on sale of tangible assets	-	11,306
Foreign exchange losses	(35,867)	45,741
Operating lease expenses – land and buildings	883,424	608,882
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	43,050	41,200
	<u> </u>	<u> </u>

Fees paid to the Company's auditor, Mazars LLP, for services other than the statutory audit of the Company are not disclosed since the consolidated accounts of the Company's parent, BPL (Holdings) Limited, disclose non-audit fees on a consolidated basis.

5 Staff costs

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

	2019	2018
Management and administration	33	28
Broking and technical	47	44
	<u>80</u>	<u>72</u>

Notes to the financial statements (continued)

For the year ended 31 March 2019

5 Staff costs (continued)

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	12,984,149	13,555,852
Social security costs	1,750,825	1,770,141
Pension costs	660,574	654,866
Share-based payments	138,742	111,663
	<u>15,534,290</u>	<u>16,092,522</u>

6 Directors' remuneration

Directors' aggregate remuneration comprised:

	2019 £	2018 ¹ £
Remuneration:		
Emoluments	8,351,108	8,862,029
Share based payments	51,581	18,142
Pension contributions	165,005	141,022
	<u>8,567,694</u>	<u>9,021,193</u>

£806,928 (2017: £860,007) included within the above related to remuneration that was borne by a fellow subsidiary undertaking. Remuneration of directors is stated in whole and is not allocated between group entities.

There were 8 directors (2018: 8) to whom benefits were accruing under defined contribution pension schemes.

4 directors (2018: 7) exercised share options during the year.

	2019 £	2018 £
Remuneration of the highest paid director:		
Emoluments	722,523	942,087
Pension contributions	84,405	-
	<u>806,928</u>	<u>942,087</u>

No share options over 'B' shares of the parent company, BPL (Holdings) Limited were exercised by the highest paid director during the year (2018: none).

¹ The disclosure has been restated to include a director that is paid by a fellow subsidiary. This does not affect the amounts presented in the primary statements.

Notes to the financial statements (continued)

For the year ended 31 March 2019

7 Interest receivable and similar income

	2019 £	2018 £
Interest arising on bank balances	169,986	78,633

8 Taxation

The tax charge recognised in profit comprises:

	2019 £	2018 £
Current tax		
UK corporation tax on profit for the year	2,508,791	1,412,031
Adjustments in respect of prior years	22,174	(1,805)
Total current tax	2,530,965	1,410,226
Deferred tax		
Origination and reversal of timing differences	56,872	19,054
Adjustments in respect of prior years	(1,531)	-
Total deferred tax	55,341	19,054
Total tax	2,586,306	1,429,280

Tax on profit on ordinary activities for the year is calculated based on the standard rate of corporation tax in the UK of 19%. The differences are reconciled below:

	2019 £	2018 £
Profit on ordinary activities before taxation	13,304,471	9,746,352
Corporation tax calculated at 19% (2018: 19%)	2,527,849	1,851,807
Effects of:		
Tax credit on share scheme	(112,433)	(500,650)
Expenses not deductible for tax purposes	152,402	67,892
Change in tax rate	(6,691)	7,274
Adjustments in respect of prior years	20,643	(1,805)
Unrecognised tax losses	4,601	4,762
Other differences	(65)	-
Total tax	2,586,306	1,429,280

Factors that may affect future tax charges

The UK corporation tax rate remained at 19% with effect from 1 April 2017 and will be further reduced from 19% to 17% with effect from 1 April 2020.

Notes to the financial statements (continued)

For the year ended 31 March 2019

9 Intangible assets

	Computer software £	Goodwill £	Total £
Cost			
At 31 March 2018	148,376	543,048	691,424
Additions	13,254	-	13,254
At 31 March 2019	161,630	543,048	704,678
Amortisation			
At 31 March 2018	108,650	488,742	597,392
Amortisation	25,562	54,306	79,868
At 31 March 2019	134,212	543,048	677,260
Carrying value			
At 31 March 2019	27,418	-	27,418
At 31 March 2018	39,726	54,306	94,032

Amortisation charge is included within the administrative expenses in the profit and loss account

Notes to the financial statements (continued)

For the year ended 31 March 2019

10 Tangible assets

	Computer hardware £	Office equipment £	Fixtures and fittings £	Total £
Cost				
At 31 March 2018	409,142	206,753	47,047	662,942
Additions	702,523	256,375	3,194,792	4,153,690
At 31 March 2019	1,111,665	463,128	3,241,839	4,816,632
Depreciation				
At 31 March 2018	182,239	164,051	1,299	347,589
Depreciation	132,296	35,201	87,497	254,994
At 31 March 2019	314,535	199,252	88,796	602,583
Carrying value				
At 31 March 2019	797,130	263,876	3,153,043	4,214,049
At 31 March 2018	226,903	42,702	45,748	315,353

On 24 April the Company moved into new London offices. Costs totalling £4,154k were capitalised within tangible assets during the year in relation to this move.

Notes to the financial statements (continued)

For the year ended 31 March 2019

11 Debtors

	2019	2018
	£	£
Insurance debtors	4,624,385	2,528,019
Amounts due from group undertakings	23,466	4,608
Prepayments and accrued income	2,672,137	2,030,268
Other debtors	140,787	103,080
Deferred tax asset (note 16)	6,492	61,833
Corporation tax	-	438,579
Derivative financial instruments (note 15)	-	3,154
	<u>7,467,267</u>	<u>5,169,541</u>

Amounts receivable from group undertakings are unsecured, interest free and repayable on demand.

Insurance debtors includes £13,661 (2018: £25,941) in respect of brokerage receivable arising from insurance intermediation activities in Hong Kong.

12 Cash at bank and in hand

	2019	2018
	£	£
Own funds	16,410,648	11,542,557
Fiduciary funds	19,170,008	5,915,133
	<u>35,580,656</u>	<u>17,457,690</u>

Fiduciary funds arising from insurance intermediation activities in the UK are held in non-statutory trust accounts in accordance with the regulations of the Financial Conduct Authority. Fiduciary funds arising from insurance intermediation activities in Hong Kong are held in segregated client accounts in accordance with the requirements of the Hong Kong Confederation of Insurance Brokers.

Fiduciary funds of £109,570 (2018: £6,973) arose from insurance intermediation activities in Hong Kong Confederation of Insurance Brokers.

Notes to the financial statements (continued)

For the year ended 31 March 2019

13 Creditors: amounts falling due within one year

	2019 £	2018 £
Insurance creditors	16,174,027	4,621,847
Amounts due to group undertakings	3,653,687	3,047,566
Corporation tax	142,996	-
Other tax and social security	2,096,686	320,653
Other creditors	283,290	114,406
Derivative financial instruments (note 15)	76,125	-
Accruals and deferred brokerage income	6,507,390	3,530,404
	<u>28,934,201</u>	<u>11,634,876</u>

Amounts due to group undertakings are unsecured, interest free and payable on demand.

Insurance creditors includes £108,618 (2018: £6,082) in respect of brokerage payable arising from insurance intermediation activities in Hong Kong.

14 Creditors: amounts falling due after more than one year

	2019 £	2018 £
Return premiums and cancellations provision	2,074,192	789,532
Future servicing obligation	857,782	2,524,816
Leasehold commitment	946,958	-
	<u>3,878,932</u>	<u>3,314,348</u>

Notes to the financial statements (continued)

For the year ended 31 March 2019

15 Derivative financial instruments

	2019 £	2018 £
Fair value		
At 31 March	3,154	(23,630)
Fair value (losses)/gains recognised in profit and loss account	(79,279)	26,784
At 31 March	<u>(76,125)</u>	<u>3,154</u>

The Company uses forward foreign exchange contracts to minimise exposure to short-term foreign exchange risk associated with current assets denominated in foreign currencies. Such contracts, which have a maturity of less than one year, are derivative financial instruments for the purposes of these financial statements.

The fair value of such instruments has been calculated using market and non-market inputs to estimate expected discounted cash flows. These include the contracted exchange rates of individual contracts, and forward exchange rates determined by the issuers of those contracts.

The notional and fair value of the open derivative financial instruments at the reporting date were as follows:

	Notional value 2019	Notional value 2018	Fair value 2019 £	Fair value 2018 £
Euro denominated contracts	€760,000	€480,000	75,286	3,156
United States dollar denominated contracts	\$5,100,000	\$3,400,000	839	(2)
			<u>76,125</u>	<u>3,154</u>

Notes to the financial statements (continued)

For the year ended 31 March 2019

16 Deferred tax

	2019 £	2018 £
At 31 March	61,833	80,887
Movement during the year recognised in profit or loss	(56,872)	(19,054)
Adjustment in respect of prior year	1,531	-
At 31 March	<u>6,492</u>	<u>61,833</u>

Represented by:

Deferred tax asset (note 11):

Excess of depreciation over capital allowances	(54,970)	(12,946)
Defined contribution pension scheme	19,946	18,089
Share-based payments	41,516	56,690
	<u>6,492</u>	<u>61,833</u>

The net deferred tax asset expected to reverse during the forthcoming financial year is £32,080 (2018: £18,089). This primarily relates to the reversal of the pension scheme accrual.

17 Called up share capital

	2019 Number	2018 Number	2019 £	2018 £
Allotted, called up, issued and fully paid				
Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>

The Company has one class of ordinary shares; each share carries one voting right per share but no right to fixed income.

18 Reserves

Capital contribution reserve

The capital contribution reserve represents the cumulative economic cost of granting options. The granting of options is treated as the making of share-based payments as described in Note 1.12. This cost has been taken to profit or loss and reflected as a capital contribution made by the Company's parent.

Profit and loss account

The profit and loss account represents cumulative profits and losses arising from operations including foreign exchange gains and losses arising on translation of foreign operations.

Notes to the financial statements (continued)

For the year ended 31 March 2019

19 Share-based payments

The Company's parent grants options over shares to certain employees. Share options transactions during the year are summarised as follows:

	Number of B ordinary shares under option 2019	Weighted average exercise price 2019 £	Number of B ordinary shares under option 2018	Weighted average exercise price 2018 £
Outstanding at beginning of period	157,000	10.56	296,500	7.97
Lapsed during the period	(11,200)	12	(1,250)	12
Exercised during the period	(33,875)	5	(138,250)	5
Outstanding at the end of the period	<u>111,925</u>	<u>10.43</u>	<u>157,000</u>	<u>10.56</u>
Exercisable at the end of the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The options outstanding at 31 March 2019 had a weighted average remaining contractual life of 6 years and 6 months (2018: 7 years and 8 months).

	Number of D ordinary shares under option 2019	Weighted average exercise price 2019 £	Number of D ordinary shares under option 2018	Weighted average exercise price 2018 £
Outstanding at beginning of period	38,750	5	-	-
Granted during the period	62,650	15	38,750	5
Outstanding at the end of the period	<u>101,400</u>	<u>11.12</u>	<u>38,750</u>	<u>5</u>
Exercisable at the end of the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The options outstanding at 31 March 2019 had a weighted average remaining contractual life of 8 years and 8 months (2018: 9 years).

All options vest within 3 to 7 years and are exercisable between 3 and 10 years from the date of grant.

The share-based payments expense represents the economic cost of granting options. It is based on the estimated fair value of the options at the time they are granted and is spread over their minimum vesting periods.

Notes to the financial statements (continued)

For the year ended 31 March 2019

19. Share-based payments (continued)

Fair value is calculated using a Black Scholes model using the following assumptions:

	2019	2018
Weighted average share price	£15	£5
Weighted average exercise price	£15	£5
Expected volatility	25%	25%
Expected life	42 – 90 months	42 months
Risk free rate	1.08%	0.42%

Expected volatility was determined by reference to the volatility of similar listed entities. The expected life in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The share-based payments expense recognised in the year was £138,742 (2018: £111,663). A further £164,438 (2018: £112,404) will be taken to profit or loss in future years.

20 Operating leases

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

	Land and buildings 2019 £	Land and buildings 2018 £
Not later than one year	158,730	393,688
Later than one year not later than five years	2,735,961	49,871
Later than five years	8,125,378	-
Total	11,020,069	443,559

21 Related party transactions

The Company has taken advantage of the exemption conferred by Section 33 Related Party Transactions not to disclose transactions with wholly owned members of the group.

At the reporting date, the Company had trade receivables of £8,511 (2018: £nil) from BPL Global US LLC, a fellow subsidiary undertaking.

22 Ultimate controlling party

The Company's immediate and ultimate parent undertaking is BPL (Holdings) Limited.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by BPL (Holdings) Limited. Copies of the group financial statements are available on request from 52 Lime Street, London, EC3M 7AF.